

**Employment & Economic Development**

**Project Funding Summary**

(\$ in Thousands)

Project Title	Agency Priority	Funding Source	Agency Request			Governor's Rec	Governor's Planning Estimates	
			2014	2016	2018	2014	2016	2018
Business Development Public Infrastructure	1	GO	\$10,000	\$10,000	\$10,000	\$5,000	\$5,000	\$5,000
Transportation Economic Development	2	GO	17,500	17,500	17,500	5,000	5,000	5,000
Redevelopment Grants	3	GO	5,000	5,000	5,000	1,000	1,000	1,000
Innovative Business Development Infrastructure	4	GO	5,000	5,000	5,000	1,000	1,000	1,000

Project Total	\$37,500	\$37,500	\$37,500	\$12,000	\$12,000	\$12,000
General Obligation Bonding (GO)	\$37,500	\$37,500	\$37,500	\$12,000	\$12,000	\$12,000

<b>Funding Sources:</b>	GF = General Fund	THF = Trunk Highway Fund	OTH = Other Funding Sources
	GO = General Obligation Bonds	THB = Trunk Highway Fund Bonding	UF = User Financed Bonding

## Mission

The mission of the Department of Employment and Economic Development (DEED) is to enhance the economic success of individuals, businesses, and communities by improving opportunities for prosperity and independence.

## Statewide Outcome(s)

DEED supports the following statewide outcome(s):

A thriving economy that encourages business growth and employment opportunities.

Minnesotans have the education and skills needed to achieve their goals.

Strong and stable families and communities.

## Context

Minnesota's economic future depends on successful, competitive businesses capable of employing citizens in good jobs; on trained workers who can enter and grow in those jobs; and on vibrant communities which can support business and employment growth. DEED programs support its vision of Minnesotans working together to build a prosperous state where:

- Businesses are globally competitive and locally engaged in their communities
- Minnesotans have world-class talent and achieve their highest career and independent living potential, and
- Communities are desirable places to live and work.

DEED is primarily funded by the federal government; however, some activities are also funded through the state's general fund, workforce development fund, and other special revenue funds.

## Strategies

DEED provides service to its customers via staff located throughout the state. It also leverages resources by contracting with vendors or partners that

help DEED achieve its goals. To encourage innovation, DEED awards grants to deliver services in new ways or to resolve difficult problems.

DEED specialists market Minnesota to attract new business and help develop existing or start-up businesses. Community development staff work on revitalization issues and prepare for economic development opportunities.

There are nearly 50 WorkForce Centers where people looking for jobs can find employment and career assistance. An online job bank—MinnesotaWorks.net—connects job seekers and employers. Unemployment insurance benefits are available for people who have lost their jobs through no fault of their own. And, DEED's labor market information helps all customers make educated decisions about their futures.

## Measuring Success

DEED tracks numerous performance measures to determine progress towards goals including:

- The number and percent of individuals employed after being served by a DEED program
- The timeliness of benefit payments and accuracy of decision-making
- The amount of private investment leveraged in business development and expansion
- The amount of Minnesota's exports
- The number of jobs created with DEED assistance

**At A Glance: Agency Long-Range Strategic Goals**

The mission of the Department of Employment and Economic Development (DEED) is to enhance the economic success of individuals, businesses, and communities by improving opportunities for prosperity and independence.

DEED has adopted the following four strategies to achieve its overarching goal of economic growth:

- Help create a business climate for growth and new businesses.
- Maximize talent development to meet demand.
- Create a culture of sustainable collaboration.
- Raise awareness of Minnesota’s advantages and opportunities.

**Trends, Policies, and Other Issues Affecting the Demand for Services, Facilities, or Capital Programs**

**Community Development Programs**

DEED offers grants, loans, and other assistance to communities for a variety of community needs, including: public infrastructure, redevelopment, and contaminated site clean-up.

*Public Infrastructure:* The goals of the Greater Minnesota Business Development Public Infrastructure Program and the Innovative Business Development Infrastructure programs are to keep and enhance jobs in a particular area; to increase a city’s tax base; and to create and expand new economic development in a city. Both programs use state funds along with private and local resources to stimulate investment and for expensive infrastructure. Providing infrastructure in undeveloped areas helps maintain healthy communities throughout Minnesota.

*Redevelopment:* The Redevelopment Grant Program provides funding to local governments and development agencies to put obsolete or abandoned properties into new uses. The program promotes in the recycling of land, provides an incentive to develop on existing sites, and helps to revitalize cities. The costs of developing these kinds of sites are very high; redevelopment grants support job creation, housing development, and tax base growth.

*Transportation Economic Development:* The Transportation Economic Development (TED) Program assists communities in creating and preserving jobs, makes the state more competitive, increases the tax base, speeds up transportation projects, and attracts more private investment for public infrastructure improvements. TED is a competitive grant program that provides up to 70% of the transportation and 50% of other public infrastructure costs associated with economic development projects. In the 2010 grant round, 11 projects across the state were selected for \$34 million in funding. Those grants attracted an additional \$18 million in private and local government investments. The eleven selected projects will help create or preserve over 4,000 permanent jobs statewide while significantly increasing the tax base.

**Provide a Self-Assessment of the Condition, Suitability, and Functionality of the present Facilities, Capital Projects, or Assets**

N/A - DEED is requesting funds for financing programs.

**Agency Process Used to Arrive at these Capital Requests**

DEED staff had discussions internally and with customers to determine what funding was most important to help businesses create jobs and grow.

**Major Capital Projects Authorized in 2010 and 2011**

**2010**

*Greater Minnesota Business Development Public Infrastructure and Innovative Business Development Infrastructure programs* received 48 applications requesting over \$11.6 million. Of those, 38 projects received \$8.9 million in funding; those grants attracted \$20 million in private funds and are expected to create 1300 new jobs and retain 1250 jobs.

*Transportation Economic Development Program* was able to assist 11 projects with \$34 million in funds. 23 applications (for another \$84 million) were unable to be assisted.

*Redevelopment Grant Program* funded 15 projects with a total of \$7.8 million. Those funds attracted over \$198 million in private dollars with 400 expected new jobs and retaining 240 existing jobs.

### **2011**

The 2011 Special Session provided \$4 million for the Greater Minnesota Business Development Public Infrastructure Grant Program and \$5 million for the Innovative Business Development Public Infrastructure Grant Program. Applications are accepted for those programs throughout the year. The Redevelopment Program received \$2 million in operating dollars.

**Business Development Public Infrastructure**

**2014 STATE APPROPRIATION REQUEST:** \$10,000,000

**AGENCY PROJECT PRIORITY:** 1 of 4

**Project At A Glance**

Business Development Public Infrastructure (BDPI) Grants provide funding – up to 50 percent of eligible costs - to cities in Greater Minnesota for public infrastructure that helps businesses expand or create jobs.

**Project Description**

The Department of Employment and Economic Development (DEED) is requesting funding for the BDPI program (M.S. 116J.431). This program uses state funds (along with private and local resources) for expensive infrastructure projects that attract private investments. The BDPI program pays up to 50 percent of eligible costs (though not more than \$1 million per city) over two years.

The goal of the program is to keep and enhance jobs in a particular area; to increase a city’s tax base; and to create and expand new economic development in a city. Funds are available through competitive grants. DEED accepts applications all year, but only grants funding for projects when they are ready to start construction. In the past, BDPI funds have been used up 8-10 months after they become available and some viable projects did not receive funding. DEED requests additional funding to meet all the local needs over the two year bonding period. There are no funds remaining in the BDPI program; many cities are expected to apply when funds become available again.

**Impact on Agency Operating Budgets (Facilities Notes)**

None

**Previous Appropriations for this Project**

From 2004-10 the BDPI program awarded \$33 million, which funded 105 projects creating 2000 jobs with a total investment in excess of \$100 million. From 2011-2013, the program awarded \$13.2 million which funded 44

projects that will create 1,081 jobs, retain 4,547 jobs and leverage investment of \$24.8 million. In 2012, DEED received \$6 million, of that \$6 million the legislature required \$3.6 million be directed to the Lake Superior Poplar Water District. In 2010, \$3 million was transferred to the TED program.

Year	Program Funding	Projects Awarded	Leverage	Jobs Created and Retained
2011	\$5 million	24	\$13.1 million	411 / 3,366
2012	\$2.7 million	12	\$7.2 million	561 / 955
2013	\$5.5 million	8	\$4.5 million	109 / 226

**Other Considerations**

Providing infrastructure for undeveloped industrial parks is very important in stimulating private investment and maintaining strong communities throughout Greater Minnesota. With more funding over the next two years, DEED will be able to compete for economic development projects that can help grow the State’s economy.

**Project Contact Person**

Tom Gast, Director or Kevin McKinnon, Executive Director  
 Minnesota Department of Employment and Economic Development  
 1st National Bank Building  
 332 Minnesota Street, Suite E200  
 St. Paul, Minnesota 55101-1351  
 Phone: (651) 259-7425  
 Fax: (651) 296-1290  
 Email: [Tom.Gast@state.mn.us](mailto:Tom.Gast@state.mn.us)

**Governor’s Recommendation**

The Governor recommends general obligation bonding of \$5 million for this request. Also included are budget estimates of \$5 million for each planning period for 2016 and 2018.

<b>TOTAL PROJECT COSTS All Years and Funding Sources</b>	<b>Prior Years</b>	<b>FY 2014-15</b>	<b>FY 2016-17</b>	<b>FY 2018-19</b>	<b>TOTAL</b>
1. Property Acquisition	0	0	0	0	0
2. Predesign Fees	0	0	0	0	0
3. Design Fees	0	0	0	0	0
4. Project Management	0	0	0	0	0
5. Construction Costs	190,700	20,000	20,000	20,000	250,700
6. One Percent for Art	0	0	0	0	0
7. Relocation Expenses	0	0	0	0	0
8. Occupancy	0	0	0	0	0
9. Inflation	0	0	0	0	0
<b>TOTAL</b>	<b>190,700</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>	<b>250,700</b>

<b>CAPITAL FUNDING SOURCES</b>	<b>Prior Years</b>	<b>FY 2014-15</b>	<b>FY 2016-17</b>	<b>FY 2018-19</b>	<b>TOTAL</b>
State Funds :					
G.O Bonds/State Bldgs	32,250	10,000	10,000	10,000	62,250
Bond Proceeds Grants	20,000	0	0	0	20,000
<b>State Funds Subtotal</b>	<b>52,250</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>82,250</b>
Agency Operating Budget Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0
Local Government Funds	138,450	10,000	10,000	10,000	168,450
Private Funds	0	0	0	0	0
Other	0	0	0	0	0
<b>TOTAL</b>	<b>190,700</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>	<b>250,700</b>

<b>CHANGES IN STATE OPERATING COSTS</b>	<b>Changes in State Operating Costs (Without Inflation)</b>			
	<b>FY 2014-15</b>	<b>FY 2016-17</b>	<b>FY 2018-19</b>	<b>TOTAL</b>
Compensation -- Program and Building Operation	0	0	0	0
Other Program Related Expenses	0	0	0	0
Building Operating Expenses	0	0	0	0
Building Repair and Replacement Expenses	0	0	0	0
State-Owned Lease Expenses	0	0	0	0
Nonstate-Owned Lease Expenses	0	0	0	0
Expenditure Subtotal	0	0	0	0
Revenue Offsets	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Change in F.T.E. Personnel	0.0	0.0	0.0	0.0

<b>SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS</b> (for bond-financed projects)	<b>Amount</b>	<b>Percent of Total</b>
General Fund	10,000	100.0%
User Financing	0	0.0%

<b>STATUTORY AND OTHER REQUIREMENTS</b>	
Project applicants should be aware that the following requirements will apply to their projects after adoption of the bonding bill.	
No	MS 16B.335 (1a): Construction/Major Remodeling Review (by Legislature)
No	MS 16B.335 (3): Predesign Review Required (by Administration Dept)
No	MS 16B.335 and MS 16B.325 (4): Energy Conservation Requirements
No	MS 16B.335 (5): Information Technology Review (by Office of Technology)
Yes	MS 16A.695: Public Ownership Required
Yes	MS 16A.695 (2): Use Agreement Required
Yes	MS 16A.695 (4): Program Funding Review Required (by granting agency)
Yes	Matching Funds Required (as per agency request)
Yes	MS 16A.642: Project Cancellation in 2019

**Transportation Economic Development**

**2014 STATE APPROPRIATION REQUEST:** \$17,500,000

**AGENCY PROJECT PRIORITY:** 2 of 4

**Project At A Glance**

The Transportation Economic Development (TED) Program assists communities in creating and preserving jobs, improves the state’s economic competitiveness, increases the tax base, speeds up transportation projects, and attracts more private investment for public infrastructure improvements.

**Project Description**

TED (M.S. 174.12), established in 2010, is a joint effort of the Departments of Employment and Economic Development (DEED) and Transportation (MnDOT). TED is a competitive grant program that pays for up to 70% of the transportation and other infrastructure costs associated with economic development. In its first two years, TED provided \$59 million to 24 projects throughout Minnesota, attracting over \$100 million in private investments and creating more than 10,000 head of household jobs.

**Impact on Agency Operating Budgets (Facilities Notes)**

None

**Previous Appropriations for this Project**

In 2010, the TED pilot program used \$30 million in trunk highway bonds and \$4 million in general obligation bonds. The Greater Minnesota Business Development Public Infrastructure (BDPI) program provided \$3 million and the Innovative Business Development Public Infrastructure (IBDI) program provided \$1 million of state general obligation bond proceeds (GO bonds). In 2012, TED was allocated \$3 million in GO bonds. Those funds were supplemented with \$20 million of MnDOT Trunk Highway funds, \$1.5 million of BDPI, and \$1 million of IBDI funds. For FY 2014-15, TED was allocated \$20 million of Trunk Highway funds (\$10 million per year). No GO bonds were available through TED, BDPI, or IBDI.

<b>Years</b>	<b>Program Funding</b>	<b>Projects Awarded</b>	<b>Leverage</b>	<b>Job Creation</b>
FY 2010-11	\$34 million	10	\$18 million	4,600
FY 2012-13	\$25 million	14	\$88 million	5,700

**Other Considerations**

In 2010 and 2012, TED used trunk highway funds (through MnDOT) and general obligation bonds (through DEED). This combination of funding let the program fund different types of projects (including other kinds of transportation). For FY 2014/15, the program only has trunk highway funds; more than half of the current TED requests cannot be funded without a different type of funding.

A significant number of the states we compete with have established their own transportation economic development programs. For example, Iowa has its RISE (Revitalize Iowa’s Sound Economy) program; Wisconsin has its TEA (Transportation Economic Assistance) program; Illinois has its “Economic Development Program”; and Michigan has its Transportation Economic Development Fund. A permanent transportation economic development program will send a clear message to those states and to businesses that Minnesota knows how important transportation infrastructure is to our economic viability.

**Project Contact Person**

Tom Gast, Director or Kevin McKinnon, Executive Director  
 Minnesota Department of Employment and Economic Development  
 1st National Bank Building  
 332 Minnesota Street, Suite E200  
 St. Paul, Minnesota 55101-1351  
 Phone: (651) 259-7425  
 Fax: (651) 296-1290  
 Email: Tom.Gast@state.mn.us

**Governor’s Recommendation**

The Governor recommends general obligation bonding of \$5 million for this request. Also included are budget estimates of \$5 million for each planning period in 2016 and 2018.

<b>TOTAL PROJECT COSTS All Years and Funding Sources</b>	<b>Prior Years</b>	<b>FY 2014-15</b>	<b>FY 2016-17</b>	<b>FY 2018-19</b>	<b>TOTAL</b>
1. Property Acquisition	0	0	0	0	0
2. Predesign Fees	0	0	0	0	0
3. Design Fees	0	0	0	0	0
4. Project Management	0	0	0	0	0
5. Construction Costs	9,100	25,000	25,000	25,000	84,100
6. One Percent for Art	0	0	0	0	0
7. Relocation Expenses	0	0	0	0	0
8. Occupancy	0	0	0	0	0
9. Inflation	0	0	0	0	0
<b>TOTAL</b>	<b>9,100</b>	<b>25,000</b>	<b>25,000</b>	<b>25,000</b>	<b>84,100</b>

<b>CAPITAL FUNDING SOURCES</b>	<b>Prior Years</b>	<b>FY 2014-15</b>	<b>FY 2016-17</b>	<b>FY 2018-19</b>	<b>TOTAL</b>
State Funds :					
G.O Bonds/State Bldgs	0	17,500	17,500	17,500	52,500
Bond Proceeds Grants	3,000	0	0	0	3,000
<b>State Funds Subtotal</b>	<b>3,000</b>	<b>17,500</b>	<b>17,500</b>	<b>17,500</b>	<b>55,500</b>
Agency Operating Budget Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0
Local Government Funds	6,100	7,500	7,500	7,500	28,600
Private Funds	0	0	0	0	0
Other	0	0	0	0	0
<b>TOTAL</b>	<b>9,100</b>	<b>25,000</b>	<b>25,000</b>	<b>25,000</b>	<b>84,100</b>

<b>CHANGES IN STATE OPERATING COSTS</b>	<b>Changes in State Operating Costs (Without Inflation)</b>			
	<b>FY 2014-15</b>	<b>FY 2016-17</b>	<b>FY 2018-19</b>	<b>TOTAL</b>
Compensation -- Program and Building Operation	0	0	0	0
Other Program Related Expenses	0	0	0	0
Building Operating Expenses	0	0	0	0
Building Repair and Replacement Expenses	0	0	0	0
State-Owned Lease Expenses	0	0	0	0
Nonstate-Owned Lease Expenses	0	0	0	0
Expenditure Subtotal	0	0	0	0
Revenue Offsets	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Change in F.T.E. Personnel	0.0	0.0	0.0	0.0

<b>SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS</b> (for bond-financed projects)	<b>Amount</b>	<b>Percent of Total</b>
General Fund	17,500	100.0%
User Financing	0	0.0%

<b>STATUTORY AND OTHER REQUIREMENTS</b>	
Project applicants should be aware that the following requirements will apply to their projects after adoption of the bonding bill.	
No	MS 16B.335 (1a): Construction/Major Remodeling Review (by Legislature)
No	MS 16B.335 (3): Predesign Review Required (by Administration Dept)
No	MS 16B.335 and MS 16B.325 (4): Energy Conservation Requirements
No	MS 16B.335 (5): Information Technology Review (by Office of Technology)
Yes	MS 16A.695: Public Ownership Required
Yes	MS 16A.695 (2): Use Agreement Required
Yes	MS 16A.695 (4): Program Funding Review Required (by granting agency)
Yes	Matching Funds Required (as per agency request)
Yes	MS 16A.642: Project Cancellation in 2019



**Redevelopment Grants**

**2014 STATE APPROPRIATION REQUEST:** \$5,000,000

**AGENCY PROJECT PRIORITY:** 3 of 4

**Project At A Glance**

Redevelopment Grants help local authorities renew obsolete or abandoned properties for industrial, commercial, and residential uses.

**Project Description**

The Redevelopment Grant Program (M.S. 116J.571 to 116J.675) was created to provide funds for local governments and local development agencies to put obsolete or abandoned properties into new uses. The program promotes the recycling of land, provides an incentive to develop on existing sites, and helps to revitalize cities. Cities apply for funding on a competitive basis.

Recycling existing properties takes pressure off the edges of cities and uses existing city facilities and systems (such as schools, fire and police protection, streets and highways, and water and wastewater systems).

**Impact on Agency Operating Budgets (Facilities Notes)**

None

**Previous Appropriations for this Project**

The Redevelopment Grant Program was created in statute by the 1998 Legislature. The program assisted both metro and greater Minnesota communities from its inception until 2001 when it was made into a Greater Minnesota only program. The 2007 Legislature returned the program back to a statewide program, allowing the available dollars to be split between Greater Minnesota and the seven county metropolitan areas. The last appropriation of \$3 million was in 2012. Funding history of the program:

Years	Program Funding	Projects Awarded	Leverage	Tax Base Increase	Jobs Created
1998-2012	\$62.5 million	150	\$1.7 billion	\$26 million	9,000+

**Other Considerations**

Grants provided by the Redevelopment Grant Program are important to help communities fund expensive redevelopment projects and stay competitive. The Redevelopment Grant Program has never had enough money to meet the demand during the years when it was funded.

**Project Contact Person**

Meredith Udoibok, Director or Kevin McKinnon, Executive Director  
 Minnesota Department of Employment and Economic Development  
 1st National Bank Building, 332 Minnesota Street, Suite E200  
 St. Paul, Minnesota 55101  
 Phone: (651) 259-7454  
 Fax: (651) 296-1290  
 Email: Meredith.Udoibok@state.mn.us  
 Website: www.deed.state.mn.us

**Governor’s Recommendation**

The Governor recommends general obligation bonding of \$1 million for this request. Also included are budget estimates of \$1 million for each planning period in 2016 and 2018.

# Employment & Economic Development

## Redevelopment Grants

# Project Detail

(\$ in Thousands)

TOTAL PROJECT COSTS All Years and Funding Sources	Prior Years	FY 2014-15	FY 2016-17	FY 2018-19	TOTAL
1. Property Acquisition	0	0	0	0	0
2. Predesign Fees	0	0	0	0	0
3. Design Fees	0	0	0	0	0
4. Project Management	0	0	0	0	0
5. Construction Costs	1,576,500	10,000	10,000	10,000	1,606,500
6. One Percent for Art	0	0	0	0	0
7. Relocation Expenses	0	0	0	0	0
8. Occupancy	0	0	0	0	0
9. Inflation	0	0	0	0	0
<b>TOTAL</b>	<b>1,576,500</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>1,606,500</b>

CAPITAL FUNDING SOURCES	Prior Years	FY 2014-15	FY 2016-17	FY 2018-19	TOTAL
State Funds :					
G.O Bonds/State Bldgs	33,500	5,000	5,000	5,000	48,500
Bond Proceeds Grants	8,000	0	0	0	8,000
General Fund Projects	10,000	0	0	0	10,000
General	12,000	0	0	0	12,000
<b>State Funds Subtotal</b>	<b>63,500</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>	<b>78,500</b>
Agency Operating Budget Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0
Local Government Funds	1,513,000	5,000	5,000	5,000	1,528,000
Private Funds	0	0	0	0	0
Other	0	0	0	0	0
<b>TOTAL</b>	<b>1,576,500</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>1,606,500</b>

CHANGES IN STATE OPERATING COSTS	Changes in State Operating Costs (Without Inflation)			
	FY 2014-15	FY 2016-17	FY 2018-19	TOTAL
Compensation -- Program and Building Operation	0	0	0	0
Other Program Related Expenses	0	0	0	0
Building Operating Expenses	0	0	0	0
Building Repair and Replacement Expenses	0	0	0	0
State-Owned Lease Expenses	0	0	0	0
Nonstate-Owned Lease Expenses	0	0	0	0
Expenditure Subtotal	0	0	0	0
Revenue Offsets	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Change in F.T.E. Personnel	0.0	0.0	0.0	0.0

SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS (for bond-financed projects)	Amount	Percent of Total
General Fund	5,000	100.0%
User Financing	0	0.0%

STATUTORY AND OTHER REQUIREMENTS	
Project applicants should be aware that the following requirements will apply to their projects after adoption of the bonding bill.	
No	MS 16B.335 (1a): Construction/Major Remodeling Review (by Legislature)
No	MS 16B.335 (3): Predesign Review Required (by Administration Dept)
No	MS 16B.335 and MS 16B.325 (4): Energy Conservation Requirements
No	MS 16B.335 (5): Information Technology Review (by Office of Technology)
Yes	MS 16A.695: Public Ownership Required
Yes	MS 16A.695 (2): Use Agreement Required
Yes	MS 16A.695 (4): Program Funding Review Required (by granting agency)
Yes	Matching Funds Required (as per agency request)
Yes	MS 16A.642: Project Cancellation in 2019

**Innovative Business Development Infrastructure**

**2014 STATE APPROPRIATION REQUEST:** \$5,000,000

**AGENCY PROJECT PRIORITY:** 4 of 4

**Project At A Glance**

The Innovative Business Development Public Infrastructure Grant Program provides funding up to 50 percent of eligible public infrastructure costs related to innovative, high tech, bio, and medical technology business development investments statewide.

**Project Description**

The Innovative Business Development Public Infrastructure Grant Program (IBDI), (M.S. 116J.435), provides grants to eligible cities for public infrastructure projects related to business investments. State funds are matched 1:1 from non-state sources and are used to pay for publicly owned infrastructure (like roads, sewers, and water lines). The IBDI program can also pay for telecommunications infrastructure, bridges, parking ramps, business incubators, and laboratories that support the creation of innovative technology and research.

The goals of the IBDI program are to keep or enhance jobs in an area, to increase a city's tax base, to create and/or expand new economic development in a city, and to encourage private investment and business expansions/relocations in key industries. Funds are available through competitive grants.

For 2014 the Department of Employment and Economic Development (DEED) requests \$5 million for IBDI. Past appropriations have attracted a local match of more than \$2 for every \$1 of state investment.

**Impact on Agency Operating Budgets (Facilities Notes)**

None

**Previous Appropriations for this Project**

The previous appropriations for this activity have been \$10 million in the 2006 bonding bill and \$18.5 million in the 2005 bonding bill. Part of the 2005 funding was used to help develop the public infrastructure related to the Medtronic – Cardiac Rhythm Management Division expansion in Mounds View. This project includes \$195 million in private investment and the creation of 4,000 new jobs in Minnesota. In addition, the 2005 funding is being utilized to redevelop blighted properties in Minneapolis near the University of Minnesota campus to encourage the location of bioscience and medical device companies a research park near campus. In Rochester, the 2006 BBDI funds are leveraging the investment of the Legislature in the Mayo/University of Minnesota bioscience partnership by investing in the construction of a bioscience business incubator facility that will support technology transfer and new business development. The program received a \$4 million appropriation in 2010 and \$5 million in 2011. \$1 million was transferred to the TED program in 2010.

<b>Years</b>	<b>Program Funding</b>	<b>Projects Awarded</b>	<b>Leverage *</b>	<b>Jobs Created/ Retained</b>
2011	\$2.2 million	5	\$4.3 million	494 / 941
2012	\$1.5 million	3	\$1.7 million	328 / 2
2013	\$3.6 million	5	\$9.7 million	160 / 1,074

\*amount leveraged is infrastructure spending only

**Other Considerations**

Current funding is expected to be exhausted by June 2013 and a pent up demand is expected in 2014.

**Innovative Business Development Infrastructure****Project Contact Person**

Tom Gast, Director or Kevin McKinnon, Executive Director  
Minnesota Department of Employment and Economic Development  
1st National Bank Building  
332 Minnesota Street, Suite E200  
St. Paul, Minnesota 55101-1351  
Phone: (651) 259-7425  
Fax: (651) 296-1290  
Email: Tom.Gast@state.mn.us

**Governor's Recommendation**

The Governor recommends general obligation bonding of \$1 million for this request. Also included are budget estimates of \$1 million for each planning period in 2016 and 2018.

# Employment & Economic Development

## Innovative Business Development Infrastructure

# Project Detail

(\$ in Thousands)

TOTAL PROJECT COSTS All Years and Funding Sources	Prior Years	FY 2014-15	FY 2016-17	FY 2018-19	TOTAL
1. Property Acquisition	0	0	0	0	0
2. Predesign Fees	0	0	0	0	0
3. Design Fees	0	0	0	0	0
4. Project Management	0	0	0	0	0
5. Construction Costs	96,500	10,000	10,000	10,000	126,500
6. One Percent for Art	0	0	0	0	0
7. Relocation Expenses	0	0	0	0	0
8. Occupancy	0	0	0	0	0
9. Inflation	0	0	0	0	0
<b>TOTAL</b>	<b>96,500</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>126,500</b>

CAPITAL FUNDING SOURCES	Prior Years	FY 2014-15	FY 2016-17	FY 2018-19	TOTAL
State Funds :					
G.O Bonds/State Bldgs	37,500	5,000	5,000	5,000	52,500
Bond Proceeds Grants	9,000	0	0	0	9,000
<b>State Funds Subtotal</b>	<b>46,500</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>	<b>61,500</b>
Agency Operating Budget Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0
Local Government Funds	50,000	5,000	5,000	5,000	65,000
Private Funds	0	0	0	0	0
Other	0	0	0	0	0
<b>TOTAL</b>	<b>96,500</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>126,500</b>

CHANGES IN STATE OPERATING COSTS	Changes in State Operating Costs (Without Inflation)			
	FY 2014-15	FY 2016-17	FY 2018-19	TOTAL
Compensation -- Program and Building Operation	0	0	0	0
Other Program Related Expenses	0	0	0	0
Building Operating Expenses	0	0	0	0
Building Repair and Replacement Expenses	0	0	0	0
State-Owned Lease Expenses	0	0	0	0
Nonstate-Owned Lease Expenses	0	0	0	0
Expenditure Subtotal	0	0	0	0
Revenue Offsets	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Change in F.T.E. Personnel	0.0	0.0	0.0	0.0

SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS (for bond-financed projects)	Amount	Percent of Total
General Fund	5,000	100.0%
User Financing	0	0.0%

STATUTORY AND OTHER REQUIREMENTS	
Project applicants should be aware that the following requirements will apply to their projects after adoption of the bonding bill.	
No	MS 16B.335 (1a): Construction/Major Remodeling Review (by Legislature)
No	MS 16B.335 (3): Predesign Review Required (by Administration Dept)
No	MS 16B.335 and MS 16B.325 (4): Energy Conservation Requirements
No	MS 16B.335 (5): Information Technology Review (by Office of Technology)
Yes	MS 16A.695: Public Ownership Required
Yes	MS 16A.695 (2): Use Agreement Required
Yes	MS 16A.695 (4): Program Funding Review Required (by granting agency)
Yes	Matching Funds Required (as per agency request)
Yes	MS 16A.642: Project Cancellation in 2019