

April 7, 2017

The Honorable Jeremy Miller
Chair, Senate Jobs and Economic Growth Committee
3107 Minnesota Senate Building
95 University Avenue West
St. Paul, Minnesota 55155

Dear Senator Miller:

On behalf of the Minnesota Department of Employment and Economic Development (DEED), I am writing to provide feedback on the Senate version of the Omnibus Jobs Bill heading into conference committee.

I appreciate the challenge of crafting a budget and I want to extend my gratitude to you and the members of the Senate Jobs and Economic Growth Committee for your work on the omnibus bill. As you know, Governor Dayton and Lt. Governor Smith proposed an opportunity budget focused on protecting Minnesota's financial future while supporting a strong economy for everyone in our state. Though not an exhaustive list, below you will find areas in the Senate omnibus bill that DEED either supports or has concerns.

Border-to-Border Broadband

We agree that Minnesotans deserve equitable access to employment, healthcare, and educational opportunities that high-quality broadband can provide. That is why the Governor recommends \$60 million in FY18-19 for the Border-to-Border Broadband Development grant program. I am concerned that the \$20 million proposed in the Senate bill will not keep pace with the needs identified in communities across the state.

I encourage you to increase funding for the Border-to-Border Broadband Development grant program next biennium to meet the Governor's level, which will expand broadband access to at least 23,000 households and businesses in Greater Minnesota and level the playing field for these communities to compete.

Restoring the Minnesota Investment Fund and Job Creation Fund

I appreciate that you recognize the importance of the Minnesota Investment Fund (MIF) and the Job Creation Fund (JCF) and their impact on job creation and business expansion throughout our state. Since 2014, MIF and JCF have invested over \$70 million in business expansions, helped to create or retain over 10,600 jobs, and led to \$1.96 billion in private investment throughout the state.

Funding these programs at the Governor's recommended levels, \$30 million for the MIF and \$25 million for the JCF in FY18-19, is critical for the future economic growth of communities throughout the state. The Senate bill partially restores funding for the MIF and JCF. I encourage you to consider funding the Governor's recommendation for the state's top business development tools and that any local MIF loan repayment funds be used for economic purposes. I am grateful you included the Governor's policy recommendations for these programs, which will make these programs more accessible to businesses in Greater Minnesota, as well as businesses owned by people of color, veterans, women, and people with disabilities.

Lack of Funding for the Angel Tax Credit

The Senate does not fund the Governor's recommended \$10 million in FY18 to extend the Angel Tax Credit program in tax year 2018. This program is one of DEED's primary economic development tools to support early stage, high-tech businesses, and it promotes innovation in our state. The Angel Tax Credit program has resulted in over \$350 million in private investment in Minnesota startups, leveraged by the state's issuance of \$84 million in tax credits to angel investors. I encourage you to continue this program at DEED at the Governor's recommended level, preferably in the Tax Bill.

Vocational Rehabilitation Services

According to most recent data, Minnesotans with disabilities experienced a 9.6 percent unemployment rate, compared to a 3.8 percent unemployment rate for Minnesota's population as a whole. The Vocational Rehabilitation Services (VRS) program serves individuals with the most significant disabilities and provides access to competitive, integrated employment opportunities. Without the Governor's recommended increase of \$7 million for FY18-19, VRS will be forced to put all new clients, an estimated 5,800 Minnesotans per year, on an indefinite waiting list beginning this fall. I encourage you to consider funding the Governor's full recommendation to ensure that Minnesotans with disabilities are not left on the economic sidelines.

Pathways to Prosperity

Pathways to Prosperity is one of Minnesota's top strategies to connect Minnesotans with the education and training they need to enter high-growth, high-demand careers offering family-sustaining wages. This program targets people of color, people with disabilities, and people experiencing multiple barriers to employment, including housing instability, criminal backgrounds, lack of a high school diploma or GED, and long-term unemployment. The Governor recommends an increase of \$10 million for Pathways to Prosperity in FY18-19. The Senate bill reduces funding by \$1 million in FY18-19 and increases funding for the program in the out years. I strongly encourage you to consider funding the Governor's full recommendation.

2016 Equity Investments

Minnesota has one of the largest economic disparities in the country. The equity investments (direct appropriations and competitive grant programs) are important components to our strategy to eliminate economic disparities for people of color, veterans, women, youth, and people with disabilities. Unfortunately, the Senate bill cuts various competitive grants from the Equity Article of the 2016 Supplemental Bill in FY18-19, and eliminates dedicated equity funding in FY20-21. I am concerned the Senate bill cuts these investments before these organizations have had a chance to demonstrate results. I strongly encourage you to continue the funding in order to ensure that all Minnesotans have the opportunity to share in our state's prosperity.

Spending from the Workforce Development Fund

The Senate bill increases spending from the Workforce Development Fund, both new appropriations and shifts, by \$18.5 million in FY18-19. While much of his new spending does support the fund's mission to expand workforce development opportunities for Minnesota workers and businesses, this level of increased spending will result in a cut to the Dislocated Worker program, which keeps our economy strong by ensuring laid off workers quickly return to the labor force. This is because the Dislocated Worker program is funded by whatever is left in the Workforce Development Fund after all other legislative appropriations are subtracted. If the Senate's level of spending from the Workforce Development Fund continues, DEED anticipates the program would exhaust its funding before the end of next fiscal year.

Operating Funding Adjustment

The Senate bill does not include the Governor's recommendation of \$2.01 million in FY18-19 and \$2.532 million in FY20-21 to account for inflationary cost increases impacting DEED. Each year, costs such as rent, utilities, employer-paid health care and pension contributions, FICA and Medicare, and salary and compensation increases. This cost growth puts pressure on DEED's operating budget, which remains flat from year to year.

DEED is committed to working with you and the conference committee to ensure that the budget reflects the priorities of the agency. I thank you for your consideration of this feedback. Please do not hesitate to contact me, Allison Jones (allison.jones@state.mn.us), or Darielle Dannen (darielle.dannen@state.mn.us) with any questions.

Regards,



Shawntera Hardy
Commissioner

CC:

Senator Bobby Joe Champion

Representative Pat Garofalo

Representative Tim Mahoney

Members of the Omnibus Jobs Bill Conference Committee