



**mi** EMPLOYMENT AND  
ECONOMIC DEVELOPMENT

# Delivering for Minnesota's Businesses, Workers and Communities

Commissioner Matt Varilek

February 26, 2024

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# Commissioner Varilek

## My background

- Appointed June 20, 2023 by **Governor Walz**
- Bridge builder in economic, workforce, and community development at **Initiative Foundation** in Little Falls
- Former senior leader at the **Small Business Administration**

## Early areas of focus

- In-person meetings with partners across the state, including businesses like **DigiKey** and **Polar Semiconductor** to **ST Paper**, **Microbiologics**, **Cirrus**, **BOOMCHICKAPOP**, chambers of commerce, development corps, workforce development boards, trade associations, and nonprofit grantees – plus Governor's trade missions.
- **Effective implementation** of programs funded in 2023 session, as detailed in later slides.



# Minnesota is a Great Place to Live and Work

- **Our population grew 0.4%** in 2023, ranking 25th nationally.
- Minnesota ranks well in **overall mood** (4th Happiest State in 2023 by WalletHub), **poverty levels** (9.6%, 5<sup>th</sup> lowest nationally), and **education** (4<sup>th</sup> for high school diploma at 94%, and 13<sup>th</sup> for 4-year degree, at 39.1%).
- Minnesota ranked **13th in median household income** at \$82,338 in 2022.
- But, despite strong growth last year, our **labor force has not recovered to pre-pandemic levels**. We are still -0.7% below February 2020 levels.
- **The more we can do to address our workforce challenges, the faster our economy will be able to grow.**



# Economic Snapshot: Significant Strength in Our Economy

## Strong Job Growth and Low Unemployment:

- We've added jobs for **six straight months**.
- Minnesota has 3,008,000 jobs – **more than ever before**.
- Our unemployment rate is 2.9%, better than the US average (3.7%), though that lower rate also means workforce challenges.
- But **there remain persistent income and employment disparities** along race and ethnicity lines.

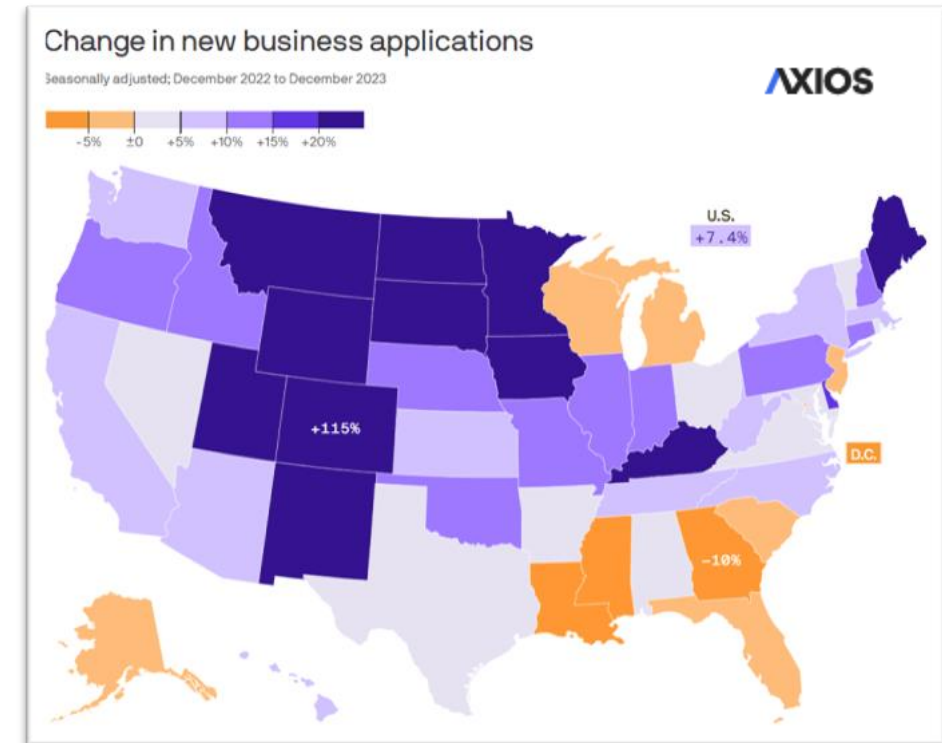


## Our Labor Force:

- Our labor force participation rate is 68.1%, compared to 62.5% nationally. **7th highest nationally**.
- But we know that **labor force is still the biggest issue our state faces** – we're hearing it from employers everywhere.

# The State of Business in Minnesota

- CNBC: Minnesota ranks as the **5th best state for business**
- Minnesota is home to 15 Fortune 500 companies and 8 of Forbes' Largest Private Companies.
- Minnesota small businesses are taking off: business applications are soaring, more businesses are opening than closing, and **we rank first in 5-year business survival rates, at 57.6%**
- Businesses continue expanding here: in 2023 we tracked 116 expansions, worth **\$7.6 BILLION in outside investment**, to create 3,900 jobs.
- **DEED's job is to keep that going! Here's how.**



# Implementing an Historic Slate of Programs

- DEED received almost **\$1.8 billion** in total funding for FY24-25 following **historic investments** in our legislative priorities in 2023.
- Effective and efficient implementation of the programs supported by these investments has been my highest priority since joining DEED.
- And that's where our tagline comes in – that's how "**DEED Delivers**" for Minnesota's Businesses, Workers and Communities.





**DEED DELIVERS**  
*for Businesses*

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Cultivating a dynamic business environment

# Financing Programs

Administer over 45 financing programs that provide capital to growing businesses and communities:

- **MN Job Creation Fund** – 12 awards for \$6.5 million, resulting in 737 jobs and \$535 million investment
- **MN Investment Fund** – 9 loans for \$8 million, resulting in 600 jobs and \$312 million investment
- **Emerging Entrepreneur Program** – 32 loans for \$950,000
- **MN Angel Tax Credit** – 90 approvals for \$4.3 million
- **Launch MN Grants** – 43 awards for \$1.2 million
- **State Small Business Credit Initiative** – 25 loans for \$5.6 million
- **Job Training Programs** – 21 grants for \$1.9 million
- **Brownfields and Redevelopment** – 12 grants for \$4.1 million
- **Small Cities Development Program** – 38 grants for \$25 million





# Minnesota Forward Fund

A **one-time flagship investment of \$400 million** for the Minnesota Forward Fund – to attract business, leverage federal funds, and deploy capital quickly.

- \$50,000,000 - Matching funds required by federal programs
- \$100,000,000 - DOD matching funds for a bio industrial manufacturing pilot or an aerospace center or both
- \$250,000,000 - CHIPS matching funds
- DEED is working with the entities on implementing their projects and building the ecosystem to support these industries.
- DEED funding requires federal awards to be made



# Energy Transition Grant Program

The Jobs bill provided **\$10 million** in new funding in the FY24-25 biennium for the **Energy Transition Grant Program** to support impacted areas by providing resources for these communities to diversify their economies and find new opportunities for quality jobs and economic growth.

- DEED awarded **\$1.4 million** to Granite Falls and Fergus Falls in January, with another grant round soon.
- The Energy Transition Office also held an **Energy Transition Summit** for the impacted areas and has convened the Energy Transition Advisory Council.





**DEED DELIVERS**  
*for Small Businesses*

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Supporting small businesses

- **PROMISE Act Grants \$94.95M** – for working capital through the Neighborhood Development Center (NDC) and Initiative Foundations.
- **PROMISE Act Loans \$30.3M** – for development through the Metropolitan Economic Development Association (MEDA) and Initiative Foundations
- Partners have been holding information sessions in the geographies identified.
- Program portal will **open this spring**.





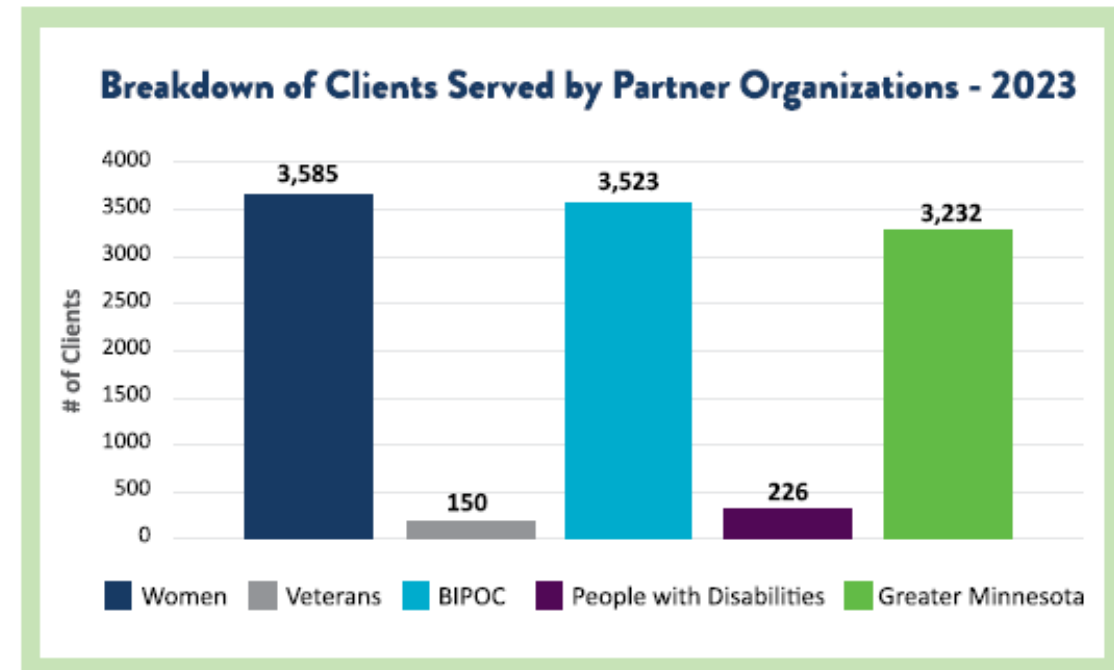
# Expanding Opportunity Fund

- The Expanding Opportunity Fund provides **capital for small businesses** through partnerships with nonprofit lenders.
- DEED will make investments in lenders through long term loans to the organization and allowing them to revolve the capital.
- These funds will fill **gaps** not funded with the PROMISE Act or direct appropriations.
- Funding awards expected in **March**.



# Small Business Assistance Partnerships

- This program allows nonprofit small business partners to meet the high level of demand for **business development and technical assistance services**.
- Awarded **\$12M to 41 organizations** to assist businesses and entrepreneurs focused on equity, innovation and vibrancy.
- In addition, DEED will administer **\$34 million in direct appropriations to 17 organizations** that deliver technical assistance and loans.



# Small Business Development Center/Launch Minnesota

- The **Small Business Development Center** (SBDC) offers no-cost technical assistance across Minnesota to entrepreneurs and small businesses.
- SBDC **helped 288** unique small businesses access **\$131 million** in capital and provided **30,158 hours of consulting to 4,418 businesses**.
- **Launch Minnesota** empowers and elevates the **innovation ecosystem** to make Minnesota the best place to start and scale new ventures.
- **Leveraged \$19.80** for every \$1 granted through innovation grants.
- Hosted events, connecting **31 startups to 283 investors** inside and outside of Minnesota.
- **700 businesses** received lean start-up education through partners.



## Child Care Economic Development Grants

- Record funding to grow child care availability: **\$15 million** in the FY24-25 biennium and **\$3 million** in the FY26-27 biennium.
- We just opened our largest-ever grant round for this program – RFPs are due by 4pm on March 12.

## Office of Child Care Community Partnerships

- Recently hired a new Director and will be hiring staff.
- Working across communities and state agencies.





# Adult-Use Cannabis Programs

**Request for Information** out in Q2 - gathering information from experts, both inside and outside of MN, to inform the creation of these programs so they support a craft and social equity focused industry.

DEED will seek nonprofit lenders, technical assistance providers and workforce development training partners to implement the following programs:

**CanStartup - \$6 million FY24-25:** supports financing for cannabis microbusinesses.

**CanNavigate - \$2 million FY24-25:** supports technical assistance programs for businesses in the legal cannabis industry.

**CanTrain - \$4 million FY24-25:** training for careers in the legal cannabis industry.





***DEED DELIVERS***  
*for Workers*

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Investing in talent

# Rollout of Key DEED Workforce Programs

- **Pathways to Prosperity** – \$13.6M awarded to 43 grantees
- **Women's Economic Security Act** – \$1.425M awarded to 9 grantees
- **Adult Support Services** – \$950K awarded to 18 grantees
- **Southeast Asian** – \$1.9M awarded to 4 grantees
- **Getting to Work** – \$1.9M awarded to 12 grantees
- **Youth Support Services** – \$950,000 awarded to 12 grantees



# Direct Appropriations

- Made **97 grants** to organizations for over **\$145.3 million**
- Funding to be used for:
  - **Workforce training**
    - Adult: 47 direct appropriations worth \$52.5 million
    - Youth: 20 grants worth \$12.55 million
  - **Capital Projects**
    - 30 Capital projects worth \$80.2 million





# Drive for 5 Workforce Fund

- The Jobs bill provided **\$20 million** in the FY24-25 biennium for the **Drive for 5 Workforce Fund** to prepare the workforce to enter **five of the most critical occupational categories** in the state with high-growth jobs and family-sustaining wages.
- **Competitive grants** focused on **training + support services** with funding for **Trade Association sector partnerships** to engage business associations in job matching.
- Awards will be made **February, 2024**.





# Targeted Population Workforce Programs

- Invested **\$50 million** in the FY24-25 biennium and \$2.550 million in the FY26-27 biennium in employment services and training to **bring workers who have been overlooked for employment – particularly people of color – into the workforce at family-sustaining wages.**
- This is a critical initiative to **bring Minnesotans into the workforce**, ensure employers have the staff to help their businesses thrive, and move Minnesota's economy forward.
- Awards will be made in **March, 2024.**



# Clean Economy Equitable Workforce

**\$3 million** in FY24-25 in grants for workforce readiness programs to prepare workers for careers in the **high-demand fields** of construction, clean energy, and energy efficiency.

The program is focused on workers who are **Black, Indigenous, and People of Color**.

- [RFP currently open; proposals due by 5pm on March 4.](#)



# Office of New Americans



- Minnesota's **New Americans** create robust businesses, offer extraordinary cultural contributions, and play a critical role in meeting labor needs throughout the state.
- But there have been **multiple barriers**, which the Office of New Americans has been working to overcome with:
  - **Employer education sessions** – Reached out to over a dozen employers through chambers of commerce, hosted job fair with 10+ onsite languages translated.
  - **Language Translation** – Created an Agency language access plan.
  - **Forums with Community Leaders** – Hosted 10+ discussions with community leaders about state resources and gained





# Youth Workforce Development

- The Jobs bill **doubled** existing funding for Minnesota's results-driven Youth at Work, Minnesota Youth Program and YouthBuild programs to **prepare more Minnesota young people to enter the workforce focused and work-ready.**
- DEED awarded funding to **79 grantees** statewide, who will serve **27,938 youth.**



# Unemployment Insurance Between Terms Reform

- The 2023 Jobs bill made many **hourly school workers** – like bus drivers and educational support professionals – eligible for **Unemployment Insurance benefits** during summer breaks for the first time in Minnesota.
- Initial figures from the Minnesota Department of Education are that workers accessed over **\$38 million in benefits**, supporting thousands of school employees.



# Paid Leave Begins January 1, 2026

## Family Leave

Up to 12 weeks

### Bonding



Leave to bond with the covered individual's child during

- the first 12 months after the child's birth or
- the first 12 months after the placement of the child for adoption or foster care with the covered individual

### Caring



Leave to care for a family member with a serious health condition.

### Safety



Leave from work because of domestic abuse, sexual assault, or stalking of the applicant or applicant's family member

*Minnesota will be the fourth state to offer Safety Leave*

### Active Duty



Leave arising out of the fact

- that a family member is on active duty or has been notified of an impending call or order to active duty in the Armed Forces or
- in order to care for a family member who is a covered servicemember.

## Medical Leave

Up to 12 weeks

### Own Medical



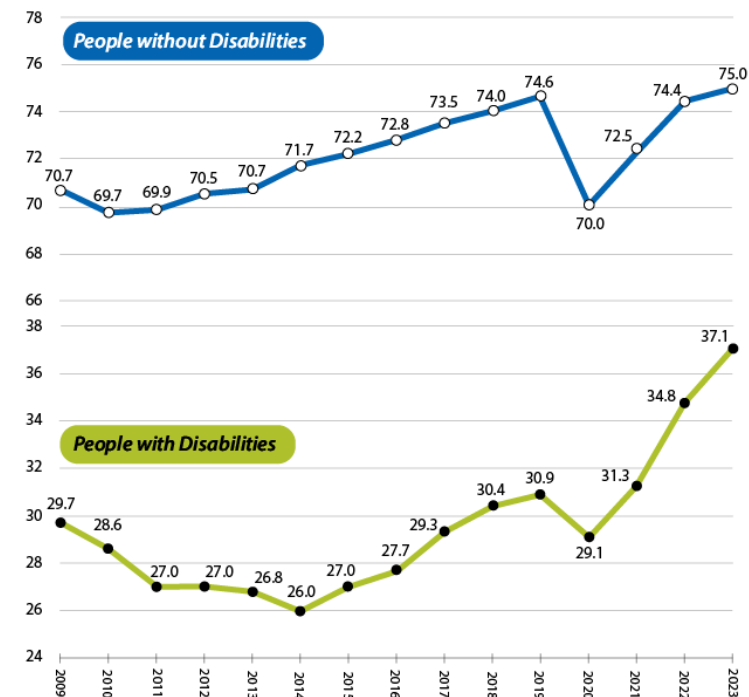
Leave to care for an individual's own serious medical condition

Aggregate Up to 20 weeks in a benefit year

# A Moment of Opportunity for Minnesotans with Disabilities

- **Average monthly employment-to-population ratio for people with disabilities reached a new all-time high in 2023.**
- **Contributing trends:**
  - Rise of remote / hybrid work
  - Strong economy and workforce demands
- **Still a gap, but recent investments from the 2023 Jobs bill coupled with macro trends are making a real difference.**

nTIDE 2023 Year-End Special Edition  
Average Monthly Employment-to-Population Ratio for Civilians  
Ages 16 to 64, 2009-2023

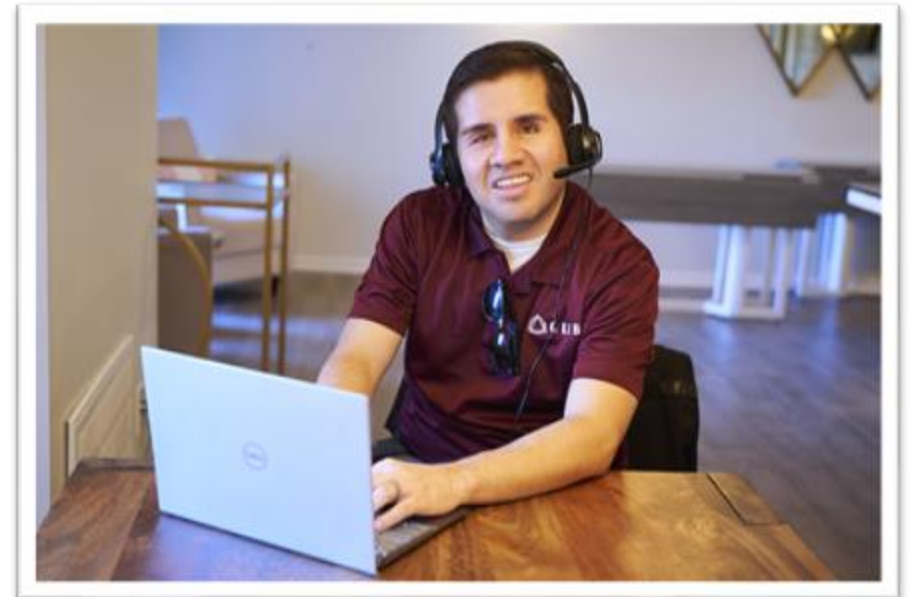


Kessler Foundation and the University of New Hampshire Institute on  
Disability National Trends In Disability Employment (nTIDE)  
2023 Year-End Special Edition



# Employer Reasonable Accommodation Fund

- The 2023 Jobs bill created the Employer Reasonable Accommodation Fund – a **first-in-the-nation innovation** to support small businesses.
- This program reimburses small- to mid-sized Minnesota employers for expenses tied to **providing reasonable accommodations for employees with disabilities.**
- We have already:
  - Set up the program and conducted dozens of trainings
  - Received 32 applications
  - Approved \$57,708 in reimbursements



*Employer Reasonable Accommodation Fund  
employer Belo Cipriani*

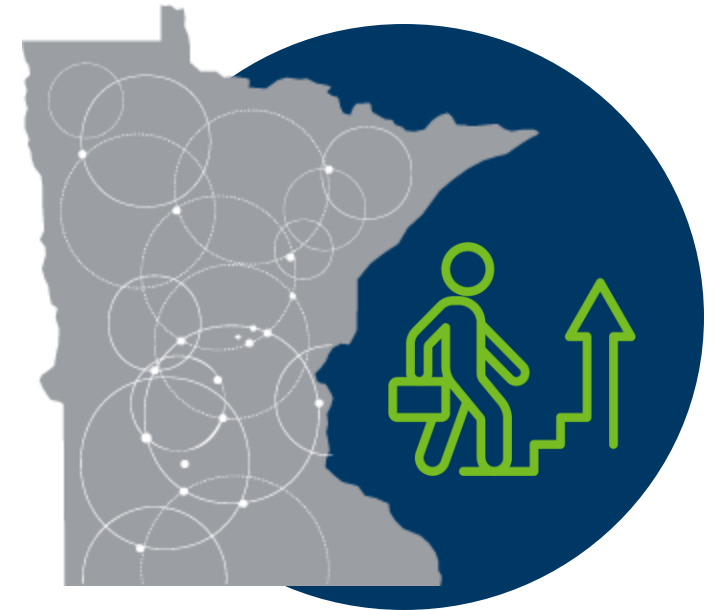
# Workforce Digital Transformation

- **One-time \$10 million investment** to modernize the digital tools that support workforce development initiatives across Minnesota.
- We've already started delivering improvements of all sizes:
  - **New online intake form** for disability employment programs – over 900 connections so far.
  - **Replacement project for MinnesotaWorks.net** underway; making progress on improving customer experience on CareerForceMN.com.



# Individual Placement and Supports (IPS) Program

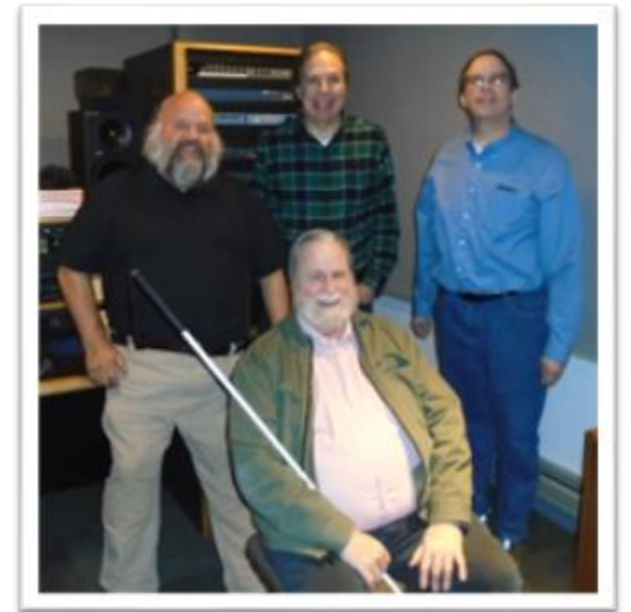
- Individual Placement and Support (IPS) is an evidence-based practice for **helping people with serious mental illness gain, maintain, and advance** in competitive, integrated employment.
- Studies show that 60% of people with serious mental illness **want to work**, but only about 15% are employed.
- For every 100 people who enrolled in IPS in FY22, 67 get a job – that's more than **twice as many** as those who enroll in any other employment program.
- The 2023 Jobs bill provided an increase of **\$3.89 million** in in FY24-25 to serve more Minnesotans and preserve this key service.





# Enhancing State Services for the Blind

- The 2023 Jobs bill increased the funding for State Services for the Blind (SSB) by **\$4 million** over the biennium.
- We can now fully draw down **federal funds** (\$1 million extra) and meet increased demand for services.
- The **Literacy for All** campaign recorded works in **Ojibwe, Dakota, Hmong, and Somali**.
- DEED's SSB is **#2 in the nation** for number of seniors with vision loss served through the **Older Blind program**.





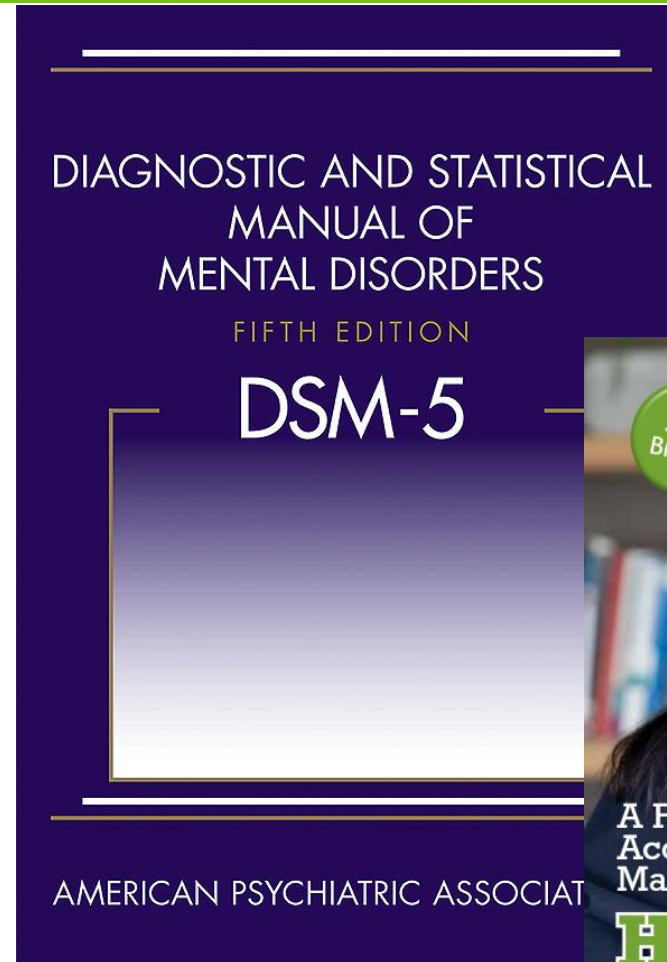
# One story of impact: recording the DSM-5

“[SSB staff] coordinated 15 of SSB’s volunteers to do a **voice recording of the Diagnostic and Statistical Manual of Mental Disorders, Fifth Edition (DSM-5)** for [Judy] Breuer. It took them a whopping 87 hours. But it was well worth it.”

This was a **life-changing service** for Breuer, and anyone else who needs the DSM-5 in the future.

“I am so grateful to SSB for this service,” she said. “There are a lot of different voices I hear when I listen, and I don’t know who they all are. But they’ve **made my life so much easier.**”

[The Woman Today - Jan/Feb 2024 by Duluth News Tribune - Issuu](#)



A Few Accommodations Make A  
**HUGE DIFFERENCE**  
For Visually Impaired Student

# Empowering Economic Growth, for Everyone

## Minnesota sees job growth increase for 6th month in a row

Business & Economy

### Unusually warm December caused job market changes in Minnesota

Dana Ferguson January 18, 2024 12:03 PM

**MPR**news

### New DEED report finds Minnesota manufacturers optimistic for 2024

## Local job numbers up impressive 5% year over year

EDITORIAL

### Positive news on jobs, population

Credit employers and workers for Minnesota's enduring employment growth.

By Editorial Board Star Tribune | DECEMBER 27, 2023 – 5:30PM

# Thank you!

We welcome your questions