



MOVING MINNESOTA FORWARD: FY24/25 Budget and Policy Changes

Minnesota Business First Stop (MBFS) is a collaboration between nine state agencies designed to help streamline the development process for complex business startups, expansions or relocations that involve financing, licensing, permitting, and regulatory issues that overlap multiple state agencies.

As such, we are committed to continually improving the permitting processes for business development in Minnesota and advancing the perception of Minnesota as a business-friendly state. This report highlights policy and budget changes made in the FY2024-2025 biennium that will make permitting more fluid and Minnesota Business First Stop a more effective interagency support system for business development in the state.



State Commissioners and staff from Minnesota Business First Stop met with Cirrus Aircraft to discuss investments they plan to make at their Duluth location in 2023 and 2024, including a new aircraft design center.

TABLE OF CONTENTS

Background of Minnesota Business First Stop..... 4

Online Permitting and Public Engagement Tools..... 6

Tribal Engagement..... 8

Permitting, Licensing and Regulatory Staff..... 9

Other Business Development Funding..... 10

Conclusion..... 11



MBFS Commissioners and staff regularly meet with business on-site to learn about their operations first-hand.

BACKGROUND OF MINNESOTA BUSINESS FIRST STOP

Minnesota Business First Stop is a rare model for assisting business development. In 2012, Governor Mark Dayton established – and the Minnesota Legislature codified – Minnesota Business First Stop, bringing commissioners from various state agencies together to work toward a united goal of promoting business growth in Minnesota. “With the Minnesota Business First Stop, any business looking to locate or expand in Minnesota will have one place to call to get the assistance they need,” said Gov. Dayton, in announcing the initiative. “We are looking for every way to cut red tape in government and to make it easier to do business in Minnesota.”



Since 2012, Minnesota Business First Stop has had contact with more than 150 companies and communities. Staff from partner agencies have worked collaboratively on a broad range of projects. Working together more closely helps streamline business assistance but has also enabled the state to better address fast-emerging economic challenges.



A NEW ECONOMIC HORIZON

As Minnesota's lead economic development agency, the Department of Employment and Economic Development (DEED) has led and housed Minnesota Business First Stop Since its inception.

In its mission 'to empower the growth of the Minnesota economy, for everyone' DEED sets the trajectory for the state's economy through programs that promote

Minnesota Forward Fund, \$400M - *A revitalized toolbox that would be used to make grants, loans, forgivable loans, or grants for infrastructure or large-scale economic development projects in existing, new, and emerging industries.*

These incentive programs will give Minnesota the authority and flexibility necessary to compete with other states on a national and international scale.

business recruitment, expansion, and retention; international trade; workforce development; and community development.

Today's political and social setting offers a historic opportunity to re-imagine the state's economic development trajectory and funding mechanisms. DEED and other MBFS agencies have been appropriated funding that will help communities large and small advance their development priorities, satisfy matching requirements for federal grants, and compete for large-scale economic development projects in existing, new, and emerging industries (see breakouts). Additionally, community investments via a \$2.6m infrastructure bill passed by the legislature in 2023 will complement these funds and prepare sites across the state for business expansion opportunities.

However, the combined infusion of funding will require state agencies to keep up with the demand for effective permitting, licensing, and regulatory processes. Without adequate resources and staff, the funds meant to invigorate the economy and spur innovative development will lead to bottlenecks and backlogs, stifling our competitive advantage and squandering the moment.

In this report, there are four areas or 'themes' where MBFS is working to improve interagency alignment. Within each theme are specific policy or budget changes made at MBFS agencies this year that will improve both their individual agency processes, and the interagency collaboration needed to tackle complex economic development projects.

Border-to-Border Broadband Grant Program, \$125M

The Border-to-Border Broadband Development Grant Program expands broadband service to areas of Minnesota that are unserved or underserved in pursuit of the state's goal that all homes and businesses have access to broadband by 2026.

PROMISE Grants, \$95M

By partnering with local economic development nonprofits, DEED has provided \$80 million since 2021 to catalyze investments in business corridors – neighborhoods and main streets – where they can make a big difference for individual businesses and communities as a whole. The One Minnesota Budget includes nearly \$95 million in new funding to multiply these positive impacts across the state.



ONLINE PERMITTING & PUBLIC ENGAGEMENT TOOLS

NATURAL RESOURCES

Ensuring the Department of Natural Resources (DNR) has an adequate online system for submitting, tracking, and updating utility license applications will be critical to keep up with the meticulous review of public lands necessary for large-scale developments with modern infrastructure requirements. Perhaps the best example of this need is the anticipated increase in new state and federal funding to expand broadband infrastructure and access across all of Minnesota. It is important that the DNR is ready with sufficient staffing to manage the increased workload associated with this investment.

The [Environment, Natural Resources, Climate and Energy Finance and Policy Omnibus Bill](#) appropriated nearly \$1.78 million in the FY24/25 biennium to keep pace with the current volume of utility license applications to cross state land and public waters and to specifically support Minnesota’s investment in broadband expansion. This effort modernizes the license application process through a web-based system and increases the staffing complement dedicated to utility licensing to ensure timely review of applications and improved user experience. The largest component of this initiative involves a one-time investment in a modern, online application system.

POLLUTION CONTROL AGENCY

The Minnesota Pollution Control Agency (MPCA) is a data-rich agency. Data are required for scientific analysis of our water, air, and land. Whether we seek to understand the quantity and impact of pollution, the results of permit issuance, or meet clean-up standards, data are required. In recent years, MPCA struggled to modernize its use of technology to support data collection, analysis, and visualization needs. Businesses, residents, and staff expect to access data quickly and to submit data and documents electronically — not by outdated, paper-based methods.

The [Environment, Natural Resources, Climate and Energy Finance and Policy Omnibus Bill](#) appropriated \$30 million from the General Fund for FY24/25 to support modernized data management and collection systems at the MPCA. The agency will use the funds to update data collection systems and partner with Minnesota’s IT Services Agency to develop improved online services and replace outdated applications.

TRANSPORTATION

The [Transportation and Public Safety Bill](#) appropriated \$11 million in the FY24/25 biennium for investments in asset management technologies, document and data transfer programs, research project management, and other IT projects. This request will support needed modernization efforts designed to update the Minnesota Department of Transportation (MnDOT) systems, applications, and platforms.

This support for critical technology systems better enables the agency to successfully plan, build, operate, and maintain the state multimodal transportation system. These investments secure high-priority state technology systems and data assets while also creating opportunities for more modern and innovative technology solutions to meet the public needs.



LABOR & INDUSTRY

The [Labor and Jobs Bill](#) directed an additional \$2.592 million in FY 2024 and \$3.118 million each subsequent fiscal year from the Workers' Compensation Fund to reorganize the way technology services are provided, funded, and measured within the agency. This funding will cover the 8.5 existing full-time-equivalent (FTE) employees of Minnesota IT Services (MNIT) at the Department of Labor and Industry (DLI), as well as three new MNIT at DLI staff members. It also funds ongoing operational costs to keep the workers' compensation system operational.

The General Support Division will also receive an additional \$599,000 in FY 2024 and \$634,000 in each subsequent fiscal year from the Workers' Compensation Fund. This will fund an additional five FTE employees to the Research and Statistics unit. New staff members will enhance program evaluation and analysis efforts, expand data and reports available to program staff members and use data to inform goals and measure outcomes.

AGRICULTURE

The [Agriculture Bill](#) appropriated over \$1.5 million for the FY24/25 biennium, coupled with the establishment of a Licensing and Inspection Fee surcharge that will generate an estimated \$615,000 per year, in order to replace and integrate the Minnesota Department of Agriculture (MDA) licensing and inspection applications. These funds will support efforts to replace old and outdated systems and to integrate its systems with modern technologies that facilitate improved customer self-service options, and internal user efficiencies that allow MDA staff to provide better customer service. These systems support over 45,000 annual licensing and permit transactions each year, and the inspections and other work associated with those licenses and permits.





In fall 2022, Commissioners and staff attended a tribal dinner event celebrating state-tribal relations with members of Leech Lake, Bois Forte, Grand Portage, and Fond du Lac Bands at Fortune Bay Resort. MBFS agencies are intentional about connecting with tribal partners when major development projects may affect their lands and communities.

TRIBAL ENGAGEMENT

TRANSPORTATION

The [Transportation & Public Safety Bill](#) appropriated \$1.8 million for the FY24/25 biennium to establish a skills-based training program for construction in Indian Country, along with funding to expand the Tribal-State Relations Training program. The majority of the funding will allow MnDOT, in consultation with Tribal Councils, to identify needs for workforce training in Indian Country. This skills-based training program developed specifically for American Indians will strengthen the government-to-government relationship between Minnesota state agencies and Tribal nations. The training program will also create career opportunities in construction and transportation at MnDOT and other industry employers.

COMMERCE

The [Environment, Natural Resources, Climate and Energy Finance and Policy Omnibus Bill](#) established the Tribal Advisory Council on Energy (TACE). TACE is a Tribal-led effort established to assess and evaluate common tribal issues in regard to Energy; develop statewide policy and/or legislation; and create awareness and education on the energy issue. \$300,000 has been appropriated to the Minnesota Department of Commerce (COMM) in FY 2024 for technical assistance and administrative support of TACE.

POLLUTION CONTROL AGENCY

Tribal governments and indigenous people are key partners in the state's work to improve and protect Minnesota's environment, prepare for a changed climate, reduce emissions, and grow clean jobs. In response to comments received from Tribal government partners regarding their very limited capacity to apply for or manage grants and carry out climate-related work on their lands, the [Environment, Natural Resources, Climate and Energy Finance and Policy Omnibus Bill](#) has appropriated \$4 million in the FY24/25 biennium for the MPCA to provide Tribal governments and Tribal organizations access to technical assistance and additional staff resources to carry out environmental and climate action work that benefit Tribal Nations and the state.

PERMITTING, LICENSING, AND REGULATORY STAFF

POLLUTION CONTROL AGENCY

The [Environment, Natural Resources, Climate and Energy Finance and Policy Omnibus Bill](#) appropriated \$1.4m from the Environmental Fund for the FY24/25 biennium to improve the coordination, effectiveness, transparency, and accountability of the environmental review and permitting process. To meet these goals, the MPCA has implemented a centralized project management process for complicated and higher public profile projects. New positions will oversee effective communication between project proposers, MPCA programs, other relevant state agencies, the appropriate local units of government, key stakeholder constituencies, Tribal Nations, and Minnesota residents. The positions will identify potential issues with a proposed project as soon as possible and communicate those issues to the project proposer as soon as possible. The MPCA will evaluate success by the number of proposed projects completed on time based on the coordinated project plan and continuous feedback from project proposers and stakeholders.



TRANSPORTATION

Minnesota will receive approximately \$100 million over five years to reduce transportation-related emissions and approximately \$114 million over five years to increase the resilience of its transportation system. Minnesota will also apply for discretionary funding to address climate and resilience. The [Transportation and Public Safety Bill](#) appropriated \$2 million to leverage federal funding for climate related programs from the Infrastructure Investment and Jobs Act (IIJA). This will ensure MnDOT has the staff expertise and resources available to plan for and administer IIJA programs related to climate change, hire consultants to develop programs when necessary, and coordinate with other state agencies, local governments, and external stakeholders impacted by these programs.

LABOR & INDUSTRY

There is a clear need to fully fund the current prevailing wage staff as well as the need for additional staff to meet the increased education and enforcement demands that will come from an influx of federal money to Minnesota. This need has also been identified by stakeholders including the building and construction trade unions, the Fair Contracting Foundation, and worker advocacy organizations. The [Labor and Jobs Bill](#) appropriated nearly \$3.2 million for the FY24/25 biennium from the workforce development fund to increase prevailing wage education, survey support, and compliance initiatives.



AGRICULTURE

The [Agriculture Bill](#) modernizes the food safety program by establishing an Agriculture Fund account to dedicate revenues generated from food handler license and inspection fees to create a program fund balance to ensure short term staff salaries are addressed. Food safety inspection staff are highly trained technical staff who must remain up to date in food industry practices, scientific and technical food safety knowledge, and regulatory interpretation to provide food safety services to protect public health. Additionally, the food industries regulated by the food safety program staff are dynamic in nature due to business modernization and advances in food science, production methods, consumer preferences, and sales and distributions models.

As a result, these programs have flexibility to address long term planning needs and adapt more swiftly to industry changes with direct control and management of agriculture funds which are not limited by biennial spending cycles. This proposal creates net loss to the General Fund of \$3.827 million in FY24 and is net neutral to the General Fund in FY25 and after.

COMMERCE

The [Environment, Natural Resources, Climate and Energy Finance and Policy Omnibus Bill](#) appropriated \$1.26 million in FY2024 and ongoing for Energy Resources and Planning (ERP) operations to support the department’s ERP function. This unit is key to helping the Public Utilities Commission (PUC) make decisions and ensure state energy policy goals are achieved. As Minnesota’s energy system undergoes a historic transformation to clean energy and the requisite infrastructure build-out, ERP’s role is critical to facilitating this transition and ensuring consumers are protected throughout the process. The proposed budget would add 8 FTE to the existing ERP roster.

NATURAL RESOURCES

The [Environment, Natural Resources, Climate and Energy Finance and Policy Omnibus Bill](#) appropriated \$1.2 million for the FY24/25 biennium to support critical mining regulatory work at the Department of Natural Resources (DNR) and the Minnesota Pollution Control Agency (MPCA). This proposal will bring the total level investment in mining regulatory work across the two agencies to approximately \$1.5 million annually, which includes existing occupation tax-related funding that agencies receive. The proposed investment will stabilize existing funding, which changes every year, and help ensure that the DNR can conduct critical environmental research related to mining, better manage review of both existing and proposed mining projects, and improve response to the substantial growth in mining regulatory work.

OTHER BUSINESS DEVELOPMENT FUNDING

AGRICULTURE

Fully funding the Agricultural Growth, Research, and Innovation (AGRI) Bioincentive Program was one of the recommendations of the Governor's Council on Biofuels. Representatives of bioproduct industries have also advocated for fully funding the Bioincentive Program in previous legislative sessions.

The purpose of the Bioincentive Program is to spur private investment in production of advanced biofuels, renewable chemicals, and biomass thermal energy. These successful programs are supported by a broad coalition of partners including the Bioeconomy Coalition of Minnesota and have statewide impact. The [Agriculture Bill](#) appropriated \$5.75 million in funding for each year of the FY24/25 biennium – the same as the FY 22/23 biennium. However, claims for incentive payments in previous years greatly exceed funds appropriated for payments. For example, in FY 2022, claims



exceeded the appropriation by over \$3 million, and despite the increases in funding since then, there is still a substantial shortfall. Due to the program’s popularity and role in encouraging sustainable fuel production in Minnesota, MBFS will continue to advocate for the program’s expansion.

POLLUTION CONTROL AGENCY

Facilities that release air pollution may not have incentives to reduce their emissions if they are currently complying with federal and state standards. But reducing those emissions would help protect human health, particularly in Black, Indigenous, low-income and communities of color, which are disproportionately affected by air pollution. The [Environment, Natural Resources, Climate and Energy Finance and Policy Omnibus Bill](#) appropriated \$6.4 million from the General Fund for FY24/25 for grants to regulate facilities in environmental justice areas of concern. The grant dollars would subsidize pollution control equipment or process improvements that reduce the facilities’ air emissions. The bill also appropriates \$16.7 million for innovative projects, equipment, or process improvements within the taconite industry that result in pollution reductions to Minnesota’s air and water resources.

TRANSPORTATION

The [Transportation and Public Safety Bill](#) extended the appropriation for procurement of a Freight Network Optimization Tool from June 30, 2023, to June 30, 2025. During the 2021 special session the Minnesota legislature appropriated \$1 million of general fund revenues for the development of the Freight Network Optimization Tool. To date, MnDOT has hired a Project Manager to complete this task and is developing a Request for Proposal (RFP) to procure a consulting team to assist in the development of the tool.

COMMERCE

The [State Competitiveness Fund](#) was created and appropriated \$190 million to (1) provide required state matching funds that are required for multiple energy-related competitive and formula federal grant opportunities through the Infrastructure Investment and Jobs Act (IIJA); (2) provide grant writing capacity in rural and disadvantaged communities in order to successfully compete for billions in competitive funding; and (3) provide the minimum staffing capacity to apply for and implement the programs resulting from new federal funding, as well as provide needed staff capacity at COMM to provide quantitative analysis on climate and equity impacts for dockets and implementation of statute.

EMPLOYMENT & ECONOMIC DEVELOPMENT

As power plants across Minnesota plan for closure, communities surrounding them face economic uncertainty. To help communities prepare, the [Environment, Natural Resources, Climate and Energy Finance and Policy Omnibus Bill](#) appropriated \$10 million to DEED’s Office of Energy Transition. This new funding is designed to support impacted areas by providing resources for these communities to diversify their economies and find new opportunities for quality jobs and economic growth.

CONCLUSION

Minnesota Business First Stop was designed to support the type of complex projects that are likely to arise from the development activity these funds will attract. But to remain effective amid the modern demands of technological innovation and climate change, our regulatory agencies will need the necessary resources. Just as Minnesota industry is being asked to adapt to new economic realities by learning to create, produce, and operate differently – state government must also evolve if we are to facilitate this change and be active partners along the way.



MN.GOV/DEED/FIRSTSTOP