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State of Minnesota
HOUSE OF REPRESENTATIVES

**EIGHTY-FIFTH
SESSION**

HOUSE FILE No. 3602

February 28, 2008

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The bill was read for the first time and referred to the Committee on Finance

April 16, 2008

Committee Recommendation and Adoption of Report:

To Pass as Amended and re-referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to economic development; amending business subsidy provisions;
1.3 defining terms; requiring reports; amending Minnesota Statutes 2006, sections
1.4 116J.993, subdivision 3; 116J.994, subdivisions 2, 5, 8.

1.5 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:**

1.6 Section 1. Minnesota Statutes 2006, section 116J.993, subdivision 3, is amended to
1.7 read:

1.8 Subd. 3. **Business subsidy.** "Business subsidy" or "subsidy" means a state or local
1.9 government agency grant, contribution of personal property, real property, infrastructure,
1.10 the principal amount of a loan at rates below those commercially available to the recipient,
1.11 any reduction or deferral of any tax or any fee, any guarantee of any payment under any
1.12 loan, lease, or other obligation, or any preferential use of government facilities given
1.13 to a business.

1.14 The following forms of financial assistance are not a business subsidy:

1.15 (1) a business subsidy of less than ~~\$25,000~~ \$200,000;

1.16 (2) assistance that is generally available to all businesses or to a general class of
1.17 similar businesses, such as a line of business, size, location, or similar general criteria;

1.18 (3) public improvements to buildings or lands owned by the state or local
1.19 government that serve a public purpose and do not principally benefit a single business or
1.20 defined group of businesses at the time the improvements are made;

1.21 (4) redevelopment property polluted by contaminants as defined in section 116J.552,
1.22 subdivision 3;

- 2.1 (5) assistance provided for the sole purpose of renovating old or decaying building
2.2 stock or bringing it up to code and assistance provided for designated historic preservation
2.3 districts, provided that the assistance is equal to or less than 50 percent of the total cost;
- 2.4 (6) assistance to provide job readiness and training services if the sole purpose of
2.5 the assistance is to provide those services;
- 2.6 (7) assistance for housing;
- 2.7 (8) assistance for pollution control or abatement, including assistance for a tax
2.8 increment financing hazardous substance subdistrict as defined under section 469.174,
2.9 subdivision 23;
- 2.10 (9) assistance for energy conservation;
- 2.11 (10) tax reductions resulting from conformity with federal tax law;
- 2.12 (11) workers' compensation and unemployment insurance;
- 2.13 (12) benefits derived from regulation;
- 2.14 (13) indirect benefits derived from assistance to educational institutions;
- 2.15 (14) funds from bonds allocated under chapter 474A, bonds issued to refund
2.16 outstanding bonds, and bonds issued for the benefit of an organization described in section
2.17 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1999;
- 2.18 (15) assistance for a collaboration between a Minnesota higher education institution
2.19 and a business;
- 2.20 (16) assistance for a tax increment financing soils condition district as defined under
2.21 section 469.174, subdivision 19;
- 2.22 (17) redevelopment when the recipient's investment in the purchase of the site and in
2.23 site preparation is 70 percent or more of the assessor's current year's estimated market
2.24 value;
- 2.25 (18) general changes in tax increment financing law and other general tax law
2.26 changes of a principally technical nature;
- 2.27 (19) federal assistance until the assistance has been repaid to, and reinvested by, the
2.28 state or local government agency;
- 2.29 (20) funds from dock and wharf bonds issued by a seaway port authority;
- 2.30 (21) business loans and loan guarantees of ~~\$75,000~~ \$200,000 or less;
- 2.31 (22) federal loan funds provided through the United States Department of
2.32 Commerce, Economic Development Administration; and
- 2.33 (23) property tax abatements granted under section 469.1813 to property that is
2.34 subject to valuation under Minnesota Rules, chapter 8100.

2.35 Sec. 2. Minnesota Statutes 2006, section 116J.994, subdivision 2, is amended to read:

3.1 Subd. 2. **Developing a set of criteria.** A business subsidy may not be granted until
3.2 the grantor has adopted criteria after a public hearing for awarding business subsidies
3.3 that comply with this section. The criteria may not be adopted on a case-by-case basis.
3.4 The criteria must set specific minimum requirements that recipients must meet in order
3.5 to be eligible to receive business subsidies. The criteria must include a specific wage
3.6 floor for the wages to be paid for the jobs created. The wage floor may be stated as a
3.7 specific dollar amount or may be stated as a formula that will generate a specific dollar
3.8 amount. A grantor may deviate from its criteria by documenting in writing the reason
3.9 for the deviation and attaching a copy of the document to its next annual report to the
3.10 department. The commissioner of employment and economic development may assist
3.11 local government agencies in developing criteria. A copy of the criteria must be submitted
3.12 to the Department of Employment and Economic Development along with the first annual
3.13 report following the enactment of this section or with the first annual report after it has
3.14 adopted criteria, whichever is earlier. Notwithstanding section 116J.993, subdivision 3,
3.15 clauses (1) and (21), for the purpose of this subdivision, "business subsidies" as defined
3.16 under section 116J.993 includes the following forms of financial assistance:

- 3.17 (1) a business subsidy of \$25,000 or more; and
3.18 (2) business loans and guarantees of \$75,000 or more.

3.19 Sec. 3. Minnesota Statutes 2006, section 116J.994, subdivision 5, is amended to read:

3.20 Subd. 5. **Public notice and hearing.** (a) Before granting a business subsidy that
3.21 exceeds \$500,000 for a state government grantor and ~~\$100,000~~ \$200,000 for a local
3.22 government grantor, the grantor must provide public notice and a hearing on the subsidy.
3.23 A public hearing and notice under this subdivision is not required if a hearing and notice
3.24 on the subsidy is otherwise required by law.

3.25 (b) Public notice of a proposed business subsidy under this subdivision by a state
3.26 government grantor, other than the Iron Range Resources and Rehabilitation Board, must
3.27 be published in the State Register. Public notice of a proposed business subsidy under this
3.28 subdivision by a local government grantor or the Iron Range Resources and Rehabilitation
3.29 Board must be published in a local newspaper of general circulation. The public notice
3.30 must identify the location at which information about the business subsidy, including a
3.31 summary of the terms of the subsidy, is available. Published notice should be sufficiently
3.32 conspicuous in size and placement to distinguish the notice from the surrounding text.
3.33 The grantor must make the information available in printed paper copies and, if possible,
3.34 on the Internet. The government agency must provide at least a ten-day notice for the
3.35 public hearing.

4.1 (c) The public notice must include the date, time, and place of the hearing.

4.2 (d) The public hearing by a state government grantor other than the Iron Range
4.3 Resources and Rehabilitation Board must be held in St. Paul.

4.4 (e) If more than one nonstate grantor provides a business subsidy to the same
4.5 recipient, the nonstate grantors may designate one nonstate grantor to hold a single
4.6 public hearing regarding the business subsidies provided by all nonstate grantors. For
4.7 the purposes of this paragraph, "nonstate grantor" includes the iron range resources and
4.8 rehabilitation board.

4.9 (f) The public notice of any public meeting about a business subsidy agreement,
4.10 including those required by this subdivision and by subdivision 4, must include notice that
4.11 a person with residence in or the owner of taxable property in the granting jurisdiction
4.12 may file a written complaint with the grantor if the grantor fails to comply with sections
4.13 116J.993 to 116J.995, and that no action may be filed against the grantor for the failure to
4.14 comply unless a written complaint is filed.

4.15 Sec. 4. Minnesota Statutes 2006, section 116J.994, subdivision 8, is amended to read:

4.16 Subd. 8. **Reports by grantors.** (a) Local government agencies of a local
4.17 government with a population of more than 2,500 and state government agencies,
4.18 regardless of whether or not they have awarded any business subsidies, must file a report
4.19 by April 1 of each year with the commissioner. Local government agencies of a local
4.20 government with a population of 2,500 or less are exempt from filing this report if they
4.21 have not awarded a business subsidy in the past five years. The report must include a list
4.22 of recipients that did not complete the recipient report required under subdivision 7 and a
4.23 list of recipients that have not met their job and wage goals within two years and the steps
4.24 being taken to bring them into compliance or to recoup the subsidy.

4.25 If the commissioner has not received the report by April 1 from an entity required
4.26 to report, the commissioner shall issue a warning to the government agency. If the
4.27 commissioner has still not received the report by June 1 of that same year from an entity
4.28 required to report, then that government agency may not award any business subsidies
4.29 until the report has been filed.

4.30 (b) The report required under paragraph (a) is also required for financial assistance
4.31 of \$25,000 and greater that is excluded from the definition of "business subsidy" by
4.32 section 116J.993, subdivision 3, clause (1), and of \$75,000 and greater that is excluded
4.33 from the definition of "business subsidy" by section 116J.993, subdivision 3, clause (21).
4.34 The report for the financial assistance under this paragraph must be completed within one

5.1 year of the granting of the financial assistance. The report required for financial assistance
5.2 under this paragraph must include:

5.3 (1) the name of the recipient, its organizational structure, its address and contact
5.4 information, and its industry sector;

5.5 (2) a description of the amount and use of the financial assistance and the total
5.6 project budget, including a list of all financial assistance by all grantors for the project and
5.7 the private sources of financial assistance;

5.8 (3) the public purpose of the financial assistance, the job goals associated with both
5.9 the financial assistance and the total project in which the financial assistance is included,
5.10 the hourly wage of each job created, and the cost of health insurance provided by the
5.11 employer;

5.12 (4) the date the project will be completed;

5.13 (5) the name and address of the parent corporation of the recipient, if any; and

5.14 (6) any other information the commissioner may request.

5.15 (c) The commissioner of employment and economic development must provide
5.16 information on reporting requirements to state and local government agencies.