



# The EDACENTER

at the University of Minnesota Crookston

The EDA Chronicle-February 2014

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## Events of Interest:

March 13

- Finding and Motivating the Right Foreign Business Partner hosted by the Minnesota Trade Office from 9AM-2PM at the DEED Conference Center in St. Paul. Fee is \$60 if you pre-register and \$80 the day of the event. For more information please go to <https://www.regonline.com/Registrar/Checkin.aspx?EventID=1438484>.

March 25

- Minnesota Water Technology Business Summit from 9:30AM-4:30PM with a reception from 4:30-6:00PM at the Ecolab Schuman Campus in Eagan. Fee if you register by Mar. 21 is \$75. Fee after Mar. 21 is \$95. For more information and to register please go to <http://mn.gov/deed/events/index/index.jsp>.

March 27

- MGTA's "Import Basics and Transfer Pricing" from 9AM-4:30PM at the Offices of ME Electrical in Minneapolis. Online registration will be available until Mar. 27. For more information and to register please go to [http://www.mgta.org/events/event\\_details.asp?id=399165&group#](http://www.mgta.org/events/event_details.asp?id=399165&group#).

April 22-23

- EDA University Center Showcase hosted by The EDA Center at the University of Minnesota Crookston at the Best Western Plus Bloomington/Mall of America in Bloomington.

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## MMB Releases January Economic Update

The January Economic Update released by the Minnesota Management and Budget Office continues to improve an already positive economic outlook for Minnesota. General fund receipts for November and December totaled \$3.33 billion for November and December. This is \$172 million (5.4%) more than predicted in the November Forecast. All four categories of tax receipts experienced higher than expected totals. Individual income tax receipts were \$90 million (6.7%) more for November and December than predicted in the November Forecast. General sales tax receipts were \$37 million (4.6%) more for November and December than predicted in the November Forecast. Corporate franchise tax receipts were \$22 million (8.5%) more for November and December than predicted in the November Forecast. Other revenues were \$22 million (2.9%)

more for November and December than predicted in the November Forecast.

With unemployment expected to be near 6 percent by the end of 2014, the economy is expected to continue to improve. Global Insight improved their baseline forecasts for real GDP growth through 2015. In the November Forecast, Global Insight expected real GDP growth to be 1.7 percent in 2013, 2.5 percent in 2014, and 3.1 percent in 2015. Global Insight now expects real GDP growth to be 1.9 percent in 2013, 2.7 percent in 2014, and 3.2 percent in 2015.

*For the entire January Economic Update please go to <http://www.mmb.state.mn.us/doc/fu/14/update-jan.pdf>.*

## Minnesota Department of Revenue Releases Evaluation of the Angel Tax Credit Program: Still Available Tax Credits for 2014

In 2010 the Angel Tax Credit Program was created to encourage investment in Minnesota businesses. Since the inception of the Angel Tax Credit program, investors have provided \$208 million in funds for certified businesses with amounts invested growing each year. Not only are investments growing but so are participants.

and 82 certified funds participating in this program. The Angel Tax Credit Program is set to expire at the end of this year unless the Minnesota Legislature acts to extend the program.

### Angel Tax Credit Program Evaluation

In 2010 there were 112 certified businesses, 275 certified investors, and 5 certified funds participating in this program. Through January 2014 there are 767 certified businesses, 2,160 certified investors,

To evaluate the use of the Angel Tax Credit Program the Economic Development Research Group, Inc. along with Karl F. Seidman Consulting Services produced a report to the Minnesota Department of Revenue and analyzed the first three years of the program.

At the time of this analysis, \$138.6 million was invested in Minnesota businesses. Based upon surveys of investors, 48 percent of the investors stated they would not have made an investment if the Angel Tax Credit did not exist. That means of the \$138 million invested during the past three years \$71.7 million can be attributed to the Angel Tax Credit Program. In addition, 34 percent stated they would have invested, but on a smaller scale were there no Angel Tax Credit Program.

In addition to stimulating investment, the Angel Tax Credit Program provides exposure of certified businesses to investors. However, responses to surveys show that not all businesses are being noticed equally. Sixty-eight percent of the qualified investors stated their awareness of investment opportunities in the Twin Cities area was enhanced by the Angel Tax Credit Program while only 29 percent of the investors had an increased awareness of investment opportunities in Greater Minnesota. Investors surveyed showed a small increase of awareness of investment opportunities in women-owned (14%) and minority-owned businesses (12).

One impact of increased investments in qualified businesses is the hiring of more workers. Investments also support indirect and induced job growth as these small businesses grow. Over the course of the first 3 years of the Angel Tax Credit Program, activities by qualified small businesses receiving investments is attributed to 512 new Minnesota jobs. They also forecast that 635 jobs could be created between 2013 and 2020.

The authors found four demand factors cited by investors as barriers to higher levels of use in Greater Minnesota as well as among women-owned and minority-owned businesses. These four demand factors are:

- *Limited entrepreneurial activity in high growth firms*
- *Weaker support systems to grow businesses and connect them to resources*
- *Business cultural resistance to angel investment or use of government programs*
- *Design and limited awareness of the Angel Tax Credit Program in Greater Minnesota*

They also found four supply factors cited as reasons for reduced investment in Greater Minnesota. These four supply factors are:

- *Limited base of angel investors or capacity to tap local investors*
- *Status and experience of past angel funds*
- *Lack of infrastructure to connect investors to entrepreneurs and facilitate investments*
- *Social networks and investor experience may limit interest in women and/or minority entrepreneurs*

With the lack of investment in Greater Minnesota firms and women and minority-owned firms, the authors provided some suggestions to improve usage of the Angel Tax Credit Program in these areas. The suggestions include:

- *Setting aside angel tax credits for use in Greater Minnesota*
- *Expand outreach and marketing initiatives to increase awareness and understanding of the Angel Tax Credit Program*
- *Provide support for coordinators or facilitators to work with angel investors and investor networks in Greater Minnesota*
- *Support more “connector organizations” to reach women and minority entrepreneurs*

### **Tax Credits Still Available**

Presently there is a total of \$12.2 million available in tax credits for the 2014 calendar year. As of February 26th \$2.4 million in tax credits remains.

The Minnesota High-Tech Association will present its Legislative Agenda to members of the Minnesota Legislature and Governor’s Cabinet. This Legislative Agenda will include whether to extend the Angel Tax Credit Program in FY 2015-2016, increasing funding to \$48 million for the biennium, and an additional \$12 million for 2014.

*For the entire report please go to [http://www.revenue.state.mn.us/research\\_stats/research\\_reports/2014/evaluation\\_of\\_the\\_mn\\_angel\\_tax\\_credit\\_program.pdf](http://www.revenue.state.mn.us/research_stats/research_reports/2014/evaluation_of_the_mn_angel_tax_credit_program.pdf).*

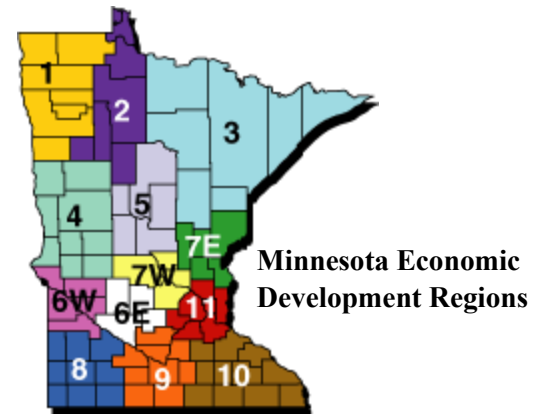
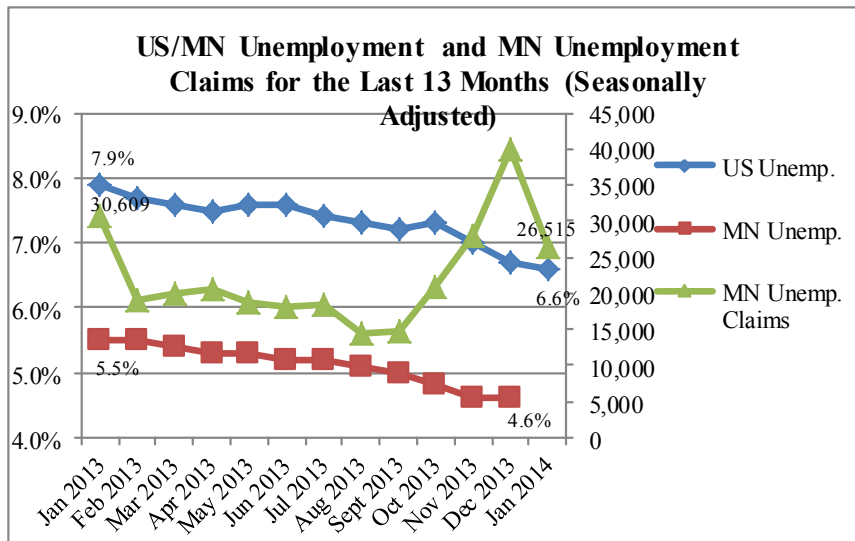
*For more information on the Angel Tax Credit Program and how to become involved please go to <http://mn.gov/deed/business/financing-business/tax-credits/angel-tax-credit/>.*

## DEED Report: 2013-2014 Local Area Unemployment Statistics and Jobs Report

After seasonal adjustments, unemployment in January dropped again to 6.6 percent in the U.S.. Minnesota unemployment numbers for January will not be released until March 14<sup>th</sup>. Minnesota unemployment claims in January decrease 13,400 to 26,515 when compared to December 2013. Over the year unemployment claims dropped 13.4 percent when compared to January 2013.

January unemployment numbers for the EDRs will not be released until sometime in March.

Go to the DEED website; [www.positivelyminnesota.com](http://www.positivelyminnesota.com) to view more employment and wage statistics.



**2013 Minnesota Unemployment by Economic Development Region (Not Seasonally Adjusted)**

Date	EDR1	EDR2	EDR3	EDR4	EDR5	EDR6E	EDR6W	EDR7E	EDR7W	EDR8	EDR9	EDR10	EDR11
Jan 2013	8.1%	10.1%	8.4%	6.7%	10.2%	7.9%	7.4%	10%	7.6%	5.8%	6.7%	6.2%	5.8%
Feb 2013	7.1%	9.2%	7.7%	6.1%	9.3%	7.3%	6.5%	9%	6.9%	5.4%	6.1%	5.8%	5.3%
Mar 2013	7.1%	9.2%	7.5%	6%	9%	7.1%	6.4%	9%	6.6%	5.2%	5.9%	5.5%	5.1%
Apr 2013	6.5%	8.7%	7.1%	5.3%	7.9%	6.1%	5.7%	8.1%	6%	4.7%	5.4%	5%	4.8%
May 2013	4.6%	7.1%	6.7%	4.1%	6.3%	5.1%	4.9%	6.4%	4.9%	4%	4.7%	4.6%	4.7%
Jun 2013	4.9%	7%	6.7%	4.3%	6.2%	5.3%	4.8%	6.3%	5.2%	4.2%	5%	4.9%	5.1%
Jul 2013	4.9%	6.8%	6.5%	4.1%	6%	5.1%	4.8%	6%	5%	4.7%	4.9%	4.8%	5%
Aug 2013	4.4%	6.2%	6%	3.7%	5.6%	4.6%	4.5%	5.5%	4.6%	3.8%	4.4%	4.5%	4.7%
Sept 2013	3.9%	5.8%	5.7%	3.6%	5.4%	4.4%	4.1%	5.3%	4.3%	3.6%	4.1%	4.2%	4.6%
Oct 2013	3.4%	5.4%	5.3%	3.2%	5.1%	4%	3.5%	4.8%	3.9%	3.8%	3.7%	3.8%	4.1%
Nov 2013	4%	6.3%	5.8%	3.6%	6.3%	4.3%	3.7%	5.4%	4.2%	3.2%	3.8%	3.7%	4%
Dec 2013	5%	7.4%	6.3%	4.6%	7.5%	5.3%	4.7%	6.9%	5.1%	3.9%	4.5%	4.3%	4.2%

## The EDA Center’s “Regional Round-up”

*Each month The EDA Center will collect information from the different regions in Greater Minnesota in an effort to highlight notable projects and events across the state. If you have any projects or events you would like highlighted in future newsletters, please submit them to [walke810@umn.edu](mailto:walke810@umn.edu) prior to the 15th of every month.*

### Arrowhead Regional Development Commission (ARDC)

The City of Little Fork, Minnesota owns the Little Fork Medical Center, consisting of a nursing home, assisted

living facility, medical clinic and pharmacy, and a chemical and alcohol in-patient treatment center. Due to financial considerations, the Little Fork Medical Center is in jeopardy of closing. The Little Fork City Council and the Koochiching County Board of Commissioners are considering the potential effects the closing will have on the community. One consideration is the effect the potential closure will have on the local economy. This is especially urgent, since Koochiching County is already facing a major economic challenge as a result of downsizing at the Boise Inc. paper mill. To assist decision-makers, University of Minnesota Extension (in partnership with The EDA Center at the University of Minnesota

Crookston) has prepared an economic emergency report.

When looking at employment in Koochiching County there were 110 ambulatory care jobs and 280 nursing/residential facility care jobs in 2012. At the time of the report, there were 94 full-time and part-time employees at the Little Fork Medical Center. As presented in Table 1 below, the closure of Little Forks Medical Center would result in a total of 109 jobs lost, \$6,600,000 in lost output, and \$3,510,000 in lost labor income.

*For the entire report please go to [http://www.edacenter.org/downloads/Little\\_Fork\\_Economic\\_Impact\\_Report.pdf](http://www.edacenter.org/downloads/Little_Fork_Economic_Impact_Report.pdf).*

TABLE 1: ECONOMIC IMPACT OF POTENTIAL CLOSURE OF THE LITTLE FORK MEDICAL CENTER: KOOCHICHING COUNTY, MINNESOTA				
	Direct	Indirect	Induced	Total
	At the Center	Business-Business	Consumer-Business	
Output	-\$4,700,000	-\$500,000	-\$1,400,000	-\$6,600,000
Employment	-94	-5	-10	-109
Labor Income	-\$3,000,000	-\$130,000	-\$380,000	-\$3,510,000
Average Wage	\$31,900	\$26,000	\$38,000	\$32,200
Estimates by University of Minnesota Extension Center for Community Vitality				

## USDA Accepting Renewable Energy System and Energy Efficiency Improvement Guaranteed Loan and Grant Program Applications

The USDA is currently accepting applications from the Renewable Energy System and Energy Efficiency Improvement Guaranteed Loan and Grant Program for 2014. This program provides “financial assistance for projects that generate energy (renewable energy systems) or save energy (energy efficiency improvements)”. Rural small businesses and

agricultural producers are encouraged to apply. Non-profits and public entities are NOT eligible for this program. Renewable energy systems projects that will be considered relate to the following: bioenergy, anaerobic digesters, geothermal, solar, wind; and flexible fuel pumps. Energy efficiency improvement projects “may include any improvements to a facility, build-

ing or process that reduces energy consumption. Examples include energy efficient refrigeration, updating irrigation systems and grain dryers”. No deadline for 2014 has been established yet.

*For more information please go to <http://www.rurdev.usda.gov/MN-RBS-REAP-LoanGrant.html>.*

## REMINDER: EDA Federal Funding Opportunity for FY 2014-2105 Deadlines

Just a reminder to any organizations who may be interested: the U.S. Economic Development Administration (EDA) FY 2014 Economic Development Assistance Programs Federal Funding Opportunity deadlines are coming soon. The purpose of this FFO is to "support construction, non-construction, technical assistance, and revolving loan fund projects" as part of the EDA's Public Works and Economic Adjustment Assistance programs. "Grants made under these programs will leverage regional assets to support implementation of regional economic

development strategies designed to create jobs, leverage private capital, encourage economic development, and strengthen America's ability to compete in the global marketplace."

Eligible applicants include: private institutions of higher education, state governments, city or township governments, 501 (c) (3) and other non-profits, Native American tribal governments, county governments, and other organizations listed in the grant opportunity announcement. Applicants from rural and urban areas are welcome to

apply. Deadlines for the next three funding cycles are:

- March 13, 2014 for FY 2014 funding cycle 3
- June 13, 2014 for FY 2014 funding cycle 4
- October 17, 2014 for FY 2015 funding cycle 1

To view the funding opportunity notice and to apply please go to <http://www.grants.gov/web/grants/view-opportunity.html?oppId=248297>.



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*The EDA Center at the University of Minnesota Crookston is one of more than 40 university centers nationwide, supported by the Economic Development Administration, U.S. Department of Commerce.*

*We conduct applied research, provide direct technical assistance and deliver educational programs development agencies that support the economy of economically-distressed rural communities throughout Minnesota.*

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