



The EDA CENTER

at the University of Minnesota, Crookston

The EDA Chronicle-March 2012

www.edacenter.org

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Events of Interest:

March 22

- Export 101 Seminar & Trade Award Luncheon. 10:30AM to 1:15PM in Minneapolis, MN. For more information or to register visit <http://www.bizjournals.com/twincities/event/64891>

March 29

- My Story-Worthy of an Investor's Interest. Sponsored by TiE Minnesota. Minneapolis, MN-6:30PM to 8:30PM. Visit <http://minnesota.tie.org/event/34/my-story-worthy-investors-interest-for-more-information>.
- Leadership Insights with MnSCU Chancellor Steven Rosenstone sponsored by the Minnesota High Tech Association. Details will be announced soon at <http://www.mhta.org/events/>.

April 25

- MHTA Spring Conference at the Minneapolis Convention Center. Register at <http://www.mhta.org/event/spring-conference-at-minneapolis-convention-center/>.

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Angel Tax Credit Investments More Than Double in 2011.

Starting up a business can be a very expensive undertaking. Not all budding entrepreneurs have the capital necessary to fund their projects themselves, so they often need investors to provide support. A relatively new tax credit in Minnesota seems to have made a difference in the amount invested in a number of new small businesses.

The Angel Tax Credit provides incentive to investors that fund new and emerging high-tech or new proprietary technology businesses. The credit provides a 25% of investment tax credit for qualified investors and is refundable if the credit exceeds the investors' tax liability. In order to receive this credit, the investor must invest a minimum of \$30,000. Investors do not need to be Minnesota residents, but must invest in qualified small businesses located in the state of Minnesota. Each taxpayer may claim up to \$125,000 (individually) or \$250,000 (if filing jointly) per year.

Funding for the Angel Tax

Credit has been approved by the Minnesota Legislature through 2014 or until the \$59 million appropriated for the program runs out, whichever comes first. The Legislature would have to act to extend the program. To date, \$22,793,004 (\$7,005,808 in 2010 and \$15,787,196 in 2011) in credits has been issued in accordance with the stipulations of the program.

The credits that have already been issued represent a total investment of \$91,172,016 by qualified investors provided to Minnesota small businesses since 2010. The program generated more than twice the investments in 2011 when compared to 2010. In 2010, \$28,023,232 was invested in Minnesota small businesses. In 2011, this number increased to \$63,148,784 invested in Minnesota small businesses.

Not only has the amount investment increased since the start of the program, but the number of qualified businesses and investors participating has greatly

increased as well. There were 112 eligible businesses with 67 of those receiving investments in 2010. This number increased to 176 eligible businesses with 113 of those receiving investments in 2011. The annual report shows an even bigger jump in the number of investors. There were 275 investors deemed eligible to make investments in small businesses with 258 of them actually providing assistance in 2010. This number jumped to 623 qualified investors with 563 of them actually providing assistance to small businesses in 2011.

You can see the entire annual report at http://www.positivelyminnesota.com/Business/Financing_a_Business/Angel_Tax_Credit/2011_Angel_Program_Summary_Report.pdf. For more information on the Angel Tax Credit, visit DEED's website at http://www.positivelyminnesota.com/Business/Financing_a_Business/DEED_Business_Finance_Programs/Angel_Tax_Credit.aspx.

MMB February Forecast: Further Indication the Economy is Slowly Coming Back.

The February Budget Forecast released by the Minnesota Management & Budget Office on February 29th shows state finances are continuing to gradually improve. General revenue funds are up \$93 million, while spending is \$230 million less than expected in the November forecast for FY 2012-2013. This leaves \$323 million in gains. Of the \$323 million surplus, \$5 million goes toward the budget reserve to bring it up to \$653 million. The remaining \$318 million goes

“reducing the school aid shifts enacted in recent legislative sessions”. The estimates for FY 2014-2015 also improves when compared to November’s forecast. They forecasted a \$1.3 billion shortfall in November. For February, they project the shortfall to be \$1.103 billion for FY 2014-2015.

Along with the improvement in the budget, Global Insight projects a slight improvement in the economic outlook. They project a real GDP growth of 2.1% in 2012 and 2.3% in

2013. This is up from their November projection of 1.6% in 2012 and 2.5% in 2013. Global Insight also projects only a 25% probability of a recession in 2012, which is down from 40% in November. The probability the economy will outperform baseline has also doubled since November (up to 20% chance as opposed to 10% chance in November).

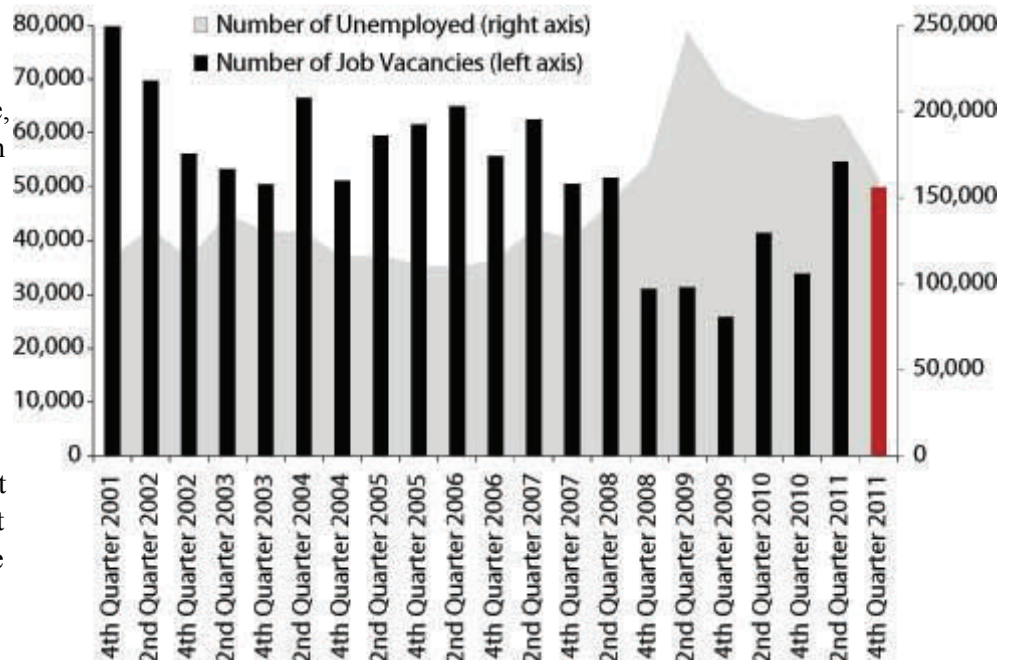
For the full February Forecast, go to <http://www.mmb.state.mn.us/doc/full/12/complete-feb12.pdf>.

DEED UPDATE: State Job Vacancies up 47.6% in 2011 4th Quarter.

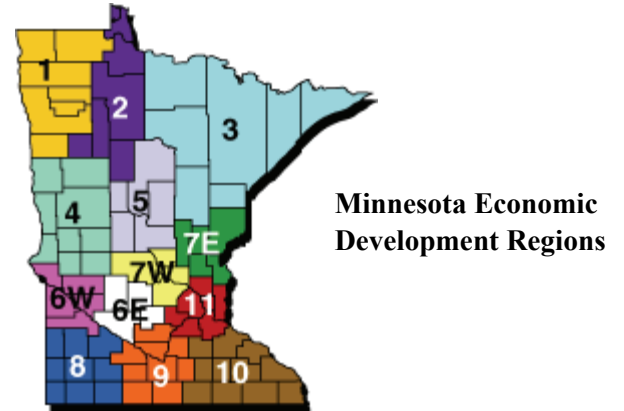
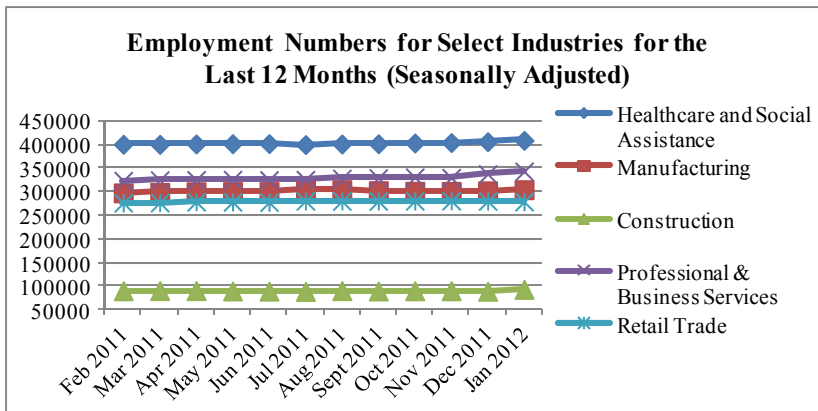
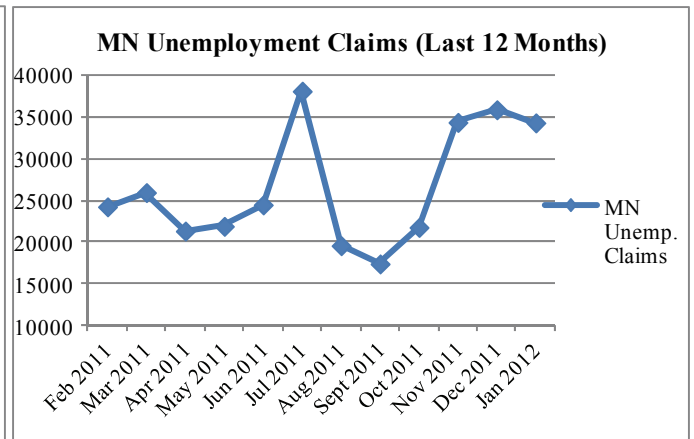
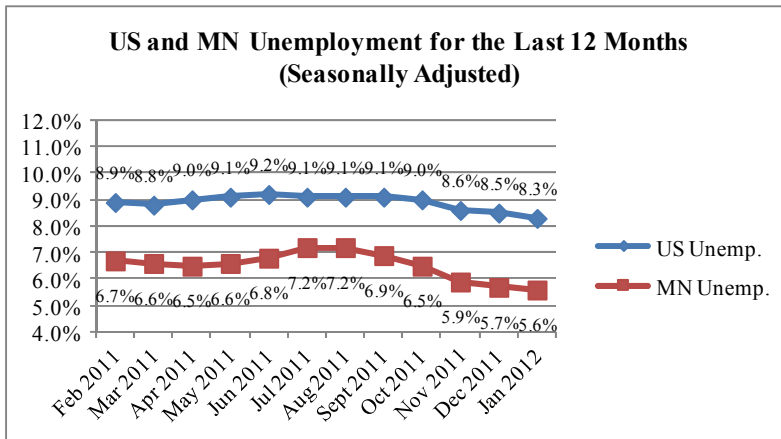
Twice a year Minnesota’s Department of Employment and Economic Development conducts a job vacancies survey to assess hiring demand and the characteristics of vacancies by industry, occupation and firm size. In a February 28th press release, DEED announced the numbers from the 4th quarter job vacancies survey. There were 49,900 job openings in the 4th quarter of 2011 compared to only 33,800 in the 4th quarter of 2010. Figure 1 from the full DEED report shows there were approximately 3 unemployed workers for every job opening in the previous quarter. Even though this ratio is not as low as it has been in the past, it at least shows things are moving in the right direction when you compare it to some of the most recent reports.

For the full DEED report, go to http://www.positivelyminnesota.com/Data_Publications/Data/All_Data_Tools/Job_Vacancy_Survey.aspx.

Figure 1: Minnesota Job Vacancies and Unemployed Workers by Quarter



2011-2012 Local Area Unemployment Statistics and Current Employment Situations in Select Industries



2011-2012 Minnesota Unemployment by Economic Development Region (Not Seasonally Adj.)

Date	EDR1	EDR2	EDR3	EDR4	EDR5	EDR6E	EDR6W	EDR7E	EDR7W	EDR8	EDR9	EDR10	EDR11
Feb 2011	8.3%	10.5%	8.8%	7.6%	11.2%	8.8%	7.8%	11.5%	8.4%	6.4%	7.3%	7.0%	6.6%
Mar 2011	8.2%	10.6%	8.7%	7.2%	10.7%	8.7%	7.5%	11.1%	8.2%	6.4%	7.3%	6.9%	6.5%
Apr 2011	7.0%	9.6%	8.1%	6.1%	8.9%	7.4%	6.3%	9.8%	7.2%	5.2%	6.2%	6.1%	6.1%
May 2011	6.2%	8.5%	7.6%	5.4%	7.7%	6.6%	5.7%	8.6%	6.6%	4.8%	5.9%	5.9%	6.3%
Jun 2011	6.3%	8.8%	8.0%	6.0%	8.0%	7.1%	6.4%	8.7%	7.1%	5.5%	6.5%	6.6%	7.0%
Jul 2011	6.4%	9.6%	8.6%	6.1%	8.4%	7.4%	6.5%	9.3%	7.0%	5.8%	6.8%	6.6%	7.5%
Aug 2011	6.5%	8.5%	7.5%	5.6%	7.6%	6.9%	6.1%	8.2%	6.7%	5.4%	6.2%	6.2%	6.7%
Sept 2011	5.3%	7.3%	6.5%	5.0%	6.7%	6.0%	5.2%	7.2%	5.9%	4.7%	5.3%	5.4%	6.0%
Oct 2011	4.6%	6.7%	6.0%	4.4%	6.2%	5.3%	4.5%	6.6%	5.3%	4.3%	4.8%	4.9%	5.4%
Nov 2011	5.0%	7.5%	6.3%	4.6%	7.1%	5.5%	4.4%	6.9%	5.4%	4.0%	4.7%	4.7%	5.1%
Dec 2011	5.9%	8.4%	6.9%	5.5%	8.3%	6.4%	5.4%	8.5%	6.4%	4.4%	5.3%	5.3%	5.3%
Jan 2012	7.8%	9.4%	7.8%	6.4%	9.6%	7.6%	6.5%	10.0%	7.4%	5.4%	6.3%	6.0%	5.7%

After seasonal adjustments, US unemployment in January dropped again to 8.3% while unemployment in Minnesota dropped for a 5th straight month to 5.6%. Unemployment claims decreased from 35,885 in December to 34,314 in January.

January unemployment claims are down 8.8% when compared to January 2011. Minnesota gained 15,500 jobs this January and saw a job growth of 1.1% when compared to last January. All of the EDRs saw another increase in unemployment for January, but the unemployment numbers for the EDRs are NOT seasonally adjusted. Go to the DEED website; www.positivelyminnesota.com to view more employment and wage statistics.

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STEM Scholarships Application Opened March 1.

On March 1st, the Minnesota High Tech Foundation began accepting applications for STEM scholarships for undergraduate students in science, technology, engineering, and math. Scholarships available are for \$5,000 and \$10,000. There is also the possibility for intern-

ships at Minnesota High Tech Association companies. Application requirements are: must be pursuing undergraduate degree in STEM field or teaching STEM, must be a sophomore through senior in the current academic year, and must be enrolled in an accredited higher

education institution in the state of Minnesota.

For more information and the application, go to <http://www.mhta.org/educate/stem-scholarships/>.

Governor's New Jobs Plan Announced Pending Legislative Approval.

On January 11th, Governor Dayton announced a jobs plan designed to put thousands of unemployed Minnesotans to work. While the plan still needs to be approved by the legislature, the jobs plan gives incentives to businesses that hire both the unemployed and new graduates, invest in infrastructure, assist Minnesota in attracting businesses from other states (e.g. expansion), and expand initiatives that train Minnesota's workforce.

As an incentive to hire unemployed Minnesotans/veterans and new graduates, the Governor proposes a New Job Tax Credit. Any business hiring new workers will be able to receive a \$3,000 tax credit for each new hire during the 2012 calendar year and a \$1,500 tax credit for each new hire through June 2013. Governor Dayton estimates this potential \$35 million incentive would establish 10,000 or more new private sector jobs each year.

Another part of the proposal designed to put more Minnesotans to work is \$775 million intended for investment in new and existing infrastructure. This investment could help put tens of thousands to work. Included in this bill would

be \$20 million in bonding requests from DEED intended to help Minnesota businesses to expand.

Among some of the purposes of the investments are: grants to cities for business infrastructure, renew old property for business development, and aid in transportation improvements focused on businesses.

The Governor's jobs proposal would also provide an additional \$10 million to the Minnesota Investment Fund. This particular fund has made it possible for communities all across the state attract new businesses from outside of Minnesota either by existing businesses expanding into our state or out-of-state businesses deciding to locate here. Just by the additional funding provided to this fund last year, DEED was able to attract new businesses to the state to the tune of \$46 million in private investment and 218 new jobs.

The Governor's Workforce Development Council has researched ways to improve Minnesota's workforce. In their recommendations entitled "All Hands on Deck", they estimate that by 2018 70% of all Minnesota jobs will require education beyond high school. Currently, only 40% of the

workforce over the age of 18 has a post-secondary degree of any kind. As a result, the Governor has recommended expanding programs that will work to narrow this skills gap. The Governor proposes spending \$4.5 million per year to expand the Minnesota FastTRAC (Training, Resources and Credentialing) initiative. This program strives to help "educationally underprepared" working adults by giving them opportunities to obtain basic skills and career-specific training in manageable ways while they still work. His proposal also would provide for funding the Minnesota Opportunity Grants Pilot Program. This program would provide 2000 Minnesotans with \$2,000 grants for up to 2 semesters of training for jobs that pay more than 175% of the poverty level and are regionally in high demand. The high-demand fields will be determined by DEED's Current Demand Indicator.

For more information on the Governor's Job Proposal, go to <http://mn.gov/governor/images/Job-Proposal.pdf>. For the Governor's Workforce Development Council's recommendations, go to http://www.gwdc.org/policy_advisory/All_Hands_on_Deck_2011.pdf.

USDA Renewable Energy System and Energy Efficiency Applications Due March 30.

Renewable energy and energy efficiency is currently a hot-button topic. With the rising cost of gas, it makes fiscal sense to use systems that either make use of renewable energy or are more energy efficient. On January 20th, 2012 the U.S. Department of Agriculture Rural Development office published a Notice of Funding Availability for the 2012 fiscal year Renewable Energy for America Program (REAP) application cycle in the Federal Register (<http://www.gpo.gov/fdsys/pkg/FR-2012-01-20/pdf/2012-755.pdf>). In order to receive funding, rural small businesses and agricultural producers must propose projects that either produce energy (renewable energy) or save energy with energy efficiency improvements.

Renewable energy projects include any systems using biomass, geothermal, solar, wind or flexible fuel pump systems. Acceptable biomass systems consist of two type systems: bio-energy (produces fuel, thermal energy, or electric power from any biomass source) or

anaerobic digesters (produces thermal energy or power via anaerobic digestion using animal waste or any other organic substrates). Geothermal systems consist of two type systems: direct use systems that use thermal energy directly from geothermal sources or electric generation systems that produces electrical power from geothermal sources. Other project requirements include: applicant must be owner of the system as well as control operation/maintenance, be technically feasible, must be for pre-commercial or commercially, available and replicable technology, and project revenues must be sufficient to sustain operation and maintenance. Projects related to renewable energy funded in 2011 include geothermal energy and flex-fuel pump installations.

Energy efficiency improvement projects include any improvements to a facility, building, or process that reduces energy consumption. Other project requirements are the same as renewable energy projects but also require a technical report and an energy audit. Projects re-

lated to energy efficiency improvements funded in 2011 include: grain dryers, new refrigeration equipment, and a reverse osmosis system for processing.

A variety of funding is available for all projects. Grants, loans, and a combination of the two are available. Grants can consist of up to 25% of the eligible project costs and must be a minimum of \$1,500 and a maximum of \$250,000. Loans cannot exceed 75% of the eligible project costs and must be a minimum of \$5,000 and a maximum of \$25 million. The combination of loans and grants cannot exceed 75% (25% grants and 50% loans) of the eligible project costs. The deadline for grant and grant/loan applications is March 30th, 2012. Any applications for ONLY guaranteed loans are due by June 29th, 2012.

For more information, visit <http://www.rurdev.usda.gov/MN-RBS-REAP-LoanGrant.html> (applications are categorized by type of project and can be found by clicking the link associated with each type project).



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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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