

Minnesota Attorney General: Administrative Rules Proceedings

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Version 3
August 20, 2018

ATTORNEY GENERAL

FILE COPY

June 14, 1988

CAMILLA NELSON
Special Assistant Attorney General
520 Lafayette Road, 2d Floor

MARTHA J. CASSERLY
Special Assistant
Attorney General

296-6839

In the Matter of the Adopted Permanent Rules Relating to Challenge Grants
RR#1489

The above-referenced rule has been approved as to its legality by the Attorney General on June 14, 1988.

Enclosed is the agency's copy of the approved rule. This office has already filed two copies with the Secretary of State, who will forward one copy to the Revisor of Statutes. The fourth is being retained by this division of the Attorney General's Office for its records.

Also enclosed are any petitions, requests, submissions or comments received by the agency and any extra copies of documents which the agency submitted to the Attorney General.

In order for a permanent rule without a hearing to become effective, your agency must establish a notice of adoption in the State Register in accordance with Minn. Stat. § 14.27. An emergency rule becomes effective five working days after approval by the Attorney General; however, the agency must publish a notice in the State Register in accordance with Minn. Stat. § 14.34.

If you have any questions in this regard, please contact me.

MJC:bbl
Enclosures

cc: Maryanne Hruby
Duane Harves

MJC

RULE REVIEW CHECKLIST

File No. 1489
DATE RECEIVED 5-31-88
REVIEW DATE 6-9-88
DUE DATE 6-14-88

APPROVED 6.14.88 mjc
DISAPPROVED
WITHDRAWN

Docket No. 05-0009.0422
ADOPTED W/O HEARING ✓
EMERGENCY RULE

REVISOR APPROVED
REVISOR DISAPPROVED
FIELD W/SEC.STATE
RETURNED TO AGENCY

✓ Rule as adopted (4 copies)
✓ Notice to Solicit Outside Information/Opinion
10/26/87 Date published in State Register
yes Comments
~~Petition for Adoption of a Rule~~
Board's Authorizing Resolution
✓ Proposed rule
yes Revisor's Certificate
✓ Notice of Intent to Adopt Rule
116N.08 Statutory Authority
No Small Business Statement
No Expenditure of public money statement
yes Signature
✓ Statement of Need and Reasonableness
No Small Business Statement
NJ Fees - § 16A.128
✓ Affidavit of Mailing Notice of Intent to Adopt Rule
2/22/88 Date (30)/25 days before adoption
✓ Publication in State Register
2/29/88 Date (30)/25 days before adoption
✓ Resolution Adopting
✓ Findings of Fact, Conclusions & Order Adopting
5/17/88 Date
✓ Written requests, submissions or comments (19 during comment period
✓ Declaration of attorney
Cam Nelson Name of SAAG representing agency
~~Notice of Submission to Attorney General~~
~~Affidavit of Mailing Notice to Attorney General~~

Rural Development Board

Adopted Permanent Rules Relating to Challenge Grants

Rules as Adopted

4370.0010 DEFINITIONS.

Subpart 1. **Scope.** The definitions in this part apply to this chapter.

Subp. 2. **Annual report.** "Annual report" means a description of projects supported by the challenge grant program, an account of loans made during the calendar year, the source and amount of money collected and distributed by the challenge grant program, the program's assets and liabilities, and an explanation of administrative expenses.

Subp. 3. **Board.** "Board" means the Rural Development Board.

Subp. 4. **Commissioner.** "Commissioner" means the commissioner of trade and economic development.

Subp. 5. **Economic recovery fund.** "Economic recovery fund" means the state-funded economic development grant program established by Minnesota Statutes, sections 116J.401 to 116J.403, and 116J.873.

Subp. 6. **Funding region.** "Funding region" means the six rural areas of Minnesota that have boundaries that are coterminous with one or more of the development regions established under Minnesota Statutes, section 462.385. They are identified as follows:

A. northwest region is coterminous with development regions 1 and 2;

B. northeast region is coterminous with development region 3;

C. west central region is coterminous with development region 4;

D. central region is coterminous with development regions 5, 7E, and 7W;

E. southwest region is coterminous with development

regions 6E, 6W, and 8; and

F. southeast region is coterminous with development regions 9 and 10.

Subp. 7. **Grant agreement.** "Grant agreement" means an agreement between the state and a regional organization through which the state provides funds to carry out specified programs, services, or activities.

Subp. 8. **Independent annual audit.** "Independent annual audit" means a yearly financial compliance audit performed by a certified public accountant in accordance with generally accepted accounting practices and auditing standards.

Subp. 9. **Loan limits.** "Loan limits" means that for businesses the minimum loan is $5,000 and the maximum is $100,000. For local governmental units the minimum is $5,000 and the maximum is $50,000.

Subp. 10. **Local governmental unit.** "Local governmental unit" means a home rule charter or statutory city when the project is located in an incorporated area, a county when the project is located in an unincorporated area, or an American Indian Tribal Council when the project is located within a federally recognized American Indian Reservation or community.

Subp. 11. **Local revolving loan fund.** "Local revolving loan fund" means a revolving loan fund established by a local governmental unit to promote economic development.

Subp. 12. **Low income.** "Low income" means income that is equal to or below the nonmetropolitan median household income.

Subp. 13. **Minimum interest rate.** "Minimum interest rate" means the interest rate established by the board that cannot be exceeded but that will ensure coverage of the necessary management costs incurred by the regional organization.

Subp. 14. **Private investment.** "Private investment" means cash injections from sources other than state, local, or federal government appropriations.

Subp. 15. **Regional organization.** "Regional organization" means a nonprofit corporation selected by the rural development board to receive a challenge grant.

Subp. 16. **Regional revolving loan fund.** "Regional revolving loan fund" means a board-certified revolving loan fund established by a regional organization to provide loans to new and expanding businesses in rural Minnesota to promote economic development.

Subp. 17. **Rural.** "Rural" means the area of Minnesota located outside the seven-county metropolitan area as defined by Minnesota Statutes, section 473.121, subdivision 2.

Subp. 18. **Rural rehabilitation revolving fund.** "Rural rehabilitation revolving fund" means the trust fund established in Minnesota Statutes, section 116J.955.

4370.0020 PURPOSE.

The purpose of this chapter is to establish:

A. procedures for the Rural Development Board to select and enter into agreements with regional organizations; and

B. procedures for the use of revolving loan funds under Minnesota Statutes, section 116N.08.

4370.0030 OBJECTIVES OF PROGRAM.

The objectives of the challenge grant program are to encourage private investment, to provide jobs principally for low-income persons, and to promote economic development in the rural areas of the state.

4370.0040 TYPES OF FUNDING AVAILABLE.

The Rural Development Board shall designate up to $1,000,000 from the rural rehabilitation revolving fund for each funding region to be available over a three-year period. The money awarded to each regional organization will be appropriated to its regional revolving loan fund on a project-by-project basis and matched by the regional organization with an equal amount of nonpublic money.

The regional revolving loan fund shall be used by the regional organization to provide loans directly to new and expanding businesses or to local governmental units to promote

economic development.

Loans to businesses from the regional revolving loan fund must be at least $5,000 and no more than $100,000. The amount of money appropriated from the regional revolving loan fund for each project may not exceed 50 percent of the total cost of each project. The amount of nonpublic money must equal at least 50 percent of the cost of each project.

Loans to local governmental units from the regional revolving loan fund must be at least $5,000 and no more than $50,000. The money loaned to a local governmental unit must be matched by the local revolving loan fund established by the local governmental unit and used to provide loans to businesses to promote local economic development.

4370.0050 APPLICATION PROCESS AND REQUIREMENTS FOR SELECTION OF REGIONAL ORGANIZATIONS TO RECEIVE CHALLENGE GRANTS.

Subpart 1. **Eligibility requirements.** An eligible applicant must be a nonprofit corporation that can demonstrate the authority and ability to establish and administer a revolving loan fund, to initiate and implement economic development within its funding region, to be familiar with other available public and private funding sources and economic development programs, and to analyze projects to objectively review loan requests. Subject to the approval of the commissioner, an applicant may contract with other entities that have the technical skills to provide the specific services that fulfill this requirement.

An eligible applicant must demonstrate that its board of directors includes citizens who are experienced in rural development, has representatives of the regional development commissions (when applicable), and has directors representative of the geographic areas in the funding region.

Subp. 2. **Process for submitting application.** The board shall give notice of the period during which applications will be accepted. The notice must be published in the State Register at least 30 days before the closing date.

Subp. 3. **Contents of application.** The application must be in a form prescribed by the board and must include:

A. an assurance signed by the regional organization's chair that the applicant will comply with all applicable state and federal laws and requirements;

B. a resolution passed by the applicant's board of directors approving the submission of an application and authorizing execution of the grant agreement if funds are made available;

C. documentation of an applicant's eligibility; and

D. any additional information that the board requests as necessary to clarify and evaluate the application.

Subp. 4. **Evaluation and approval of applications.** Applicants that meet the eligibility requirements will be evaluated in the following two areas: (1) their ability to provide a nonpublic direct dollar match to the challenge grant award, and (2) their ability to implement requirements of the challenge grant program (including cooperation with other rural development organizations in carrying out the challenge grant program to promote rural development and provide technical assistance).

4370.0060 AGREEMENTS AND RECORDS.

Subpart 1. **Grant agreement required.** A grant agreement must be established with each regional organization approved for funding by the board. The agreement must be signed by a person authorized to commit the regional organization to legally binding agreements and to execute the agreement.

Subp. 2. **Contents of grant agreement.** The grant agreement must include but is not limited to the following:

A. Assurance that the regional organization has or will establish a board-certified revolving loan fund to provide loans to new and expanding businesses in their funding region to promote economic development.

B. Assurance that the grant recipient will comply with all applicable state and federal laws, including the

requirements of Minnesota Statutes, section 116N.08.

C. No challenge grant funds shall be used to finance activities not approved in either the grant agreement or each loan agreement. If it is determined that an improper use of funds has occurred, the board will take whatever action is necessary to recover improperly spent funds. Grant recipients must return funds that are improperly expended.

D. The board shall suspend payment of funds to recipients that are not in compliance with applicable state and federal laws, rules, and regulations.

E. Amendments to the grant agreement must be in writing.

Subp. 3. **Record keeping.** The following record keeping requirements are established:

A. Challenge grant recipients shall maintain financial records that identify the source and application of funds for challenge grant-supported activities. These records must contain information about approved loans, obligations, unobligated balances, assets, liabilities, outlays and interest income, use of interest income, and other information as required by the board to fulfill its responsibilities. Financial records, supporting documents, statistical records, and all other records pertinent to the challenge grant program must be retained by the regional organization for one year after the grant program expires and records of each loan for one year from the final repayment. No records or documents may be disposed of while audits, claims, or litigation involving the records are in progress.

B. Challenge grant recipients must arrange and pay for an independent annual audit and submit a copy of the annual audit to the board.

C. By February 15 of each year, an annual report must be submitted to the board. The annual report must include a description of projects supported by the challenge grant program, an account of loans made during the calendar year, the source and amount of loans made during the year, the source and

amount of money collected and distributed by the challenge grant program, the program's assets and liabilities, and an explanation of administrative expenses.

The annual report will be used as a basis for reviewing the utilization of challenge grants awarded by the board. Grant agreements will make provisions for reallocation in the event that the regional organization fails to perform its duties.

D. Representatives of the board and the legislative auditor shall have access to all books, records, accounts, reports, files and other papers, things, or property belonging to the regional organization which are related to the administration of the challenge grant program.

4370.0070 CHALLENGE GRANT ADMINISTRATION MANUAL.

The board shall prepare an administration manual for distribution to eligible regional organizations. The manual must instruct challenge grant applicants in the preparation of loan applications and describe the method by which the regional organization will evaluate and rate the applications.

4370.0080 THRESHOLD REQUIREMENTS.

Subpart 1. **Regional policies required.** Regional policies must be developed to ensure that business loan applications meet specified eligibility threshold requirements. The criteria in this part must be incorporated into the regional policies.

Subp. 2. **Financing gap.** Loans must be made to businesses that are not likely to undertake a project for which loans are sought without assistance from the challenge grant program. The loan applicant must demonstrate the existence of a financing gap by documenting which of the following apply to the business:

A. inadequate equity;

B. inadequate private lender financing; or

C. inability to pay market interest rate or term requirements.

Subp. 3. **Jobs which principally benefit low-income persons.** A loan must be used for a project designed principally to benefit low-income persons through the creation or retention

of jobs (principally is defined as more than 50 percent of the persons benefitting).

In addressing this criterion, an applicant should be prepared to show how low-income persons directly benefit from the creation or retention of jobs by providing evidence that the jobs retained employ low-income persons and that jobs created are filled or made available to low-income persons. The following are minimum threshold requirements relating to low-income job creation/retention.

A. Among loan applicants, priority must be given on the basis of the number of permanent jobs created or retained by the project and the proportion of nonstate money leveraged by the revolving loan.

B. Only jobs directly resulting from a specific grant activity will be considered.

C. In order to count retained jobs, there must be clear documentation provided by the business that it would reduce operations in the community or discontinue operations in Minnesota if additional financing is not made available.

Subp. 4. **Leverage private investment.** The amount of money made available from the regional revolving loan fund may not exceed 50 percent of the total cost of the project. The following are minimum threshold requirements for leveraging private investment:

A. Except with prior approval by the commissioner, leveraged private investment by the business must be in the form of new commitments that have not yet been expended.

B. Financial commitments should not be contingent upon events other than the approval of the regional revolving loan.

C. With the approval of the commissioner, a loan may be used to provide up to 50 percent of the private investment required to qualify for a grant from the economic recovery fund.

D. For business loans, the amount of money appropriated from the rural rehabilitation revolving fund may not exceed 50 percent of each loan made by the regional

organization. The amount of nonpublic money must be at least 50 percent of each loan made by the regional organization. The loan limits of the regional organization will be $5,000 minimum and $100,000 maximum.

E. For loans to local governmental units, the amount of money appropriated from the rural rehabilitation revolving fund for each regional revolving loan may not exceed $25,000. The maximum regional revolving loan is $50,000. The local governmental unit must match the loan at a minimum dollar-for-dollar from its revolving loan fund. The loan made by a local governmental unit may be 100 percent public funds.

F. In determining which business activities may be considered for loans, the following minimum requirements apply:

(1) A loan may not exceed 50 percent of the total cost of an individual project.

(2) Eligible business enterprises include technologically innovative industries, value-added manufacturing, agriprocessing, information industries, and agricultural marketing.

(3) A loan may not be used for a retail development project.

(4) A business applying for a loan must be sponsored by a resolution of the local governmental unit within whose jurisdiction the project is located.

(5) Loan applications given preliminary approval by the regional organization must be forwarded to the commissioner for final approval.

Subp. 5. **Loan repayment.** For loans made to businesses, amounts equal to one-half of each principal and interest repayment must be deposited in the rural rehabilitation revolving fund. The money deposited in the fund will be used for additional challenge grants to the funding region for which the money was originally designated. The remaining amount of the loan repayment may be deposited in the regional revolving loan fund for further distribution by the regional organization.

For loans made to local governmental units, one-half of the

money loaned by the regional organization must be repaid to the rural rehabilitation revolving fund. With the agreement of the regional organization, 50 percent of the money may be retained by the local governmental unit's revolving loan fund for further distribution by the local governmental unit.

APPROVED AS TO FORM AND LEGALITY

June 14 19 88

HUBERT H. HUMPHREY, III
ATTORNEY GENERAL

BY M J Cassady
SPECIAL ASSISTANT ATTORNEY GENERAL

STATE OF MINNESOTA
DEPARTMENT OF STATE
FILED

JUN 14 1988

Joan Anderson Growe 2:58 P.M.
Secretary of State

Memo

To File
Fr RMD
Re: Adopted Rule.
Dt.: 6/8/88

Mary from the Revisor's office called. The rule which we delivered to them does not have the standard Date + initials.

I spoke to Mark Lofthus and explained the problem. He will have Cindy Sullivan call the Revisor's office + explain that she walked over to the Revisor's + picked up this version of the rule. They (Revisor) had ~~trouble finding it + they printed~~ funding the adopted version.

Comments

The Rural Development Board rec'd 19 requests for a hearing during the "comment period." They rec'd 21 requests for a hearing the day after "the comment period" expired.

Board's Authorizing Resolution

not in standard form, but they are the minutes from the meeting where the Board authorized the publishing of the Rules.

The notice of intent was discussed & they understood ~~this~~ it had to be done prior to publication. However mailing the notice to the names on their list is not discussed.

OK - adoption reaffirms initial authority

Authority

116N.08

Rule

p4 lines 23 & 24 "Subject to the approval of the Commissioner." - on what basis does the Commissioner approve or disapprove?

OK - std somehow there

p9 line 34 "may" Who decides which fund the money is deposited in? what instances.

OK - bizdoes

OK - merely auth if they want, they can.

p10 line 3 - "may" - who decides the local

Notice of Intent

Public money is being used for loans. Rule affects business in that it allows qualified businesses to obtain loans however I dont think it impacts the businesses as defined under 14.115.

SF-00006-05 (4/86)

DEPARTMENT : Trade and Economic Development

STATE OF MINNESOTA

Office Memorandum

DATE : May 19, 1988

TO : Camilla Nelson
Special Assistant Attorney General

FROM : Mark Lofthus
Executive Director, Rural Development Board

PHONE : 296-9090

SUBJECT : LETTERS OF COMMENT ON CHALLENGE GRANT RULES

Attached are letters of comment on the Challenge Grant Rules, which were published as proposed rules on February 29, 1988. Two of the letters requesting a public hearing, with a combined total of 21 signatures, were received within the 30 day comment period, as provided for in Minn. Stat. 645.15 (1986). However, the third letter requesting a hearing, signed by David M. Butcher and 20 others, was received on March 31, 1988 after the period expired. The comment period expired on March 30. Consequently, the Rural Development Board did not receive 25 or more requests for a public hearing during the comment period and, therefore, the Board is not required to hold a hearing on the Challenge Grant Rules.

ML:dc

Attachments

letters returned to client

RDB 5 1.20

STATE OF MINNESOTA

DEPARTMENT OF TRADE AND ECONOMIC DEVELOPMENT

In the Matter of the Proposed Adoption of the Rules of the Rural Development Board Governing the Challenge Grant Program.

FINDINGS OF FACT, CONCLUSIONS, AND ORDER ADOPTING RULE WITHOUT PUBLIC HEARING

Notice of the Board's intent to adopt the above-entitled rules was published in the State Register on February 29, 1988, and was sent by United States mail to all persons on the list maintained by the agency pursuant to Minnesota Statutes, sections 14.14, subdivision 1a and 14.22 on February 22, 1988. The statement of need and reasonableness was prepared before the notice of intent to adopt a rule without a public hearing was mailed to all persons on the rulemaking mailing list and published in the State Register and was available to the public.

All persons were given the opportunity to submit comments on the rules for 30 days after notice of proposed rulemaking. The Board received 20 requests for a public hearing. Therefore, the Board did not receive a request for a public hearing from 25 or more persons.

No requests for notice of submission to the attorney general were received by the Board.

Based on the comments and evidence in the record before the Board, I find the following:

The above-captioned rules are needed and reasonable.

NOW, THEREFORE, IT IS ORDERED that the rules identified as Challenge Grant Rules are adopted this 17th day of May, 1988, pursuant to authority vested in the Board by Minnesota Statutes, section 116N.08.

[Name] Marlow Tofthus

[Title] Director

RDB.RULES/II24-1

MINNESOTA RURAL DEVELOPMENT BOARD

IN THE MATTER OF THE PROPOSED RULES OF THE RURAL DEVELOPMENT BOARD GOVERNING ADMINISTRATION OF THE CHALLENGE GRANT PROGRAM

STATEMENT OF NEED AND REASONABLENESS

INTRODUCTION:

The 1987 Minnesota Legislature established the Rural Development Board (Board) Minn. Stat. chap. 116N (Supp. 1987) to investigate and evaluate new methods to enhance rural development, particularly methods relating to economic diversification through private enterprises, including technologically innovative industries, value-added manufacturing, agriprocessing, information industries and agricultural marketing.

Under this legislation the Board shall administer the assets of the Rural Rehabilitation Revolving Fund by establishing a rural rehabilitation pilot program and the Challenge Grant Program.

This statement of needs and reasonableness describes the rules proposed for operation of the Challenge Grant program. The format used in preparing this statement is as follows: each rule is stated first, followed by a discussion of the necessity of the proposed rule, and its reasonableness.

"I. DEFINITIONS"

ANNUAL REPORT. "ANNUAL REPORT" INCLUDES A DESCRIPTION OF PROJECTS SUPPORTED BY THE CHALLENGE GRANT PROGRAM, AN ACCOUNT OF LOANS MADE DURING THE CALENDAR YEAR, THE SOURCE AND AMOUNT OF MONEY COLLECTED AND DISTRIBUTED BY THE CHALLENGE GRANT PROGRAM, THE PROGRAM'S ASSETS AND LIABILITIES, AND AN EXPLANATION OF ADMINISTRATIVE EXPENSES.

This definition is necessary because it lists the information which will be used to evaluate the Regional Organizations' Challenge Grant activities. It is reasonable because it is consistent with the reporting requirements of Minn. Stat. sec. 116N.08 subd. 10, and these items will provide information sufficient to evaluate the effectiveness of the program.

BOARD. "BOARD" MEANS THE RURAL DEVELOPMENT BOARD.

This term is necessary because it informs readers that Board can only mean the Rural Development Board in the content of the rules. It is reasonable because it adds to the readability of the rules.

COMMISSIONER. "COMMISSIONER" MEANS THE COMMISSIONER OF TRADE AND ECONOMIC DEVELOPMENT.

This term is necessary to clarify that Commissioner can only mean the Commissioner of Trade and Economic Development in the content of the rules. It is reasonable since a shortened term allows for easier reading of the rules.

ECONOMIC RECOVERY FUND. "ECONOMIC RECOVERY FUND" MEANS THE STATE-FUNDED ECONOMIC DEVELOPMENT GRANT PROGRAM ESTABLISHED BY THE 1984 STATE LEGISLATURE IN MINNESOTA STATUTES SECTIONS 116J.401-.403; 116J.873.

This definition is necessary to identify a program that is referenced, but not explained, in the rules. It is reasonable because it identifies the section of statutes where further information about the Economic Recovery Fund can be obtained.

FUNDING REGION. "FUNDING REGION" MEANS THE SIX RURAL AREAS OF MINNESOTA THAT HAVE BOUNDARIES THAT ARE COTERMINOUS WITH ONE OR MORE OF THE DEVELOPMENT REGIONS ESTABLISHED UNDER MINNESOTA STATUTES SECTION 462.385. THEY ARE IDENTIFIED AS FOLLOWS:

NORTHWEST REGION IS COTERMINOUS WITH DEVELOPMENT REGIONS 1 AND 2;
NORTHEAST REGION IS COTERMINOUS WITH DEVELOPMENT REGION 3;
WEST CENTRAL REGION IS COTERMINOUS WITH DEVELOPMENT REGION 4;
CENTRAL REGION IS COTERMINOUS WITH DEVELOPMENT REGIONS 5, 7E AND 7W;
SOUTHWEST REGION IS COTERMINOUS WITH DEVELOPMENT REGIONS 6E, 6W, AND 8; AND
SOUTHEAST REGION IS COTERMINOUS WITH DEVELOPMENT REGIONS 9 AND 10.

This definition is necessary to identify and describe the regional boundaries from where Challenge Grant recipients shall be selected. It is reasonable since the boundaries stated are in accordance with Minn. Stat. 116N.08 subd. 2.

GRANT AGREEMENT. "GRANT AGREEMENT" MEANS AN AGREEMENT BETWEEN THE STATE AND A REGIONAL ORGANIZATION THROUGH WHICH THE STATE PROVIDES FUNDS TO CARRY OUT SPECIFIED PROGRAMS, SERVICES, OR ACTIVITIES.

This definition is needed to identify the legally binding agreement made between the State and the Challenge Grant recipient. It is reasonable since the State will provide funds for only those programs, activities or services mutually agreed to in the grant agreement.

INDEPENDENT ANNUAL AUDIT. "INDEPENDENT ANNUAL AUDIT" MEANS A YEARLY FINANCIAL COMPLIANCE AUDIT PERFORMED BY A CERTIFIED PUBLIC ACCOUNTANT IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRACTICES AND AUDITING STANDARDS.

This definition is necessary to identify a reporting requirement imposed by Minn. Stat. sec. 116N.08 subd. 10(2) and information which will be used to evaluate Regional Organizations' Challenge Grant activities. This definition is reasonable since it is consistent with Minn. Stat. 116N.08.

LOAN LIMITS. "LOAN LIMITS" MEANS THAT FOR BUSINESSES THE MINIMUM LOAN IS $5,000 AND THE MAXIMUM IS $100,000. FOR LOCAL GOVERNMENTAL UNITS THE MINIMUM IS $5,000 AND THE MAXIMUM IS $50,000.

This definition is necessary to identify the limits on loans made from the regional revolving funds. It is reasonable since it is consistent with Minn. Stat. sec. 116N.08 subd. 5 and 8, which set the limits on regional loans, and because it assures widespread use of the funds.

LOCAL GOVERNMENTAL UNIT. "LOCAL GOVERNMENTAL UNIT" MEANS A HOME RULE CHARTER OR STATUTORY CITY WHEN THE PROJECT IS LOCATED IN AN INCORPORATED AREA, A COUNTY WHEN THE PROJECT IS LOCATED IN AN UNINCORPORATED AREA, OR AN AMERICAN INDIAN TRIBAL COUNCIL WHEN THE PROJECT IS LOCATED WITHIN A FEDERALLY RECOGNIZED AMERICAN INDIAN RESERVATION OR COMMUNITY.

This definition is necessary to clarify what constitutes an eligible loan recipient, or the sponsor by resolution if the loan recipient is a business. It is reasonable because it provides for entities in unincorporated areas as well as incorporated areas and ensures that every loan recipient has a local sponsor. Also, it is consistent with the local government unit definition in Minn. Stat. 116N.01.

LOCAL REVOLVING LOAN FUND. "LOCAL REVOLVING LOAN FUND" MEANS A REVOLVING LOAN FUND ESTABLISHED BY A LOCAL GOVERNMENTAL UNIT TO PROMOTE ECONOMIC DEVELOPMENT.

This definition is necessary to differentiate between the Rural Rehabilitation Revolving Fund, the Regional Revolving Fund and the Local Revolving Fund. It is reasonable because it is consistent with Minn. Stat. 116N.08 subd. 8 in describing a fund which must be established by a local governmental unit to be eligible as a loan recipient.

LOW INCOME. "LOW INCOME" MEANS INCOME THAT IS EQUAL TO OR BELOW THE NON-METROPOLITAN MEDIAN HOUSEHOLD INCOME.

It is necessary to define low income since loans made with Challenge Grant funds must be used for projects designed principally to benefit low-income persons through the creation of job opportunities, as required in Minn. Stat. 116N.08 subd. 5. It is reasonable since it is consistent with the statutory definition which appears in Minn. Stat. 116N.01.

MINIMUM INTEREST RATE. "MINIMUM INTEREST RATE" MEANS THE INTEREST RATE ESTABLISHED BY THE BOARD WHICH CANNOT BE EXCEEDED BUT THAT WILL ENSURE COVERAGE OF THE NECESSARY MANAGEMENT COSTS INCURRED BY THE REGIONAL ORGANIZATION.

This definition is necessary since it describes the process for establishing a bottom interest rate for repayment of loans on Regional Revolving Funds. It is reasonable since the cost of operating the program regionally will be covered in whole or in part by the rate of interest charged on loans made from the Regional Revolving Fund.

PRIVATE INVESTMENT. "PRIVATE INVESTMENT" MEANS CASH INJECTIONS FROM SOURCES OTHER THAN STATE, LOCAL, OR FEDERAL GOVERNMENT APPROPRIATIONS.

This definition is necessary to identify what constitutes private investment as a means of financing and to distinguish these monies from the match requirement (nonpublic money). It is reasonable since the term is broad enough to cover all sources of funding except those stated above.

REGIONAL REVOLVING LOAN FUND. "REGIONAL REVOLVING LOAN FUND" MEANS A BOARD-CERTIFIED REVOLVING LOAN FUND ESTABLISHED BY A REGIONAL ORGANIZATION TO PROVIDE LOANS TO NEW AND EXPANDING BUSINESSES IN RURAL MINNESOTA TO PROMOTE ECONOMIC DEVELOPMENT.

This definition is necessary to differentiate between the Rural Rehabilitation Revolving Fund, the Regional Revolving Fund and the Local Revolving Fund. It is reasonable because it is consistent with Minn. Stat. 116N.08 subd. 4 in describing the loan fund required to be established by each Regional Organization.

REGIONAL ORGANIZATION. "REGIONAL ORGANIZATION" MEANS A NONPROFIT CORPORATION SELECTED BY THE RURAL DEVELOPMENT BOARD TO RECEIVE A CHALLENGE GRANT.

This term is necessary to clarify that in the context of the rules regional organization can only mean the recipient of a Challenge Grant. It is reasonable since it provides for easier readability of the rules.

RURAL. "RURAL" MEANS THE AREA OF MINNESOTA LOCATED OUTSIDE THE SEVEN-COUNTY METROPOLITAN AREA AS DEFINED BY MINNESOTA STATUTES SECTION 473.121, SUBD. 2.

This term is necessary to describe that part of the state which for the purposes of these rules shall constitute rural Minnesota. It is reasonable since it is consistent with the definition in Minn. Stat. 116N.01 subd. 8.

RURAL REHABILITATION REVOLVING FUND. "RURAL REHABILITATION REVOLVING FUND" MEANS THE TRUST FUND ESTABLISHED IN MINNESOTA STATUTES SECTION 116J.955.

This definition is necessary to differentiate between the Rural Rehabilitation Revolving Fund, the Regional Revolving Loan Fund, and the Local Revolving Loan Fund. It is reasonable because it is consistent with Minn. Stat. 116J.955.

"II. PURPOSE OF THESE RULES"

"THE PURPOSE OF THESE RULES IS TO ESTABLISH (1) PROCEDURES FOR THE RURAL DEVELOPMENT BOARD TO SELECT AND ENTER INTO AGREEMENTS WITH REGIONAL ORGANIZATIONS AND (2) PROCEDURES FOR THE USE OF REVOLVING LOAN FUNDS UNDER MINNESOTA STAT. SEC. 116N.08."

This purpose is necessary to identify the intent of the Challenge Grant rules. It is reasonable since it identifies the procedures that will be established by the rules.

"III. OBJECTIVES OF THE CHALLENGE GRANT PROGRAM"

"THE OBJECTIVES OF THE CHALLENGE GRANT PROGRAM ARE TO ENCOURAGE PRIVATE INVESTMENT, TO PROVIDE JOBS PRINCIPALLY FOR LOW-INCOME PERSONS, AND TO PROMOTE ECONOMIC DEVELOPMENT IN THE RURAL AREAS OF THE STATE."

This paragraph is necessary to describe the mission of the Challenge Grant Program. It is reasonable since it is consistent with Minn. Stat. 116N.08 subd. 1.

"IV. TYPES OF FUNDING AVAILABLE"

"THE RURAL DEVELOPMENT BOARD SHALL DESIGNATE UP TO $1,000,000 FROM THE RURAL REHABILITATION REVOLVING FUND FOR EACH FUNDING REGION TO BE AVAILABLE OVER A THREE-YEAR PERIOD. THE MONEY AWARDED TO EACH REGIONAL ORGANIZATION WILL BE APPROPRIATED TO ITS REGIONAL REVOLVING LOAN FUND ON A PROJECT-BY-PROJECT BASIS AND MATCHED BY THE REGIONAL ORGANIZATION WITH AN EQUAL AMOUNT OF NONPUBLIC MONEY."

This paragraph is necessary to identify how Rural Rehabilitation Funds shall be allocated to the Regional Organizations for the establishment of Regional Revolving Loan Funds. It is reasonable because it ensures that each Regional Organization shall have an account of dedicated Rural Rehabilitation funds to be utilized by the Regional Organization over a three-year period. It will be appropriated on a project-by-project basis rather than all at once so that the Rural Rehabilitation Trust Fund earns the interest on the unused monies.

"THE REGIONAL REVOLVING LOAN FUND SHALL BE USED BY THE REGIONAL ORGANIZATION TO PROVIDE LOANS DIRECTLY TO NEW AND EXPANDING BUSINESSES OR TO LOCAL GOVERNMENTAL UNITS TO PROMOTE ECONOMIC DEVELOPMENT."

This rule is necessary to inform the public what constitutes an eligible applicant for a loan from the Regional Revolving Loan Fund. This rule is reasonable since Minn. Stat. 116N.08 clearly identifies these as eligible applicants for a loan from the Regional Revolving Loan Fund, and these are the types of applicants most likely to accomplish the objectives of this program.

"LOANS TO BUSINESSES FROM THE REGIONAL REVOLVING LOAN FUND MUST BE AT LEAST $5,000 AND NO MORE THAN $100,000. THE AMOUNT OF MONEY APPROPRIATED FROM THE REGIONAL REVOLVING LOAN FUND FOR EACH PROJECT MAY NOT EXCEED 50 PERCENT OF THE TOTAL COST OF EACH PROJECT. THE AMOUNT OF NONPUBLIC MONEY MUST EQUAL AT LEAST 50 PERCENT OF THE COST OF EACH PROJECT."

This rule is necessary to identify the loan limits on a Regional Revolving Loan Fund made directly to an eligible business and to establish the provision for matching funds. It is reasonable since it is consistent with the provisions in Minn. Stat. 116N.08 subd. 5 regarding loan criteria for an eligible business applicant.

"LOANS TO LOCAL GOVERNMENTAL UNITS FROM THE REGIONAL REVOLVING LOAN FUND MUST BE AT LEAST $5,000 AND NO MORE THAN $50,000. THE MONEY LOANED TO A LOCAL GOVERNMENTAL UNIT MUST BE MATCHED BY THE LOCAL REVOLVING LOAN FUND ESTABLISHED BY THE LOCAL GOVERNMENTAL UNIT AND USED TO PROVIDE LOANS TO BUSINESSES TO PROMOTE LOCAL ECONOMIC DEVELOPMENT."

This rule is necessary to identify loan limits on Local Governmental Unit loans from each Regional Revolving Loan Fund. It is reasonable since it is consistent with Minn. Stat. sec. 116N.08 in providing for a Local Governmental Unit match on each loan received from the Regional Revolving Loan Fund.

"V. APPLICATION PROCESS AND REQUIREMENTS FOR SELECTION OF REGIONAL ORGANIZATIONS TO RECEIVE CHALLENGE GRANTS"

"A. ELIGIBILITY REQUIREMENTS"

"AN ELIGIBLE APPLICANT MUST BE A NONPROFIT CORPORATION THAT CAN DEMONSTRATE THE AUTHORITY AND ABILITY TO ESTABLISH AND ADMINISTER A REVOLVING LOAN FUND, TO INITIATE AND IMPLEMENT ECONOMIC DEVELOPMENT WITHIN ITS FUNDING REGION, TO BE FAMILIAR WITH OTHER AVAILABLE PUBLIC AND PRIVATE FUNDING SOURCES AND ECONOMIC DEVELOPMENT PROGRAMS, AND TO ANALYZE PROJECTS TO OBJECTIVELY REVIEW LOAN REQUESTS. SUBJECT TO THE APPROVAL OF THE COMMISSIONER, AN APPLICANT MAY CONTRACT WITH OTHER ENTITIES THAT HAVE THE TECHNICAL SKILLS TO

PROVIDE THE SPECIFIC SERVICES THAT FULFILL THIS REQUIREMENT. AN ELIGIBLE APPLICANT MUST DEMONSTRATE THAT ITS BOARD OF DIRECTORS INCLUDES CITIZENS WHO ARE EXPERIENCED IN RURAL DEVELOPMENT, HAS REPRESENTATIVES OF THE REGIONAL DEVELOPMENT COMMISSIONS (WHEN APPLICABLE), AND HAS DIRECTORS REPRESENTATIVE OF THE GEOGRAPHIC AREAS IN THE FUNDING REGION."

This paragraph is necessary to inform possible applicants what authority and abilities an eligible Challenge Grant applicant must demonstrate to be awarded a Challenge Grant. It is reasonable because it is consistent with Minn. Stat. 116N.08 subd. 3 which establishes eligibility requirements for Challenge Grant applicants and states characteristics which will ensure that selected applicants are duly qualified to administer a Regional Revolving Loan Fund.

"B. PROCESS FOR SUBMITTING APPLICATION"

"THE BOARD SHALL GIVE NOTICE OF THE PERIOD DURING WHICH APPLICATIONS WILL BE ACCEPTED. THE NOTICE MUST BE PUBLISHED IN THE STATE REGISTER AT LEAST 30 DAYS BEFORE THE CLOSING DATE."

This rule is necessary to establish the method for, and time period during which the Board will accept Challenge Grant applications. It is reasonable since this method allows sufficient time for and ensures that all potential applicants will receive notice of the period during which Challenge Grant applications will be accepted.

"C. CONTENTS OF APPLICATION"

"THE APPLICATION MUST BE IN A FORM PRESCRIBED BY THE BOARD AND MUST INCLUDE:"

"1. AN ASSURANCE SIGNED BY THE REGIONAL ORGANIZATION'S CHAIRPERSON THAT THE APPLICANT WILL COMPLY WITH ALL APPLICABLE STATE AND FEDERAL LAWS AND REQUIREMENTS."

This rule is necessary to ensure that the organization is aware that it must comply with all state and federal laws and requirements. Since public money will be used by the Regional Organization, it is reasonable that the money be used in a lawful manner.

"2. A RESOLUTION PASSED BY THE APPLICANT'S BOARD OF DIRECTORS APPROVING THE SUBMISSION OF AN APPLICATION AND AUTHORIZING EXECUTION OF THE GRANT AGREEMENT IF FUNDS ARE MADE AVAILABLE."

This rule is necessary to ensure that a consensus was met to submit an application and authorize the execution of a grant agreement by members of the governing body of the organization. It is reasonable since it constitutes a formal submission of the application for funding by the governing unit of the organization.

"3. DOCUMENTATION OF AN APPLICANT'S ELIGIBILITY."

This rule is necessary to inform potential applicants that documentation of eligibility is required and necessary. It is reasonable since it requires reliable eligibility information from applicants.

"4. ANY ADDITIONAL INFORMATION THAT THE BOARD REQUESTS AS NECESSARY TO CLARIFY AND EVALUATE THE APPLICATION."

This rule is necessary to give the Board the authority to request any additional information necessary to clarify and evaluate the application. It is reasonable since it gives the Board the ability to obtain more information from an applicant that seems to be a borderline candidate for Regional Organization designation.

"D. EVALUATION AND APPROVAL OF APPLICATIONS"

"APPLICANTS THAT MEET THE ELIGIBILITY REQUIREMENTS WILL BE EVALUATED IN TWO AREAS: (1) THEIR ABILITY TO PROVIDE A NONPUBLIC DIRECT DOLLAR MATCH TO THE CHALLENGE GRANT AWARD, AND (2) THEIR ABILITY TO IMPLEMENT REQUIREMENTS OF THE CHALLENGE GRANT PROGRAM (INCLUDING COOPERATION WITH OTHER RURAL DEVELOPMENT ORGANIZATIONS IN CARRYING OUT THE CHALLENGE GRANT PROGRAM TO PROMOTE RURAL DEVELOPMENT)."

This paragraph is necessary to establish guidelines for selecting a Challenge Grant recipient once eligibility has been determined. It is reasonable since it is consistent with Minn. Stat. 116N.08, and it allows for broad evaluation of each organization's abilities to administer the Challenge Grant Program.

"E. AGREEMENTS AND RECORDS"

"1. GRANT AGREEMENT REQUIRED. A GRANT AGREEMENT SHALL BE ESTABLISHED WITH EACH REGIONAL ORGANIZATION APPROVED FOR FUNDING BY THE BOARD. THE AGREEMENT MUST BE SIGNED BY A PERSON AUTHORIZED TO COMMIT THE REGIONAL ORGANIZATION TO LEGALLY BINDING AGREEMENTS AND TO EXECUTE THE AGREEMENT."

This rule is necessary to establish the grant agreement as the legally binding agreement made between the Board and the regional organization. It is reasonable since it will obligate each party to perform in accordance with the agreement made.

"2. CONTENTS OF GRANT AGREEMENT. THE GRANT AGREEMENT MUST INCLUDE BUT SHALL NOT BE LIMITED TO THE FOLLOWING:"

"a. ASSURANCE THAT THE REGIONAL ORGANIZATION HAS OR WILL ESTABLISH A BOARD-CERTIFIED REVOLVING LOAN FUND TO PROVIDE LOANS TO NEW AND EXPANDING BUSINESSES IN THEIR FUNDING REGION TO PROMOTE ECONOMIC DEVELOPMENT."

This rule is necessary to inform potential applicants that a Board-certified revolving loan fund must be established to provide loans to new and expanding businesses in their region. It is reasonable since it is in accordance with Minn. Stat 116N.08 subd. 4 and would commit the Regional Organization to perform accordingly.

"b. ASSURANCE THAT THE GRANT RECIPIENT WILL COMPLY WITH ALL APPLICABLE STATE AND FEDERAL LAWS, INCLUDING THE REQUIREMENTS OF MINNESOTA STATUTES SECTION 116N.08."

This rule is necessary to inform potential applicants that they are obligated to comply with all state and federal laws. It is reasonable since the grant award is composed of public funds and, therefore, must be used in a lawful manner.

"c. RESTRICTION ON USE OF FUNDS. NO CHALLENGE GRANT FUNDS SHALL BE USED TO FINANCE ACTIVITIES NOT APPROVED IN EITHER THE GRANT AGREEMENT OR EACH LOAN AGREEMENT. IF IT IS DETERMINED THAT AN IMPROPER USE OF FUNDS HAS OCCURRED, THE BOARD WILL TAKE WHATEVER ACTION IS NECESSARY TO RECOVER IMPROPERLY SPENT FUNDS. GRANT RECIPIENTS MUST RETURN FUNDS THAT ARE IMPROPERLY EXPENDED."

This rule is necessary to ensure that only those activities agreed to in the grant agreement shall be financed by the Challenge Grant Program. It is reasonable since it clarifies allowable activities to avoid conflict during and after the grant agreement has been prepared. Also, it informs recipients that improperly used funds must be returned to the Rural Rehabilitation Fund.

"d. SUSPENSION OF PAYMENTS. THE BOARD SHALL SUSPEND PAYMENT OF FUNDS TO RECIPIENTS THAT ARE NOT IN COMPLIANCE WITH APPLICABLE STATE AND FEDERAL LAWS, RULES, AND REGULATIONS."

This rule is necessary to ensure that recipients of Challenge Grant funds are in compliance with applicable state and federal laws, rules and regulations. It is reasonable since it allows the Board to suspend funding for any Regional Organization that is in violation of applicable state and federal laws, rules and regulations.

"e. AMENDMENT. AMENDMENTS TO THE GRANT AGREEMENT MUST BE IN WRITING."

This rule is necessary to establish the amendment procedure for grant agreements. It is reasonable because only those amendments in writing and signed by both parties shall constitute an acceptable grant amendment.

"3. RECORDKEEPING. THE FOLLOWING RECORDKEEPING REQUIREMENTS ARE ESTABLISHED:"

"a. FINANCIAL RECORDS. CHALLENGE GRANT RECIPIENTS SHALL MAINTAIN FINANCIAL RECORDS THAT IDENTIFY THE SOURCE AND APPLICATION OF FUNDS FOR CHALLENGE GRANT-SUPPORTED ACTIVITIES. THESE RECORDS MUST CONTAIN INFORMATION ABOUT APPROVED LOANS, OBLIGATIONS, UNOBLIGATED BALANCES, ASSETS, LIABILITIES, OUTLAYS AND INTEREST INCOME, USE OF INTEREST INCOME, AND OTHER INFORMATION AS REQUIRED BY THE BOARD TO FULFILL ITS RESPONSIBILITIES. FINANCIAL RECORDS, SUPPORTING DOCUMENTS, STATISTICAL RECORDS, AND ALL OTHER RECORDS PERTINENT TO THE CHALLENGE GRANT PROGRAM MUST BE RETAINED BY THE REGIONAL ORGANIZATION FOR ONE YEAR AFTER THE GRANT PROGRAM EXPIRES AND RECORDS OF EACH LOAN FOR ONE YEAR FROM THE FINAL REPAYMENT. NO RECORDS OR DOCUMENTS MAY BE DISPOSED OF WHILE AUDITS, CLAIMS, OR LITIGATION INVOLVING THE RECORDS ARE IN PROGRESS."

This rule is necessary to ensure accountability by specifying the types of records which must be retained by the recipient of Challenge Grant funds. It is reasonable since the above-stated records will be necessary for review by the Board to ensure that Challenge Grant funds are used by the organization as intended.

"b. AUDITS. CHALLENGE GRANT RECIPIENTS MUST ARRANGE AND PAY FOR AN INDEPENDENT ANNUAL AUDIT AND SUBMIT A COPY OF THE ANNUAL AUDIT TO THE BOARD."

This rule is necessary to establish the annual audit as a mechanism for reporting to the Board. It is reasonable since Minn. Stat. 116N.08 subd. 10 clearly states that the organization that receives a Challenge Grant shall provide for an independent annual audit to be performed.

"c. ANNUAL REPORTS. BY FEBRUARY 15TH OF EACH YEAR, AN ANNUAL REPORT MUST BE SUBMITTED TO THE BOARD. THE ANNUAL REPORT SHALL INCLUDE A DESCRIPTION OF PROJECTS SUPPORTED BY THE CHALLENGE GRANT PROGRAM, AN ACCOUNT OF LOANS MADE DURING THE CALENDAR YEAR, THE SOURCE AND AMOUNT OF LOANS MADE DURING THE YEAR, THE SOURCE AND AMOUNT OF MONEY COLLECTED AND DISTRIBUTED BY THE CHALLENGE GRANT PROGRAM, THE PROGRAM'S ASSETS AND LIABILITIES, AND AN EXPLANATION OF ADMINISTRATIVE EXPENSES."

This rule is necessary to establish the contents of the annual report, as well as the annual deadline for submitting the report. This rule is reasonable since it is consistent with Minn. Stat. 116N.08 subd. 10 in detailing the type of information to be included in the annual report, information which would assist in determining whether funds are used appropriately.

THE ANNUAL REPORT WILL BE USED AS A BASIS FOR REVIEWING THE UTILIZATION OF CHALLENGE GRANTS AWARDED BY THE BOARD. GRANT AGREEMENTS WILL MAKE PROVISIONS FOR REALLOCATION IN THE EVENT THAT THE REGIONAL ORGANIZATION FAILS TO PERFORM ITS DUTIES."

This rule is necessary since it states a method for evaluating Challenge Grant recipients and gives the basis for the annual report. It is reasonable since the Board wants to ensure that its money is being used to accomplish its objectives. It also needs a process for redress when the Regional Organization is failing to carry out its assigned tasks.

"d. ACCESS TO RECORDS. REPRESENTATIVES OF THE BOARD AND THE LEGISLATIVE AUDITOR SHALL HAVE ACCESS TO ALL BOOKS, RECORDS, ACCOUNTS, REPORTS, FILES AND OTHER PAPERS, THINGS, OR PROPERTY BELONGING TO THE REGIONAL ORGANIZATION WHICH ARE RELATED TO THE ADMINISTRATION OF THE CHALLENGE GRANT PROGRAM.

This rule is necessary to enable the Board and the legislative auditor to have access to all records and information related to the Challenge Grant program. It is reasonable since the Board is empowered by the legislature to administer and monitor the Challenge Grant program in accordance with Minn. Stat. 116N.08. The legislative auditor is empowered by Minn. Stat. 3.971 to review programs established by the Minnesota Legislature.

"VI. OPERATIONAL REQUIREMENTS FOR REGIONAL REVOLVING LOAN FUNDS"

"A. CHALLENGE GRANT ADMINISTRATION MANUAL"

"THE BOARD SHALL PREPARE AN ADMINISTRATION MANUAL FOR DISTRIBUTION TO ELIGIBLE REGIONAL ORGANIZATIONS. THE MANUAL MUST INSTRUCT CHALLENGE GRANT APPLICANTS IN THE PREPARATION OF LOAN APPLICATIONS AND DESCRIBE THE METHOD BY WHICH THE REGIONAL ORGANIZATION WILL EVALUATE AND RATE SUCH APPLICATIONS."

This rule is necessary to establish an application process for loan funding. It is reasonable since the application manual provides instructions for the preparation of applications as well as information on how applications shall be evaluated.

"B. THRESHOLD REQUIREMENTS"

"REGIONAL POLICIES MUST BE DEVELOPED TO ENSURE THAT BUSINESS LOAN APPLICATIONS MEET SPECIFIED ELIGIBILITY THRESHOLD REQUIREMENTS. THE FOLLOWING CRITERIA MUST BE INCORPORATED INTO THE REGIONAL POLICIES."

"1. FINANCING GAP. LOANS MUST BE MADE TO BUSINESSES THAT ARE NOT LIKELY TO UNDERTAKE A PROJECT FOR WHICH LOANS ARE SOUGHT WITHOUT ASSISTANCE FROM THE CHALLENGE GRANT PROGRAM. THE LOAN APPLICANT MUST DEMONSTRATE THE EXISTENCE OF A FINANCING GAP BY DOCUMENTING WHICH OF THE FOLLOWING APPLY TO THE BUSINESS:

a. INADEQUATE EQUITY
b. INADEQUATE PRIVATE LENDER FINANCING
c. INABILITY TO PAY MARKET INTEREST RATE OR TERM REQUIREMENTS"

This rule is necessary to inform potential loan applicants what is meant by a financing gap and to establish that loans should be given to projects that would otherwise not be undertaken due to a lack of financing. It is reasonable since these are adequate criteria for determining whether a financing gap exists.

"2. JOBS WHICH PRINCIPALLY BENEFIT LOW-INCOME PERSONS. A LOAN MUST BE USED FOR A PROJECT DESIGNED PRINCIPALLY TO BENEFIT LOW-INCOME PERSONS THROUGH THE CREATION OR RETENTION OF JOBS (PRINCIPALLY IS DEFINED AS MORE THAN 50 PERCENT OF THE PERSONS BENEFITTING)."

This rule is necessary to assure that loans are given to projects where the majority of persons benefitting are low income, and to establish criteria necessary for prioritizing potential projects. This rule is reasonable since the creation and retention of private sector jobs is an objective of the Challenge Grant program.

"IN ADDRESSING THIS CRITERION, AN APPLICANT SHOULD BE PREPARED TO SHOW HOW LOW-INCOME PERSONS DIRECTLY BENEFIT FROM THE CREATION OR RETENTION OF JOBS BY PROVIDING EVIDENCE THAT THE JOBS RETAINED EMPLOY LOW-INCOME PERSONS AND/OR THAT JOBS CREATED ARE FILLED OR MADE AVAILABLE TO LOW-INCOME PERSONS. THE FOLLOWING ARE MINIMUM THRESHOLD REQUIREMENTS RELATING TO LOW-INCOME JOB CREATION/RETENTION:"

"a. AMONG LOAN APPLICANTS, PRIORITY MUST BE GIVEN ON THE BASIS OF THE NUMBER OF PERMANENT JOBS CREATED OR RETAINED BY THE PROJECT AND THE PROPORTION OF NONSTATE MONEY LEVERAGED BY THE REVOLVING LOAN."

"b. ONLY JOBS DIRECTLY RESULTING FROM A SPECIFIC GRANT ACTIVITY WILL BE CONSIDERED."

"c. IN ORDER TO COUNT RETAINED JOBS, THERE MUST BE CLEAR DOCUMENTATION PROVIDED BY THE BUSINESS THAT IT WOULD REDUCE OPERATIONS IN THE COMMUNITY OR DISCONTINUE OPERATIONS IN MINNESOTA IF ADDITIONAL FINANCING IS NOT MADE AVAILABLE."

This rule is necessary to define and explain to potential applicants minimum threshold requirements for low-income job creation/retention. It is reasonable because the Board wants more than a business's assurance that it would cut back jobs without state funding. The Board wants to ensure that its funds are allocated to needs that can be factually justified.

"3. LEVERAGE PRIVATE INVESTMENT. THE AMOUNT OF MONEY MADE AVAILABLE FROM THE REGIONAL REVOLVING LOAN FUND MAY NOT EXCEED 50 PERCENT OF THE TOTAL COST OF EACH PROJECT. THE FOLLOWING ARE MINIMUM THRESHOLD REQUIREMENTS FOR LEVERAGING PRIVATE INVESTMENT:

"a. EXCEPT WITH PRIOR APPROVAL BY THE COMMISSIONER, LEVERAGED PRIVATE INVESTMENT BY THE BUSINESS MUST BE IN THE FORM OF NEW COMMITMENTS THAT HAVE NOT YET BEEN EXPENDED."

This rule is necessary to inform Regional Organizations and loan applicants that commitments made by private investors, prior to a revolving loan fund application, do not qualify under the requirements for leveraging private investment. It is reasonable because the intent of the Challenge Grant program is to leverage new private dollars for rural economic development, but is also allows for exceptions if the Commissioner approves.

"b. FINANCIAL COMMITMENTS SHOULD NOT BE CONTINGENT UPON EVENTS OTHER THAN THE APPROVAL OF THE REGIONAL REVOLVING LOAN."

This rule is necessary to ensure that a private investment will be made upon approval of a loan application. For the Regional Revolving Loan Fund to be successful, it is reasonable to provide an assurance that loans will immediately leverage private funds.

"c. WITH THE APPROVAL OF THE COMMISSIONER, A LOAN MAY BE USED TO PROVIDE UP TO 50 PERCENT OF THE PRIVATE INVESTMENT REQUIRED TO QUALIFY FOR A GRANT FROM THE ECONOMIC RECOVERY FUND."

This rule is necessary to inform potential applicants that they may apply to both the Regional Revolving Loan Fund and the Economic Recovery Fund, and that the loan funds qualify under the private investment requirement of the Economic Recovery Fund. This rule is reasonable because it is a provision of Minn. Stat. 116N.08 subd. 5, and because it provides applicants with easier access to grants from the Economic Recovery Fund.

"d. FOR BUSINESS LOANS, THE AMOUNT OF MONEY APPROPRIATED FROM THE RURAL REHABILITATION REVOLVING FUND MAY NOT EXCEED 50 PERCENT OF EACH LOAN MADE BY THE REGIONAL ORGANIZATION. THE AMOUNT OF NONPUBLIC MONEY MUST BE AT LEAST 50 PERCENT OF EACH LOAN MADE BY THE REGIONAL ORGANIZATION. THE LOAN LIMITS OF THE REGIONAL ORGANIZATION WILL BE $5,000 MINIMUM AND $100,000 MAXIMUM."

This rule is necessary to establish the loan limits on a loan made directly to businesses. It is also intended to establish criteria for the ratio of nonpublic money to public money to ensure that Challenge Grant funds are utilized as a tool for leveraging private investment. It is reasonable because the loan limit range is broad enough to accommodate a wide range of projects and because a 50 percent match ensures that private involvement in the Challenge Grant program will be at least as significant as public involvement. Also, this rule is consistent with the regional revolving loan fund criteria in Minn. Stat. 116N.08 subd. 5.

"e. FOR LOANS TO LOCAL GOVERNMENTAL UNITS, THE AMOUNT OF MONEY APPROPRIATED FROM THE RURAL REHABILITATION REVOLVING FUND FOR EACH REGIONAL REVOLVING LOAN MAY NOT EXCEED $25,000. THE MAXIMUM REGIONAL REVOLVING LOAN TO A LOCAL UNIT OF GOVERNMENT IS $50,000. THE LOCAL GOVERNMENTAL UNIT MUST MATCH THE LOAN AT A MINIMUM DOLLAR-FOR-DOLLAR FROM ITS REVOLVING LOAN FUND. THE LOAN MADE BY A LOCAL GOVERNMENTAL UNIT MAY BE 100 PERCENT PUBLIC FUNDS."

This rule is necessary to establish the loan limits on local government unit loans and to establish criteria for meeting the leveraging of private investment required on local government unit loans. It is reasonable because it extends the leveraging of private dollars from the regional to the local level.

"f. IN DETERMINING WHICH BUSINESS ACTIVITIES MAY BE CONSIDERED FOR LOANS, THE FOLLOWING MINIMUM REQUIREMENTS APPLY:

- A LOAN MAY NOT EXCEED 50 PERCENT OF THE TOTAL COST OF AN INDIVIDUAL PROJECT.

- ELIGIBLE BUSINESS ENTERPRISES INCLUDE TECHNOLOGICALLY INNOVATIVE INDUSTRIES, VALUE-ADDED MANUFACTURING, AGRIPROCESSING, INFORMATION INDUSTRIES, AND AGRICULTURAL MARKETING.

- A LOAN MAY NOT BE USED FOR A RETAIL DEVELOPMENT PROJECT."

- A BUSINESS APPLYING FOR A LOAN MUST BE SPONSORED BY A RESOLUTION OF THE LOCAL GOVERNMENTAL UNIT WITHIN WHOSE JURISDICTION THE PROJECT IS LOCATED.

- LOAN APPLICATIONS GIVEN PRELIMINARY APPROVAL BY THE REGIONAL ORGANIZATION MUST BE FORWARDED TO THE COMMISSIONER FOR FINAL APPROVAL.

This rule is necessary to establish eligibility requirements for businesses applying for a regional revolving loan. It is reasonable because it clearly defines the parameters of the Challenge Grant program, and it is consistent with the eligibility requirements established in Minn. Stat. 116N.08.

"4. LOAN REPAYMENT. FOR LOANS MADE TO BUSINESSES, AMOUNTS EQUAL TO ONE-HALF OF EACH PRINCIPAL AND INTEREST REPAYMENT MUST BE DEPOSITED IN THE RURAL REHABILITATION REVOLVING FUND. THIS WILL BE USED FOR ADDITIONAL CHALLENGE GRANTS TO THE FUNDING REGION FOR WHICH THE MONEY WAS ORIGINALLY DESIGNATED. THE REMAINING AMOUNT OF THE LOAN REPAYMENT MAY BE DEPOSITED IN THE REGIONAL REVOLVING LOAN FUND FOR FURTHER DISTRIBUTION BY THE REGIONAL ORGANIZATION.

FOR LOANS MADE TO LOCAL GOVERNMENTAL UNITS, ONE-HALF OF THE MONEY LOANED BY THE REGIONAL ORGANIZATION MUST BE REPAID TO THE RURAL REHABILITATION REVOLVING FUND. WITH THE AGREEMENT OF THE REGIONAL ORGANIZATION, FIFTY PERCENT OF THE MONEY MAY BE RETAINED BY THE LOCAL GOVERNMENTAL UNIT'S REVOLVING LOAN FUND FOR FURTHER DISTRIBUTION BY THE LOCAL GOVERNMENTAL UNIT."

This rule is necessary to specify loan repayment restrictions and requirements on all regional revolving loans. It is reasonable because it ensures permanency of the Rural Rehabilitation Revolving Fund and Regional Revolving Loan Funds, and provides Local Government Units with the opportunity to establish permanent local revolving loan funds. Also, it is consistent with the loan repayment requirements established in Minn. Stat. 116N.08, subd. 6.

RDB I/D44-CP

March 29, 1988

Bob Benner
Rural Development Board
900 American Center Building
150 East Kellogg Boulevard
St. Paul, MN. 55101

Dear Mr. Benner:

In accordance with the appropriate statutes, we are requesting a public hearing concerning the Proposed Permanent Rules Relating to Challenge Grants vis-a-vis the Rural Development Board for the following reasons:
(1)There is no language explicitly targeting loans to low-income or non-traditional entrepreneurs(4370.0080). It has been the experience of numerous programs that unless specific constituencies are targeted, they are not likely to be included.
(2)There is no provision to deny loans to business start-ups, expansions, etc., the main purpose of which may be to lower wages, i.e. union busting.
We will be looking forward to hearing from you.

Sincerely,

David M Butcher
2395 Univ. Ave.
St. Paul, Mn. 55114

Kenneth L. Kemp
Kenneth Loeffler-Kemp
469 - 11th Street
Red Wing, MN 55066

Kip Sullivan
1511 Randolph Ave
St. Paul MN 55105

James M Coyne
James M Coyne
902 Armstrong
St Paul MN 55102

Robert Woods Jr
Robert Woods
609 S 4th St #2
Mpls, Mn 55402

R. Scott Hawkins
2011 3rd Ave S #230
MPLS, MN 55404

Gregory M. Simbeck
Gregory Simbeck
2103 Commonwealth Ave
St. Paul MN 55108

George J. Knoter Jr.
GEORGE J. KNOTER JR.
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MPLS. MN 55407

Jeanne M. Morey
JEANNE MOREY
2020 LAKEFIELD AVE. #20
MPLS, MN 55405

J. John Shuman
2649 Fremont Av So. #4
mpls, mn 55408

Hans Wold
Hans P. Wold
R2 Box 268
Pine Island MN 55904

Craig Olson

Ronaldo Rounds
RONALDO ROUNDS
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Lori Schroyer
Lori Schroyer
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St Paul, MN 55104

Michele Rowen (MICHELE ROWEN)
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Bruce DeJong Bruce Delong
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Ron Ron Fenton
1-C Golden Oaks
Circle Pines MN 55014

Conrad Balfour -
4290 Queen Av. S.
MPLS. MN. 55410

Marie Fiedler
Marie Fiedler
PO Box 14241 St Paul 55114

Ruth Simpson Ruth Simpson
2212 28th Ave S.
Minneapolis, MN 55406

Tom Herbst
Tom Herbst
4442 113th Ln NW
Coon Rapids, MN 55433

Correspondence may be addressed to:

Dave Butcher
MN. COACT
2395 University Ave-#304
St. Paul, MN. 55114

Community Development Division

MAR 31 1988

Mark 2.

Central Minnesota Citizens
for
Economic Justice

123 1/2 East Broadway
Little Falls, MN 56345

March 28, 1988

Bob Benner
Rural Development Board
900 American Center Building
150 East Kellogg Blvd.
St. Paul, MN 55101

Community Development Division
MAR 30 1988

Dear Mr. Benner,

As a Central Minnesota coalition for economic fairness for all citizens, we are requesting a public hearing regarding the proposed rules relating to challenge grants for the following reasons:

1. There is no language explicitly targeting loans to low-income and non-traditional entrepreneurs (sec. 4370.0080-- threshold requirement).

   It has been our experience that low-income people don't benefit from programs unless specific language defining their inclusion is written in.

2. There is no provision to deny loans to businesses whose sole purpose may be union busting.

We, the undersigned, request the public hearing:

Polly Veeser
FareSHARE Coordinator

Jim Lunemann
Long Prairie Businessman

Joe Griesch
Little Falls Businessman

Tim King
Todd County Vegetable Producer

Beverly Nouis
Little Falls Businesswoman

Evie Beste
Central MN FareSHARE Coordinator

Clare Zimmerman
Pierz Teacher

Leo Zimmermann
Morrison County Farmers Union

Central Minnesota Citizens
for
Economic Justice

Myrl Fairbrother
Farm Edication & Resource Center

Charlotte Fisher
Minnesota Nurses Association

William P. Kiley
Bill Kiley
NFO Dairy Farmer

Wayne Kelley
Wayne Kelley
NFO Dairy Farmer

Community Development Division

MAR 3 0 1988

Mark 2

Gretchen Hagen 1418 First Avenue NE, Rochester, Minnesota 55904

March 28, 1988

Mr. Bob Benner
Rural Development Board
900 American Center Building
150 East Kellogg Blvd.
St. Paul, Minnesota 55101

Dear Mr. Benner,

As people concerned about our state's economy, the undersigned hereby request a public hearing concerning the **proposed** permanent rules relating to challenge grants for the following reasons:

1) We find no language explicitly targeting money to low-income or non-traditional entrepreneurs. (4370.0080 - Threshold requirements. Our experience has been that unless such specific language is written into the law, low-income people and others often are unable to take advantage of such a program's benefits.

2) We are also concerned that a business with policies unfavorable towards labor unions may use these rules to further their own expansion without genuine regard for the welfare of their workers.

We look forward to your positive response in scheduling a public hearing very soon.

Sincerely,

Lorraine Reding
Rt 1 Box 198
Winona, Mn
55987

Gretchen M Hagen
1418 - 1st Ave NE
Rochester, MN.

Ken Georgens
Rt 1 Box 121
Rushford Mn 55971

Ken Kemp
469 11th St.
Red Wing MN 55066

Rosie Loeffler-Kemp
469 11th St
Red Wing MN 55066

Todd Tollefson
419 6th St SE
Rochester, MN 55904

Terry Johnson
4347 29th St SE
Rochester, Mn 55904

Ramona Mary Walch
Rt. 1 Box 80
Racine Stone Mn. 55969

Community Development Division

MAR 3 0 1988

Upper Minnesota Valley Regional Development Commission

Big Stone • Chippewa • Lac qui Parle • Swift • Yellow Medicine

323 WEST SCHLIEMAN AVENUE APPLETON, MINNESOTA 56208

(612) 289-1981 & 1982

March 25, 1988

Mr. Bob Benner
Rural Development Board
900 American Center Bldg.
St. Paul, MN 55155

Dear Mr. Benner:

The Commission is pleased to see the progress being made on the implementation of S.F.1. It looks forward to working in partnership with the state to insure the success of this important rural development initiative.

On March 21, the Commission discussed the proposed Challenge Grant Regulations, and requested that I pass on the following concerns:

1a. In Section 4370.0060 AGREEMENTS AND RECORDS, there is an absence of any performance standards for adherance by the "Regional Organization" which is selected to receive and administer the Challenge Grant. The Commission perceives that this oversight might create problems in pursuing an effective evaluation of the program.

b. Also absent in this section is any guidance on the level of risk which is acceptable in making loans.

2a. The proposed rules in Section 4370.0040 TYPES OF FUNDING AVAILABLE, identifies an option which potentially enhances the effectiveness of local based initiatives to spawn new business development under loans to local governmental units. However, the regional organization is given a strong disincentive to not participate with local governmental units because such loans to local governmental units would decapitalize the regional organization's fund. In Section 4370.0080 Subpart 5, loan repayment from loans to local governmental units, "one half of the money loaned by the regional organization must be repaid to the rural rehabilitation revolving loan fund ... with the agreement of the regional organization, 50 percent of the money may be retained by the local governmental unit's revolving loan fund for further distribution of the local governmental unit."

b. A second concern regarding the local governmental option, is in the restricted role envisioned for counties. Counties apparently may participate only if development projects are located in unincorporated areas. The type of regional effort present in this region whereby three counties have taken a leadership role in supporting a multi-county RLF, is not identified as an option by the proposed rules. It is the Commission's sense that in a rural region like 6W where local capacity at the municipal level may be an issue, the rules with respect to loans to local governmental units may foster fragmentation rather than consolidation of the diverse economic development efforts of small Minnesota communities.

Thank you for hearing us out on these concerns.

Sincerely,

Johnny Larson

Johnny Larson, Chairman
Upper Minnesota Valley
Regional Development Commission

JL/DC/kld

Community Development Division
MAR 31 1988

RURAL DEVELOPMENT BOARD OF DIRECTORS
January 13, 1988

The meeting of the Rural Development was called to order on Wednesday, January 13, 1988, at 1:00 p.m., in Room 120 of the State Capitol.

Members present: David Speer, Chair; Elmer Anderson, Carl Gerber in place of Gerald Christenson, Rollin Bergman, Robert Carothers, Joseph Graba, Mike Miles in place of Terry Montgomery, Warren Enevoldsen, Henry Martin, Kenneth Keller, David Velde, Jim Nichols, and Terry Montgomery .

Members absent: Mary Anderson and Joe Samargia.

I. APPROVAL OF MINUTES

Henry Martin moved and Rollin Bergman seconded approval of the minutes for the meeting held on November 5, 1987. The motion passed unanimously.

II. TECHNICAL ADVISORY COMMITTEE

Chair David Speer referred Board members to the "Report on Technical Advisory Committee" in their briefing packets, that outlined reasons for establishing the Committee and its workplan. The Committee, which will serve as a working group for the Board, will include representatives from the Departments of Agriculture; Jobs and Training; and Trade and Economic Development; and from the University of Minnesota, State University System, Community College System, Technical Institute System, Regional Development Commissions, and Greater Minnesota Corporation. Four committee designees have been named to date.

Executive Director Jerry Schoenfeld said the most important task of the Regional Advisory Committee will be development of the Rural Investment Guide. Schoenfeld suggested that the Committee proceed with writing a standardized set of questions that can be used to evaluate rural development programs within state agencies and educational systems represented on the Board. The Committee could also assist with writing annual reports to the Legislature, Schoenfeld said.

III. REMARKS BY CHAIR ON RDCs

Speer announced that Regional Development Commissions will now play a more integral role in programs of the Department of Trade and Economic Development. He said the RDCs will represent DTED's Community Development Division in administering programs to the regions.

IV. RURAL INVESTMENT GUIDE

Schoenfeld presented a proposed strategy for developing the Rural Investment Guide. He said contents of the Guide could be as wide or narrow as the Board wishes, but guiding legislation makes it clear that

rural investment efforts should focus on community-based activities, natural resources, education, public/private partnerships, entrepreneurship, applied research, and coordination between state agencies and educational systems.

Schoenfeld explained a five-point process proposed by staff:

1. Identify ways to enhance rural development. Methods the staff have identified include economic diversification, strengthening community leadership, supporting established businesses, facilitating transitions from declining industries, and providing health and human services

2. Compile an adequate factual base from which to address rural issues including economic characteristics, community capacities, and health and human services

3. Identify and evaluate state programs that presently affect rural development. Schoenfeld pointed out that this is an effort the Technical Advisory Committee will be directing and that it should include an agency self-evaluation and constituent response.

4. Coordinate state agencies' and educational systems' impact on rural development

5. Establish a long-term review and evaluation process. Schoenfeld said the fifth point was added to avoid stagnation and insure that the Rural Investment Guide is an on-going process. He proposed designing Rural Impact Statements, similar in format to Environmental Impact Statements, which would measure the potential impact of state programs and projects on rural areas.

Speer proposed that a task force be created to follow up on the staff proposal and prepare a more extensive Investment Guide format for Board approval. Speer said he has started talks with foundations and others about financial support for developing the Guide. Before agreements can be made, however, the Board must endorse a specific plan for the Guide. He suggested that Jerry Christenson chair the task force because of his past experience with the State Planning Agency and current experience as Chancellor of the State Board for Community Colleges. Others recommended for the task force included Joe Samargia, Henry Martin and Speer.

There was some discussion about confusion over the title "Rural Investment Guide" and over who the "investors" are. Robert Carothers said the title could be interpreted to mean a guide for entrepreneurs who would like to make investments in rural areas when in fact the Guide is to be used by state government entities as a strategy for allocating government resources. The Guide's title was established by legislation, but it was suggested that the Board add a subtitle for clarification.

Warren Enevoldsen moved and Joseph Graba seconded a motion to approve the task force members that were recommended to establish a format and process that will be used to prepare the Rural Investment Guide. The motion passed unanimously.

Schoenfeld said that developing the Guide is an open process and public Board members, not represented on the Technical Advisory Committee or task force, are welcome to participate. He said the task force should build a skeleton for the Guide and a process for broader public input.

V. CHALLENGE GRANT RULES

DTED Deputy Commissioner Bob Benner referred Board members to copies of the proposed Challenge Grant Rules and to the accompanying Statement of Need and Reasonableness, which is a document required by law to define why each particular rule is being proposed.

Eldon Kaul, of the Attorney General's Office, said the Board could publish the rules in the State Register, with a notice of intent to adopt without a public hearing, because the rules are non-controversial in nature. Kaul said after the rules are published and after a 30-day public comment period, the staff should review comments, make changes in the rules if the changes are not substantial, and present the final version to the Board for adoption. If substantial changes are to be made or a hearing is demanded by at least 25 people, the Board might have to hold public hearings and start the rules process over again.

Benner pointed out that, prior to writing the rules, he and Schoenfeld conferred with groups that might be interested in applying for Challenge Grants, including the McKnight Initiative funds, RDCs, and Community Development Corporations.

Benner said he also met with the director of the McKnight Foundation, Russ Ewald, who made a commitment to match Challenge Grants with $6 million of McKnight funds. $1 million would be directed to each Initiative Fund that agrees to apply for and is granted Challenge Grant funds. Before applications can be accepted, Benner added, the rules must be adopted.

Schoenfeld commented on the difference between the terms "non-public match" and "private investment." There are actually two matches, he said. First, $6 million in Challenge Grant funds must be matched with "non-public" funds by six regional organizations to set up regional revolving loan funds. Second, loans from the regional funds to businesses must be matched by "private investment." The private investment match for regional revolving loans can also be used to partially fulfill requirements of DTED's Economic Recovery Fund.

Beside businesses, the regions can make loans to local units of government to set up local revolving loan funds.

Robert Carothers moved and Elmer Anderson seconded the motion to publish the proposed Challenge Grant Rules in the State Register. The motion passed unanimously.

VI. REPORT TO THE LEGISLATURE

Schoenfeld said the Board is legally required to submit a report to the Legislature each year by January 31. The report must include a review of rural development in the state, a review of the Regional Advisory Committee activities, an accounting of loans made under the Challenge Grant Program, an evaluation of rural development initiatives, and recommendations concerning state support for rural development. Because the activities of the Board are in initial stages, this year's report will be brief, Schoenfeld said.

He presented an outline of the report to members along with samples of the type of material to be included in the report.

David Velde moved and Kenneth Keller seconded a motion that the Legislative Report be put together by the RDB staff and the Technical Advisory Committee. The motion passed unanimously.

VII. RECOGNITION OF GUESTS

Speer recognized guests, including Senator Tracy Beckman, Senator Jim Vickerman and Vic Moore, Assistant to the Senate Majority Leader. The senators commented on their support for the Board and its importance to rural Minnesota.

VIII. OVERVIEW PRESENTATION OF RURAL ECONOMY

Lee Munich, head of DTED's Policy Analysis Division, passed out copies of the 1988 Economic Report to the Governor, which was released to the public on January 11. This year's report, the third published by DTED, focuses on the year 2000 and covers four major areas including natural resources, technology, world trade, and the labor force. Munich added that his division is pleased to provide analytical support to the Rural Development Board staff.

Kathy Novak, an economic analyst with the Policy Analysis Division, presented a slide show overview of Minnesota's rural economy. Her report focused on population changes and distribution, income, employment, unemployment, specialized counties, economic performance, and comparisons between Metro and Greater Minnesota.

A discussion followed the presentation and Board members and guests received published copies of Novak's report.

IX. OTHER ITEMS

Speer announced that the next Board meeting will be held in March in Worthington and hosted by Henry Martin. There was discussion about holding public hearings, on local economic issues, in conjunction with the meeting. Speer said Senator Vickerman and Representative Katy Olson will be asked to assist with planning the meeting.

Terry Montgomery arrived at 2:20 p.m.

Jim Nichols said he would like a list of major employers in each region. Schoenfeld said he would furnish that information to Board members.

X. As there was no further discussion, Jim Nichols moved and Henry Martin seconded the motion to adjourn the meeting. The motion passed unanimously.

The meeting ended at 2:25 p.m.

Respectfully submitted,

Jim Nichols, Secretary
RURAL DEVELOPMENT BOARD

RDB.GEN/III15-CP

Mark D.

Central Minnesota Citizens
for
Economic Justice

123 1/2 East Broadway
Little Falls, MN 56345

March 28, 1988

Bob Benner
Rural Development Board
900 American Center Building
150 East Kellogg Blvd.
St. Paul, MN 55101

Community Development Division
MAR 30 1988

Dear Mr. Benner,

As a Central Minnesota coalition for economic fairness for all citizens, we are requesting a public hearing regarding the proposed rules relating to challenge grants for the following reasons:

1. There is no language explicitly targeting loans to low-income and non-traditional entrepreneurs (sec. 4370.0080-- threshold requirement).

   It has been our experience that low-income people don't benefit from programs unless specific language defining their inclusion is written in.

2. There is no provision to deny loans to businesses whose sole purpose may be union busting.

We, the undersigned, request the public hearing:

Polly Veeser
FareSHARE Coordinator

Jim Lunemann
Long Prairie Businessman

Joe Griesch
Little Falls Businessman

Tim King
Todd County Vegetable Producer

Beverly Nouis
Little Falls Businesswoman

Evie Beste
Central MN FareSHARE Coordinator

Clare Zimmerman
Pierz Teacher

Leo Zimmermann
Morrison County Farmers Union

Central Minnesota Citizens
for
Economic Justice

Myrl Fairbrother
Farm Edication & Resource Center

Charlotte Fisher
Minnesota Nurses Association

William P. Kiley
Bill Kiley
NFO Dairy Farmer

Wayne Kelley
Wayne Kelley
NFO Dairy Farmer

Mark L

Gretchen Hagen 1418 First Avenue NE, Rochester, Minnesota 55904

March 28, 1988

Mr. Bob Benner
Rural Development Board
900 American Center Building
150 East Kellogg Blvd.
St. Paul, Minnesota 55101

Dear Mr. Benner,

As people concerned about our state's economy, the undersigned hereby request a public hearing concerning the proposed permanent rules relating to challenge grants for the following reasons:

1) We find no language explicitly targeting money to low-income or non-traditional entrepreneurs. (4370.0080 - Threshold requirements. Our experience has been that unless such specific language is written into the law, low-income people and others often are unable to take advantage of such a program's benefits.

2) We are also concerned that a business with policies unfavorable towards labor unions may use these rules to further their own expansion without genuine regard for the welfare of their workers.

We look forward to your positive response in scheduling a public hearing very soon.

Sincerely,

Ken Georgens
Rt 1 Box 121
Rushford Mn 55971

Lorraine Redig
Rt 1 Box 198
Winona, Mn
55987.

Gretchen M Hagen
1418 - 1st Ave NE
Rochester, MN.

Ken Kemp
469 11th St.
Red Wing MN 55066

Rosie Loeffler-Kemp
469 11th St
Red Wing MN 55066

Todd Tollefson
419 6th St SE
Rochester, MN 55904

Terry Johnson
4347 29th St SE
Rochester, MN 55904

Roman Walch
Mary Walch
Rt. 1 Box 80
Rollingstone Mn. 55969

Rural Development Board

Proposed Permanent Rules Relating to Challenge Grants

Rules as Proposed (all new material)

4370.0010 DEFINITIONS.

Subpart 1. **Scope.** The definitions in this part apply to this chapter.

Subp. 2. **Annual report.** "Annual report" means a description of projects supported by the challenge grant program, an account of loans made during the calendar year, the source and amount of money collected and distributed by the challenge grant program, the program's assets and liabilities, and an explanation of administrative expenses.

Subp. 3. **Board.** "Board" means the Rural Development Board.

Subp. 4. **Commissioner.** "Commissioner" means the commissioner of trade and economic development.

Subp. 5. **Economic recovery fund.** "Economic recovery fund" means the state-funded economic development grant program established by Minnesota Statutes, sections 116J.401 to 116J.403, and 116J.873.

Subp. 6. **Funding region.** "Funding region" means the six rural areas of Minnesota that have boundaries that are coterminous with one or more of the development regions established under Minnesota Statutes, section 462.385. They are identified as follows:

A. northwest region is coterminous with development regions 1 and 2;

B. northeast region is coterminous with development region 3;

C. west central region is coterminous with development region 4;

D. central region is coterminous with development regions 5, 7E, and 7W;

E. southwest region is coterminous with development

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regions 6E, 6W, and 8; and

F. southeast region is coterminous with development regions 9 and 10.

Subp. 7. **Grant agreement.** "Grant agreement" means an agreement between the state and a regional organization through which the state provides funds to carry out specified programs, services, or activities.

Subp. 8. **Independent annual audit.** "Independent annual audit" means a yearly financial compliance audit performed by a certified public accountant in accordance with generally accepted accounting practices and auditing standards.

Subp. 9. **Loan limits.** "Loan limits" means that for businesses the minimum loan is $5,000 and the maximum is $100,000. For local governmental units the minimum is $5,000 and the maximum is $50,000.

Subp. 10. **Local governmental unit.** "Local governmental unit" means a home rule charter or statutory city when the project is located in an incorporated area, a county when the project is located in an unincorporated area, or an American Indian Tribal Council when the project is located within a federally recognized American Indian Reservation or community.

Subp. 11. **Local revolving loan fund.** "Local revolving loan fund" means a revolving loan fund established by a local governmental unit to promote economic development.

Subp. 12. **Low income.** "Low income" means income that is equal to or below the nonmetropolitan median household income.

Subp. 13. **Minimum interest rate.** "Minimum interest rate" means the interest rate established by the board that cannot be exceeded but that will ensure coverage of the necessary management costs incurred by the regional organization.

Subp. 14. **Private investment.** "Private investment" means cash injections from sources other than state, local, or federal government appropriations.

Subp. 15. **Regional organization.** "Regional organization" means a nonprofit corporation selected by the rural development board to receive a challenge grant.

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Subp. 16. **Regional revolving loan fund.** "Regional revolving loan fund" means a board-certified revolving loan fund established by a regional organization to provide loans to new and expanding businesses in rural Minnesota to promote economic development.

Subp. 17. **Rural.** "Rural" means the area of Minnesota located outside the seven-county metropolitan area as defined by Minnesota Statutes, section 473.121, subdivision 2.

Subp. 18. **Rural rehabilitation revolving fund.** "Rural rehabilitation revolving fund" means the trust fund established in Minnesota Statutes, section 116J.955.

4370.0020 PURPOSE.

The purpose of this chapter is to establish:

A. procedures for the Rural Development Board to select and enter into agreements with regional organizations; and

B. procedures for the use of revolving loan funds under Minnesota Statutes, section 116N.08.

4370.0030 OBJECTIVES OF PROGRAM.

The objectives of the challenge grant program are to encourage private investment, to provide jobs principally for low-income persons, and to promote economic development in the rural areas of the state.

4370.0040 TYPES OF FUNDING AVAILABLE.

The Rural Development Board shall designate up to $1,000,000 from the rural rehabilitation revolving fund for each funding region to be available over a three-year period. The money awarded to each regional organization will be appropriated to its regional revolving loan fund on a project-by-project basis and matched by the regional organization with an equal amount of nonpublic money.

The regional revolving loan fund shall be used by the regional organization to provide loans directly to new and expanding businesses or to local governmental units to promote

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economic development.

Loans to businesses from the regional revolving loan fund must be at least $5,000 and no more than $100,000. The amount of money appropriated from the regional revolving loan fund for each project may not exceed 50 percent of the total cost of each project. The amount of nonpublic money must equal at least 50 percent of the cost of each project.

Loans to local governmental units from the regional revolving loan fund must be at least $5,000 and no more than $50,000. The money loaned to a local governmental unit must be matched by the local revolving loan fund established by the local governmental unit and used to provide loans to businesses to promote local economic development.

4370.0050 APPLICATION PROCESS AND REQUIREMENTS FOR SELECTION OF REGIONAL ORGANIZATIONS TO RECEIVE CHALLENGE GRANTS.

Subpart 1. **Eligibility requirements.** An eligible applicant must be a nonprofit corporation that can demonstrate the authority and ability to establish and administer a revolving loan fund, to initiate and implement economic development within its funding region, to be familiar with other available public and private funding sources and economic development programs, and to analyze projects to objectively review loan requests. Subject to the approval of the commissioner, an applicant may contract with other entities that have the technical skills to provide the specific services that fulfill this requirement.

An eligible applicant must demonstrate that its board of directors includes citizens who are experienced in rural development, has representatives of the regional development commissions (when applicable), and has directors representative of the geographic areas in the funding region.

Subp. 2. **Process for submitting application.** The board shall give notice of the period during which applications will be accepted. The notice must be published in the State Register at least 30 days before the closing date.

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Subp. 3. **Contents of application.** The application must be in a form prescribed by the board and must include:

A. an assurance signed by the regional organization's chair that the applicant will comply with all applicable state and federal laws and requirements;

B. a resolution passed by the applicant's board of directors approving the submission of an application and authorizing execution of the grant agreement if funds are made available;

C. documentation of an applicant's eligibility; and

D. any additional information that the board requests as necessary to clarify and evaluate the application.

Subp. 4. **Evaluation and approval of applications.** Applicants that meet the eligibility requirements will be evaluated in the following two areas: (1) their ability to provide a nonpublic direct dollar match to the challenge grant award, and (2) their ability to implement requirements of the challenge grant program (including cooperation with other rural development organizations in carrying out the challenge grant program to promote rural development and provide technical assistance).

4370.0060 AGREEMENTS AND RECORDS.

Subpart 1. **Grant agreement required.** A grant agreement must be established with each regional organization approved for funding by the board. The agreement must be signed by a person authorized to commit the regional organization to legally binding agreements and to execute the agreement.

Subp. 2. **Contents of grant agreement.** The grant agreement must include but is not limited to the following:

A. Assurance that the regional organization has or will establish a board-certified revolving loan fund to provide loans to new and expanding businesses in their funding region to promote economic development.

B. Assurance that the grant recipient will comply with all applicable state and federal laws, including the

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requirements of Minnesota Statutes, section 116N.08.

C. No challenge grant funds shall be used to finance activities not approved in either the grant agreement or each loan agreement. If it is determined that an improper use of funds has occurred, the board will take whatever action is necessary to recover improperly spent funds. Grant recipients must return funds that are improperly expended.

D. The board shall suspend payment of funds to recipients that are not in compliance with applicable state and federal laws, rules, and regulations.

E. Amendments to the grant agreement must be in writing.

Subp. 3. **Record keeping.** The following record keeping requirements are established:

A. Challenge grant recipients shall maintain financial records that identify the source and application of funds for challenge grant-supported activities. These records must contain information about approved loans, obligations, unobligated balances, assets, liabilities, outlays and interest income, use of interest income, and other information as required by the board to fulfill its responsibilities. Financial records, supporting documents, statistical records, and all other records pertinent to the challenge grant program must be retained by the regional organization for one year after the grant program expires and records of each loan for one year from the final repayment. No records or documents may be disposed of while audits, claims, or litigation involving the records are in progress.

B. Challenge grant recipients must arrange and pay for an independent annual audit and submit a copy of the annual audit to the board.

C. By February 15 of each year, an annual report must be submitted to the board. The annual report must include a description of projects supported by the challenge grant program, an account of loans made during the calendar year, the source and amount of loans made during the year, the source and

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amount of money collected and distributed by the challenge grant program, the program's assets and liabilities, and an explanation of administrative expenses.

The annual report will be used as a basis for reviewing the utilization of challenge grants awarded by the board. Grant agreements will make provisions for reallocation in the event that the regional organization fails to perform its duties.

D. Representatives of the board and the legislative auditor shall have access to all books, records, accounts, reports, files and other papers, things, or property belonging to the regional organization which are related to the administration of the challenge grant program.

4370.0070 CHALLENGE GRANT ADMINISTRATION MANUAL.

The board shall prepare an administration manual for distribution to eligible regional organizations. The manual must instruct challenge grant applicants in the preparation of loan applications and describe the method by which the regional organization will evaluate and rate the applications.

4370.0080 THRESHOLD REQUIREMENTS.

Subpart 1. **Regional policies required.** Regional policies must be developed to ensure that business loan applications meet specified eligibility threshold requirements. The criteria in this part must be incorporated into the regional policies.

Subp. 2. **Financing gap.** Loans must be made to businesses that are not likely to undertake a project for which loans are sought without assistance from the challenge grant program. The loan applicant must demonstrate the existence of a financing gap by documenting which of the following apply to the business:

A. inadequate equity;

B. inadequate private lender financing; or

C. inability to pay market interest rate or term requirements.

Subp. 3. **Jobs which principally benefit low-income persons.** A loan must be used for a project designed principally to benefit low-income persons through the creation or retention

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of jobs (principally is defined as more than 50 percent of the persons benefitting).

In addressing this criterion, an applicant should be prepared to show how low-income persons directly benefit from the creation or retention of jobs by providing evidence that the jobs retained employ low-income persons and that jobs created are filled or made available to low-income persons. The following are minimum threshold requirements relating to low-income job creation/retention.

A. Among loan applicants, priority must be given on the basis of the number of permanent jobs created or retained by the project and the proportion of nonstate money leveraged by the revolving loan.

B. Only jobs directly resulting from a specific grant activity will be considered.

C. In order to count retained jobs, there must be clear documentation provided by the business that it would reduce operations in the community or discontinue operations in Minnesota if additional financing is not made available.

Subp. 4. **Leverage private investment.** The amount of money made available from the regional revolving loan fund may not exceed 50 percent of the total cost of the project. The following are minimum threshold requirements for leveraging private investment:

A. Except with prior approval by the commissioner, leveraged private investment by the business must be in the form of new commitments that have not yet been expended.

B. Financial commitments should not be contingent upon events other than the approval of the regional revolving loan.

C. With the approval of the commissioner, a loan may be used to provide up to 50 percent of the private investment required to qualify for a grant from the economic recovery fund.

D. For business loans, the amount of money appropriated from the rural rehabilitation revolving fund may not exceed 50 percent of each loan made by the regional

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organization. The amount of nonpublic money must be at least 50 percent of each loan made by the regional organization. The loan limits of the regional organization will be $5,000 minimum and $100,000 maximum.

E. For loans to local governmental units, the amount of money appropriated from the rural rehabilitation revolving fund for each regional revolving loan may not exceed $25,000. The maximum regional revolving loan is $50,000. The local governmental unit must match the loan at a minimum dollar-for-dollar from its revolving loan fund. The loan made by a local governmental unit may be 100 percent public funds.

F. In determining which business activities may be considered for loans, the following minimum requirements apply:

(1) A loan may not exceed 50 percent of the total cost of an individual project.

(2) Eligible business enterprises include technologically innovative industries, value-added manufacturing, agriprocessing, information industries, and agricultural marketing.

(3) A loan may not be used for a retail development project.

(4) A business applying for a loan must be sponsored by a resolution of the local governmental unit within whose jurisdiction the project is located.

(5) Loan applications given preliminary approval by the regional organization must be forwarded to the commissioner for final approval.

Subp. 5. **Loan repayment.** For loans made to businesses, amounts equal to one-half of each principal and interest repayment must be deposited in the rural rehabilitation revolving fund. The money deposited in the fund will be used for additional challenge grants to the funding region for which the money was originally designated. The remaining amount of the loan repayment may be deposited in the regional revolving loan fund for further distribution by the regional organization.

For loans made to local governmental units, one-half of the

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money loaned by the regional organization must be repaid to the rural rehabilitation revolving fund. With the agreement of the regional organization, 50 percent of the money may be retained by the local governmental unit's revolving loan fund for further distribution by the local governmental unit.

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Office of the Revisor of Statutes

Administrative Rules

TITLE: Proposed Permanent Rules Relating to Challenge Grants

AGENCY: Rural Development Board

MINNESOTA RULES: Chapter 4370

The attached rules are approved for publication
in the State Register

David S. Niss
Assistant Revisor

Rural Development Board

Proposed Permanent Rules Relating to Challenge Grants

Rules as Proposed (all new material)

4370.0010 DEFINITIONS.

Subpart 1. **Scope.** The definitions in this part apply to this chapter.

Subp. 2. **Annual report.** "Annual report" means a description of projects supported by the challenge grant program, an account of loans made during the calendar year, the source and amount of money collected and distributed by the challenge grant program, the program's assets and liabilities, and an explanation of administrative expenses.

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Subp. 4. **Commissioner.** "Commissioner" means the commissioner of trade and economic development.

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B. northeast region is coterminous with development region 3;

C. west central region is coterminous with development region 4;

D. central region is coterminous with development regions 5, 7E, and 7W;

E. southwest region is coterminous with development

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regions 6E, 6W, and 8; and

F. southeast region is coterminous with development regions 9 and 10.

Subp. 7. **Grant agreement.** "Grant agreement" means an agreement between the state and a regional organization through which the state provides funds to carry out specified programs, services, or activities.

Subp. 8. **Independent annual audit.** "Independent annual audit" means a yearly financial compliance audit performed by a certified public accountant in accordance with generally accepted accounting practices and auditing standards.

Subp. 9. **Loan limits.** "Loan limits" means that for businesses the minimum loan is $5,000 and the maximum is $100,000. For local governmental units the minimum is $5,000 and the maximum is $50,000.

Subp. 10. **Local governmental unit.** "Local governmental unit" means a home rule charter or statutory city when the project is located in an incorporated area, a county when the project is located in an unincorporated area, or an American Indian Tribal Council when the project is located within a federally recognized American Indian Reservation or community.

Subp. 11. **Local revolving loan fund.** "Local revolving loan fund" means a revolving loan fund established by a local governmental unit to promote economic development.

Subp. 12. **Low income.** "Low income" means income that is equal to or below the nonmetropolitan median household income.

Subp. 13. **Minimum interest rate.** "Minimum interest rate" means the interest rate established by the board that cannot be exceeded but that will ensure coverage of the necessary management costs incurred by the regional organization.

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Subp. 15. **Regional organization.** "Regional organization" means a nonprofit corporation selected by the rural development board to receive a challenge grant.

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by Revisor _____

Subp. 16. **Regional revolving loan fund.** "Regional revolving loan fund" means a board-certified revolving loan fund established by a regional organization to provide loans to new and expanding businesses in rural Minnesota to promote economic development.

Subp. 17. **Rural.** "Rural" means the area of Minnesota located outside the seven-county metropolitan area as defined by Minnesota Statutes, section 473.121, subdivision 2.

Subp. 18. **Rural rehabilitation revolving fund.** "Rural rehabilitation revolving fund" means the trust fund established in Minnesota Statutes, section 116J.955.

4370.0020 PURPOSE.

The purpose of this chapter is to establish:

A. procedures for the Rural Development Board to select and enter into agreements with regional organizations; and

B. procedures for the use of revolving loan funds under Minnesota Statutes, section 116N.08.

4370.0030 OBJECTIVES OF PROGRAM.

The objectives of the challenge grant program are to encourage private investment, to provide jobs principally for low-income persons, and to promote economic development in the rural areas of the state.

4370.0040 TYPES OF FUNDING AVAILABLE.

The Rural Development Board shall designate up to $1,000,000 from the rural rehabilitation revolving fund for each funding region to be available over a three-year period. The money awarded to each regional organization will be appropriated to its regional revolving loan fund on a project-by-project basis and matched by the regional organization with an equal amount of nonpublic money.

The regional revolving loan fund shall be used by the regional organization to provide loans directly to new and expanding businesses or to local governmental units to promote

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economic development.

Loans to businesses from the regional revolving loan fund must be at least $5,000 and no more than $100,000. The amount of money appropriated from the regional revolving loan fund for each project may not exceed 50 percent of the total cost of each project. The amount of nonpublic money must equal at least 50 percent of the cost of each project.

Loans to local governmental units from the regional revolving loan fund must be at least $5,000 and no more than $50,000. The money loaned to a local governmental unit must be matched by the local revolving loan fund established by the local governmental unit and used to provide loans to businesses to promote local economic development.

4370.0050 APPLICATION PROCESS AND REQUIREMENTS FOR SELECTION OF REGIONAL ORGANIZATIONS TO RECEIVE CHALLENGE GRANTS.

Subpart 1. **Eligibility requirements.** An eligible applicant must be a nonprofit corporation that can demonstrate the authority and ability to establish and administer a revolving loan fund, to initiate and implement economic development within its funding region, to be familiar with other available public and private funding sources and economic development programs, and to analyze projects to objectively review loan requests. Subject to the approval of the commissioner, an applicant may contract with other entities that have the technical skills to provide the specific services that fulfill this requirement.

An eligible applicant must demonstrate that its board of directors includes citizens who are experienced in rural development, has representatives of the regional development commissions (when applicable), and has directors representative of the geographic areas in the funding region.

Subp. 2. **Process for submitting application.** The board shall give notice of the period during which applications will be accepted. The notice must be published in the State Register at least 30 days before the closing date.

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Subp. 3. **Contents of application.** The application must be in a form prescribed by the board and must include:

A. an assurance signed by the regional organization's chair that the applicant will comply with all applicable state and federal laws and requirements;

B. a resolution passed by the applicant's board of directors approving the submission of an application and authorizing execution of the grant agreement if funds are made available;

C. documentation of an applicant's eligibility; and

D. any additional information that the board requests as necessary to clarify and evaluate the application.

Subp. 4. **Evaluation and approval of applications.** Applicants that meet the eligibility requirements will be evaluated in the following two areas: (1) their ability to provide a nonpublic direct dollar match to the challenge grant award, and (2) their ability to implement requirements of the challenge grant program (including cooperation with other rural development organizations in carrying out the challenge grant program to promote rural development and provide technical assistance).

4370.0060 AGREEMENTS AND RECORDS.

Subpart 1. **Grant agreement required.** A grant agreement must be established with each regional organization approved for funding by the board. The agreement must be signed by a person authorized to commit the regional organization to legally binding agreements and to execute the agreement.

Subp. 2. **Contents of grant agreement.** The grant agreement must include but is not limited to the following:

A. Assurance that the regional organization has or will establish a board-certified revolving loan fund to provide loans to new and expanding businesses in their funding region to promote economic development.

B. Assurance that the grant recipient will comply with all applicable state and federal laws, including the

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requirements of Minnesota Statutes, section 116N.08.

C. No challenge grant funds shall be used to finance activities not approved in either the grant agreement or each loan agreement. If it is determined that an improper use of funds has occurred, the board will take whatever action is necessary to recover improperly spent funds. Grant recipients must return funds that are improperly expended.

D. The board shall suspend payment of funds to recipients that are not in compliance with applicable state and federal laws, rules, and regulations.

E. Amendments to the grant agreement must be in writing.

Subp. 3. **Record keeping.** The following record keeping requirements are established:

A. Challenge grant recipients shall maintain financial records that identify the source and application of funds for challenge grant-supported activities. These records must contain information about approved loans, obligations, unobligated balances, assets, liabilities, outlays and interest income, use of interest income, and other information as required by the board to fulfill its responsibilities. Financial records, supporting documents, statistical records, and all other records pertinent to the challenge grant program must be retained by the regional organization for one year after the grant program expires and records of each loan for one year from the final repayment. No records or documents may be disposed of while audits, claims, or litigation involving the records are in progress.

B. Challenge grant recipients must arrange and pay for an independent annual audit and submit a copy of the annual audit to the board.

C. By February 15 of each year, an annual report must be submitted to the board. The annual report must include a description of projects supported by the challenge grant program, an account of loans made during the calendar year, the source and amount of loans made during the year, the source and

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amount of money collected and distributed by the challenge grant program, the program's assets and liabilities, and an explanation of administrative expenses.

The annual report will be used as a basis for reviewing the utilization of challenge grants awarded by the board. Grant agreements will make provisions for reallocation in the event that the regional organization fails to perform its duties.

D. Representatives of the board and the legislative auditor shall have access to all books, records, accounts, reports, files and other papers, things, or property belonging to the regional organization which are related to the administration of the challenge grant program.

4370.0070 CHALLENGE GRANT ADMINISTRATION MANUAL.

The board shall prepare an administration manual for distribution to eligible regional organizations. The manual must instruct challenge grant applicants in the preparation of loan applications and describe the method by which the regional organization will evaluate and rate the applications.

4370.0080 THRESHOLD REQUIREMENTS.

Subpart 1. **Regional policies required.** Regional policies must be developed to ensure that business loan applications meet specified eligibility threshold requirements. The criteria in this part must be incorporated into the regional policies.

Subp. 2. **Financing gap.** Loans must be made to businesses that are not likely to undertake a project for which loans are sought without assistance from the challenge grant program. The loan applicant must demonstrate the existence of a financing gap by documenting which of the following apply to the business:

A. inadequate equity;

B. inadequate private lender financing; or

C. inability to pay market interest rate or term requirements.

Subp. 3. **Jobs which principally benefit low-income persons.** A loan must be used for a project designed principally to benefit low-income persons through the creation or retention

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of jobs (principally is defined as more than 50 percent of the persons benefitting).

In addressing this criterion, an applicant should be prepared to show how low-income persons directly benefit from the creation or retention of jobs by providing evidence that the jobs retained employ low-income persons and that jobs created are filled or made available to low-income persons. The following are minimum threshold requirements relating to low-income job creation/retention.

A. Among loan applicants, priority must be given on the basis of the number of permanent jobs created or retained by the project and the proportion of nonstate money leveraged by the revolving loan.

B. Only jobs directly resulting from a specific grant activity will be considered.

C. In order to count retained jobs, there must be clear documentation provided by the business that it would reduce operations in the community or discontinue operations in Minnesota if additional financing is not made available.

Subp. 4. **Leverage private investment.** The amount of money made available from the regional revolving loan fund may not exceed 50 percent of the total cost of the project. The following are minimum threshold requirements for leveraging private investment:

A. Except with prior approval by the commissioner, leveraged private investment by the business must be in the form of new commitments that have not yet been expended.

B. Financial commitments should not be contingent upon events other than the approval of the regional revolving loan.

C. With the approval of the commissioner, a loan may be used to provide up to 50 percent of the private investment required to qualify for a grant from the economic recovery fund.

D. For business loans, the amount of money appropriated from the rural rehabilitation revolving fund may not exceed 50 percent of each loan made by the regional

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organization. The amount of nonpublic money must be at least 50 percent of each loan made by the regional organization. The loan limits of the regional organization will be $5,000 minimum and $100,000 maximum.

E. For loans to local governmental units, the amount of money appropriated from the rural rehabilitation revolving fund for each regional revolving loan may not exceed $25,000. The maximum regional revolving loan is $50,000. The local governmental unit must match the loan at a minimum dollar-for-dollar from its revolving loan fund. The loan made by a local governmental unit may be 100 percent public funds.

F. In determining which business activities may be considered for loans, the following minimum requirements apply:

(1) A loan may not exceed 50 percent of the total cost of an individual project.

(2) Eligible business enterprises include technologically innovative industries, value-added manufacturing, agriprocessing, information industries, and agricultural marketing.

(3) A loan may not be used for a retail development project.

(4) A business applying for a loan must be sponsored by a resolution of the local governmental unit within whose jurisdiction the project is located.

(5) Loan applications given preliminary approval by the regional organization must be forwarded to the commissioner for final approval.

Subp. 5. **Loan repayment.** For loans made to businesses, amounts equal to one-half of each principal and interest repayment must be deposited in the rural rehabilitation revolving fund. The money deposited in the fund will be used for additional challenge grants to the funding region for which the money was originally designated. The remaining amount of the loan repayment may be deposited in the regional revolving loan fund for further distribution by the regional organization.

For loans made to local governmental units, one-half of the

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money loaned by the regional organization must be repaid to the rural rehabilitation revolving fund. With the agreement of the regional organization, 50 percent of the money may be retained by the local governmental unit's revolving loan fund for further distribution by the local governmental unit.

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Office of the Revisor of Statutes

Administrative Rules

TITLE: Proposed Permanent Rules Relating to Challenge Grants

AGENCY: Rural Development Board

MINNESOTA RULES: Chapter 4370

The attached rules are approved for publication
in the State Register

David S. Niss
Assistant Revisor

Office of the Revisor of Statutes

Administrative Rules

TITLE: Proposed Permanent Rules Relating to Challenge Grants

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The attached rules are approved for publication
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David S. Niss
Assistant Revisor

Rural Development Board

Proposed Permanent Rules Relating to Challenge Grants

Rules as Proposed (all new material)

4370.0010 DEFINITIONS.

Subpart 1. **Scope.** The definitions in this part apply to this chapter.

Subp. 2. **Annual report.** "Annual report" means a description of projects supported by the challenge grant program, an account of loans made during the calendar year, the source and amount of money collected and distributed by the challenge grant program, the program's assets and liabilities, and an explanation of administrative expenses.

Subp. 3. **Board.** "Board" means the Rural Development Board.

Subp. 4. **Commissioner.** "Commissioner" means the commissioner of trade and economic development.

Subp. 5. **Economic recovery fund.** "Economic recovery fund" means the state-funded economic development grant program established by Minnesota Statutes, sections 116J.401 to 116J.403, and 116J.873.

Subp. 6. **Funding region.** "Funding region" means the six rural areas of Minnesota that have boundaries that are coterminous with one or more of the development regions established under Minnesota Statutes, section 462.385. They are identified as follows:

A. northwest region is coterminous with development regions 1 and 2;

B. northeast region is coterminous with development region 3;

C. west central region is coterminous with development region 4;

D. central region is coterminous with development regions 5, 7E, and 7W;

E. southwest region is coterminous with development

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regions 6E, 6W, and 8; and

F. southeast region is coterminous with development regions 9 and 10.

Subp. 7. **Grant agreement.** "Grant agreement" means an agreement between the state and a regional organization through which the state provides funds to carry out specified programs, services, or activities.

Subp. 8. **Independent annual audit.** "Independent annual audit" means a yearly financial compliance audit performed by a certified public accountant in accordance with generally accepted accounting practices and auditing standards.

Subp. 9. **Loan limits.** "Loan limits" means that for businesses the minimum loan is $5,000 and the maximum is $100,000. For local governmental units the minimum is $5,000 and the maximum is $50,000.

Subp. 10. **Local governmental unit.** "Local governmental unit" means a home rule charter or statutory city when the project is located in an incorporated area, a county when the project is located in an unincorporated area, or an American Indian Tribal Council when the project is located within a federally recognized American Indian Reservation or community.

Subp. 11. **Local revolving loan fund.** "Local revolving loan fund" means a revolving loan fund established by a local governmental unit to promote economic development.

Subp. 12. **Low income.** "Low income" means income that is equal to or below the nonmetropolitan median household income.

Subp. 13. **Minimum interest rate.** "Minimum interest rate" means the interest rate established by the board that cannot be exceeded but that will ensure coverage of the necessary management costs incurred by the regional organization.

Subp. 14. **Private investment.** "Private investment" means cash injections from sources other than state, local, or federal government appropriations.

Subp. 15. **Regional organization.** "Regional organization" means a nonprofit corporation selected by the rural development board to receive a challenge grant.

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Subp. 16. **Regional revolving loan fund.** "Regional revolving loan fund" means a board-certified revolving loan fund established by a regional organization to provide loans to new and expanding businesses in rural Minnesota to promote economic development.

Subp. 17. **Rural.** "Rural" means the area of Minnesota located outside the seven-county metropolitan area as defined by Minnesota Statutes, section 473.121, subdivision 2.

Subp. 18. **Rural rehabilitation revolving fund.** "Rural rehabilitation revolving fund" means the trust fund established in Minnesota Statutes, section 116J.955.

4370.0020 PURPOSE.

The purpose of this chapter is to establish:

A. procedures for the Rural Development Board to select and enter into agreements with regional organizations; and

B. procedures for the use of revolving loan funds under Minnesota Statutes, section 116N.08.

4370.0030 OBJECTIVES OF PROGRAM.

The objectives of the challenge grant program are to encourage private investment, to provide jobs principally for low-income persons, and to promote economic development in the rural areas of the state.

4370.0040 TYPES OF FUNDING AVAILABLE.

The Rural Development Board shall designate up to $1,000,000 from the rural rehabilitation revolving fund for each funding region to be available over a three-year period. The money awarded to each regional organization will be appropriated to its regional revolving loan fund on a project-by-project basis and matched by the regional organization with an equal amount of nonpublic money.

The regional revolving loan fund shall be used by the regional organization to provide loans directly to new and expanding businesses or to local governmental units to promote

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economic development.

Loans to businesses from the regional revolving loan fund must be at least $5,000 and no more than $100,000. The amount of money appropriated from the regional revolving loan fund for each project may not exceed 50 percent of the total cost of each project. The amount of nonpublic money must equal at least 50 percent of the cost of each project.

Loans to local governmental units from the regional revolving loan fund must be at least $5,000 and no more than $50,000. The money loaned to a local governmental unit must be matched by the local revolving loan fund established by the local governmental unit and used to provide loans to businesses to promote local economic development.

4370.0050 APPLICATION PROCESS AND REQUIREMENTS FOR SELECTION OF REGIONAL ORGANIZATIONS TO RECEIVE CHALLENGE GRANTS.

Subpart 1. **Eligibility requirements.** An eligible applicant must be a nonprofit corporation that can demonstrate the authority and ability to establish and administer a revolving loan fund, to initiate and implement economic development within its funding region, to be familiar with other available public and private funding sources and economic development programs, and to analyze projects to objectively review loan requests. Subject to the approval of the commissioner, an applicant may contract with other entities that have the technical skills to provide the specific services that fulfill this requirement.

An eligible applicant must demonstrate that its board of directors includes citizens who are experienced in rural development, has representatives of the regional development commissions (when applicable), and has directors representative of the geographic areas in the funding region.

Subp. 2. **Process for submitting application.** The board shall give notice of the period during which applications will be accepted. The notice must be published in the State Register at least 30 days before the closing date.

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Subp. 3. **Contents of application.** The application must be in a form prescribed by the board and must include:

A. an assurance signed by the regional organization's chair that the applicant will comply with all applicable state and federal laws and requirements;

B. a resolution passed by the applicant's board of directors approving the submission of an application and authorizing execution of the grant agreement if funds are made available;

C. documentation of an applicant's eligibility; and

D. any additional information that the board requests as necessary to clarify and evaluate the application.

Subp. 4. **Evaluation and approval of applications.** Applicants that meet the eligibility requirements will be evaluated in the following two areas: (1) their ability to provide a nonpublic direct dollar match to the challenge grant award, and (2) their ability to implement requirements of the challenge grant program (including cooperation with other rural development organizations in carrying out the challenge grant program to promote rural development and provide technical assistance).

4370.0060 AGREEMENTS AND RECORDS.

Subpart 1. **Grant agreement required.** A grant agreement must be established with each regional organization approved for funding by the board. The agreement must be signed by a person authorized to commit the regional organization to legally binding agreements and to execute the agreement.

Subp. 2. **Contents of grant agreement.** The grant agreement must include but is not limited to the following:

A. Assurance that the regional organization has or will establish a board-certified revolving loan fund to provide loans to new and expanding businesses in their funding region to promote economic development.

B. Assurance that the grant recipient will comply with all applicable state and federal laws, including the

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requirements of Minnesota Statutes, section 116N.08.

C. No challenge grant funds shall be used to finance activities not approved in either the grant agreement or each loan agreement. If it is determined that an improper use of funds has occurred, the board will take whatever action is necessary to recover improperly spent funds. Grant recipients must return funds that are improperly expended.

D. The board shall suspend payment of funds to recipients that are not in compliance with applicable state and federal laws, rules, and regulations.

E. Amendments to the grant agreement must be in writing.

Subp. 3. **Record keeping.** The following record keeping requirements are established:

A. Challenge grant recipients shall maintain financial records that identify the source and application of funds for challenge grant-supported activities. These records must contain information about approved loans, obligations, unobligated balances, assets, liabilities, outlays and interest income, use of interest income, and other information as required by the board to fulfill its responsibilities. Financial records, supporting documents, statistical records, and all other records pertinent to the challenge grant program must be retained by the regional organization for one year after the grant program expires and records of each loan for one year from the final repayment. No records or documents may be disposed of while audits, claims, or litigation involving the records are in progress.

B. Challenge grant recipients must arrange and pay for an independent annual audit and submit a copy of the annual audit to the board.

C. By February 15 of each year, an annual report must be submitted to the board. The annual report must include a description of projects supported by the challenge grant program, an account of loans made during the calendar year, the source and amount of loans made during the year, the source and

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amount of money collected and distributed by the challenge grant program, the program's assets and liabilities, and an explanation of administrative expenses.

The annual report will be used as a basis for reviewing the utilization of challenge grants awarded by the board. Grant agreements will make provisions for reallocation in the event that the regional organization fails to perform its duties.

D. Representatives of the board and the legislative auditor shall have access to all books, records, accounts, reports, files and other papers, things, or property belonging to the regional organization which are related to the administration of the challenge grant program.

4370.0070 CHALLENGE GRANT ADMINISTRATION MANUAL.

The board shall prepare an administration manual for distribution to eligible regional organizations. The manual must instruct challenge grant applicants in the preparation of loan applications and describe the method by which the regional organization will evaluate and rate the applications.

4370.0080 THRESHOLD REQUIREMENTS.

Subpart 1. **Regional policies required.** Regional policies must be developed to ensure that business loan applications meet specified eligibility threshold requirements. The criteria in this part must be incorporated into the regional policies.

Subp. 2. **Financing gap.** Loans must be made to businesses that are not likely to undertake a project for which loans are sought without assistance from the challenge grant program. The loan applicant must demonstrate the existence of a financing gap by documenting which of the following apply to the business:

A. inadequate equity;

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Subp. 3. **Jobs which principally benefit low-income persons.** A loan must be used for a project designed principally to benefit low-income persons through the creation or retention

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of jobs (principally is defined as more than 50 percent of the persons benefitting).

In addressing this criterion, an applicant should be prepared to show how low-income persons directly benefit from the creation or retention of jobs by providing evidence that the jobs retained employ low-income persons and that jobs created are filled or made available to low-income persons. The following are minimum threshold requirements relating to low-income job creation/retention.

A. Among loan applicants, priority must be given on the basis of the number of permanent jobs created or retained by the project and the proportion of nonstate money leveraged by the revolving loan.

B. Only jobs directly resulting from a specific grant activity will be considered.

C. In order to count retained jobs, there must be clear documentation provided by the business that it would reduce operations in the community or discontinue operations in Minnesota if additional financing is not made available.

Subp. 4. **Leverage private investment.** The amount of money made available from the regional revolving loan fund may not exceed 50 percent of the total cost of the project. The following are minimum threshold requirements for leveraging private investment:

A. Except with prior approval by the commissioner, leveraged private investment by the business must be in the form of new commitments that have not yet been expended.

B. Financial commitments should not be contingent upon events other than the approval of the regional revolving loan.

C. With the approval of the commissioner, a loan may be used to provide up to 50 percent of the private investment required to qualify for a grant from the economic recovery fund.

D. For business loans, the amount of money appropriated from the rural rehabilitation revolving fund may not exceed 50 percent of each loan made by the regional

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organization. The amount of nonpublic money must be at least 50 percent of each loan made by the regional organization. The loan limits of the regional organization will be $5,000 minimum and $100,000 maximum.

E. For loans to local governmental units, the amount of money appropriated from the rural rehabilitation revolving fund for each regional revolving loan may not exceed $25,000. The maximum regional revolving loan is $50,000. The local governmental unit must match the loan at a minimum dollar-for-dollar from its revolving loan fund. The loan made by a local governmental unit may be 100 percent public funds.

F. In determining which business activities may be considered for loans, the following minimum requirements apply:

(1) A loan may not exceed 50 percent of the total cost of an individual project.

(2) Eligible business enterprises include technologically innovative industries, value-added manufacturing, agriprocessing, information industries, and agricultural marketing.

(3) A loan may not be used for a retail development project.

(4) A business applying for a loan must be sponsored by a resolution of the local governmental unit within whose jurisdiction the project is located.

(5) Loan applications given preliminary approval by the regional organization must be forwarded to the commissioner for final approval.

Subp. 5. **Loan repayment.** For loans made to businesses, amounts equal to one-half of each principal and interest repayment must be deposited in the rural rehabilitation revolving fund. The money deposited in the fund will be used for additional challenge grants to the funding region for which the money was originally designated. The remaining amount of the loan repayment may be deposited in the regional revolving loan fund for further distribution by the regional organization.

For loans made to local governmental units, one-half of the

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money loaned by the regional organization must be repaid to the rural rehabilitation revolving fund. With the agreement of the regional organization, 50 percent of the money may be retained by the local governmental unit's revolving loan fund for further distribution by the local governmental unit.

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Rural Development Board

Proposed Permanent Rules Relating to Challenge Grants

Rules as Proposed (all new material)

4370.0010 DEFINITIONS.

Subpart 1. **Scope.** The definitions in this part apply to this chapter.

Subp. 2. **Annual report.** "Annual report" means a description of projects supported by the challenge grant program, an account of loans made during the calendar year, the source and amount of money collected and distributed by the challenge grant program, the program's assets and liabilities, and an explanation of administrative expenses.

Subp. 3. **Board.** "Board" means the Rural Development Board.

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B. northeast region is coterminous with development region 3;

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regions 6E, 6W, and 8; and

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Subp. 7. **Grant agreement.** "Grant agreement" means an agreement between the state and a regional organization through which the state provides funds to carry out specified programs, services, or activities.

Subp. 8. **Independent annual audit.** "Independent annual audit" means a yearly financial compliance audit performed by a certified public accountant in accordance with generally accepted accounting practices and auditing standards.

Subp. 9. **Loan limits.** "Loan limits" means that for businesses the minimum loan is $5,000 and the maximum is $100,000. For local governmental units the minimum is $5,000 and the maximum is $50,000.

Subp. 10. **Local governmental unit.** "Local governmental unit" means a home rule charter or statutory city when the project is located in an incorporated area, a county when the project is located in an unincorporated area, or an American Indian Tribal Council when the project is located within a federally recognized American Indian Reservation or community.

Subp. 11. **Local revolving loan fund.** "Local revolving loan fund" means a revolving loan fund established by a local governmental unit to promote economic development.

Subp. 12. **Low income.** "Low income" means income that is equal to or below the nonmetropolitan median household income.

Subp. 13. **Minimum interest rate.** "Minimum interest rate" means the interest rate established by the board that cannot be exceeded but that will ensure coverage of the necessary management costs incurred by the regional organization.

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Subp. 17. **Rural.** "Rural" means the area of Minnesota located outside the seven-county metropolitan area as defined by Minnesota Statutes, section 473.121, subdivision 2.

Subp. 18. **Rural rehabilitation revolving fund.** "Rural rehabilitation revolving fund" means the trust fund established in Minnesota Statutes, section 116J.955.

4370.0020 PURPOSE.

The purpose of this chapter is to establish:

A. procedures for the Rural Development Board to select and enter into agreements with regional organizations; and

B. procedures for the use of revolving loan funds under Minnesota Statutes, section 116N.08.

4370.0030 OBJECTIVES OF PROGRAM.

The objectives of the challenge grant program are to encourage private investment, to provide jobs principally for low-income persons, and to promote economic development in the rural areas of the state.

4370.0040 TYPES OF FUNDING AVAILABLE.

The Rural Development Board shall designate up to $1,000,000 from the rural rehabilitation revolving fund for each funding region to be available over a three-year period. The money awarded to each regional organization will be appropriated to its regional revolving loan fund on a project-by-project basis and matched by the regional organization with an equal amount of nonpublic money.

The regional revolving loan fund shall be used by the regional organization to provide loans directly to new and expanding businesses or to local governmental units to promote

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economic development.

Loans to businesses from the regional revolving loan fund must be at least $5,000 and no more than $100,000. The amount of money appropriated from the regional revolving loan fund for each project may not exceed 50 percent of the total cost of each project. The amount of nonpublic money must equal at least 50 percent of the cost of each project.

Loans to local governmental units from the regional revolving loan fund must be at least $5,000 and no more than $50,000. The money loaned to a local governmental unit must be matched by the local revolving loan fund established by the local governmental unit and used to provide loans to businesses to promote local economic development.

4370.0050 APPLICATION PROCESS AND REQUIREMENTS FOR SELECTION OF REGIONAL ORGANIZATIONS TO RECEIVE CHALLENGE GRANTS.

Subpart 1. **Eligibility requirements.** An eligible applicant must be a nonprofit corporation that can demonstrate the authority and ability to establish and administer a revolving loan fund, to initiate and implement economic development within its funding region, to be familiar with other available public and private funding sources and economic development programs, and to analyze projects to objectively review loan requests. Subject to the approval of the commissioner, an applicant may contract with other entities that have the technical skills to provide the specific services that fulfill this requirement.

An eligible applicant must demonstrate that its board of directors includes citizens who are experienced in rural development, has representatives of the regional development commissions (when applicable), and has directors representative of the geographic areas in the funding region.

Subp. 2. **Process for submitting application.** The board shall give notice of the period during which applications will be accepted. The notice must be published in the State Register at least 30 days before the closing date.

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Subp. 3. **Contents of application.** The application must be in a form prescribed by the board and must include:

A. an assurance signed by the regional organization's chair that the applicant will comply with all applicable state and federal laws and requirements;

B. a resolution passed by the applicant's board of directors approving the submission of an application and authorizing execution of the grant agreement if funds are made available;

C. documentation of an applicant's eligibility; and

D. any additional information that the board requests as necessary to clarify and evaluate the application.

Subp. 4. **Evaluation and approval of applications.** Applicants that meet the eligibility requirements will be evaluated in the following two areas: (1) their ability to provide a nonpublic direct dollar match to the challenge grant award, and (2) their ability to implement requirements of the challenge grant program (including cooperation with other rural development organizations in carrying out the challenge grant program to promote rural development and provide technical assistance).

4370.0060 AGREEMENTS AND RECORDS.

Subpart 1. **Grant agreement required.** A grant agreement must be established with each regional organization approved for funding by the board. The agreement must be signed by a person authorized to commit the regional organization to legally binding agreements and to execute the agreement.

Subp. 2. **Contents of grant agreement.** The grant agreement must include but is not limited to the following:

A. Assurance that the regional organization has or will establish a board-certified revolving loan fund to provide loans to new and expanding businesses in their funding region to promote economic development.

B. Assurance that the grant recipient will comply with all applicable state and federal laws, including the

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requirements of Minnesota Statutes, section 116N.08.

C. No challenge grant funds shall be used to finance activities not approved in either the grant agreement or each loan agreement. If it is determined that an improper use of funds has occurred, the board will take whatever action is necessary to recover improperly spent funds. Grant recipients must return funds that are improperly expended.

D. The board shall suspend payment of funds to recipients that are not in compliance with applicable state and federal laws, rules, and regulations.

E. Amendments to the grant agreement must be in writing.

Subp. 3. **Record keeping.** The following record keeping requirements are established:

A. Challenge grant recipients shall maintain financial records that identify the source and application of funds for challenge grant-supported activities. These records must contain information about approved loans, obligations, unobligated balances, assets, liabilities, outlays and interest income, use of interest income, and other information as required by the board to fulfill its responsibilities. Financial records, supporting documents, statistical records, and all other records pertinent to the challenge grant program must be retained by the regional organization for one year after the grant program expires and records of each loan for one year from the final repayment. No records or documents may be disposed of while audits, claims, or litigation involving the records are in progress.

B. Challenge grant recipients must arrange and pay for an independent annual audit and submit a copy of the annual audit to the board.

C. By February 15 of each year, an annual report must be submitted to the board. The annual report must include a description of projects supported by the challenge grant program, an account of loans made during the calendar year, the source and amount of loans made during the year, the source and

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amount of money collected and distributed by the challenge grant program, the program's assets and liabilities, and an explanation of administrative expenses.

The annual report will be used as a basis for reviewing the utilization of challenge grants awarded by the board. Grant agreements will make provisions for reallocation in the event that the regional organization fails to perform its duties.

D. Representatives of the board and the legislative auditor shall have access to all books, records, accounts, reports, files and other papers, things, or property belonging to the regional organization which are related to the administration of the challenge grant program.

4370.0070 CHALLENGE GRANT ADMINISTRATION MANUAL.

The board shall prepare an administration manual for distribution to eligible regional organizations. The manual must instruct challenge grant applicants in the preparation of loan applications and describe the method by which the regional organization will evaluate and rate the applications.

4370.0080 THRESHOLD REQUIREMENTS.

Subpart 1. **Regional policies required.** Regional policies must be developed to ensure that business loan applications meet specified eligibility threshold requirements. The criteria in this part must be incorporated into the regional policies.

Subp. 2. **Financing gap.** Loans must be made to businesses that are not likely to undertake a project for which loans are sought without assistance from the challenge grant program. The loan applicant must demonstrate the existence of a financing gap by documenting which of the following apply to the business:

A. inadequate equity;

B. inadequate private lender financing; or

C. inability to pay market interest rate or term requirements.

Subp. 3. **Jobs which principally benefit low-income persons.** A loan must be used for a project designed principally to benefit low-income persons through the creation or retention

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of jobs (principally is defined as more than 50 percent of the persons benefitting).

In addressing this criterion, an applicant should be prepared to show how low-income persons directly benefit from the creation or retention of jobs by providing evidence that the jobs retained employ low-income persons and that jobs created are filled or made available to low-income persons. The following are minimum threshold requirements relating to low-income job creation/retention.

A. Among loan applicants, priority must be given on the basis of the number of permanent jobs created or retained by the project and the proportion of nonstate money leveraged by the revolving loan.

B. Only jobs directly resulting from a specific grant activity will be considered.

C. In order to count retained jobs, there must be clear documentation provided by the business that it would reduce operations in the community or discontinue operations in Minnesota if additional financing is not made available.

Subp. 4. **Leverage private investment.** The amount of money made available from the regional revolving loan fund may not exceed 50 percent of the total cost of the project. The following are minimum threshold requirements for leveraging private investment:

A. Except with prior approval by the commissioner, leveraged private investment by the business must be in the form of new commitments that have not yet been expended.

B. Financial commitments should not be contingent upon events other than the approval of the regional revolving loan.

C. With the approval of the commissioner, a loan may be used to provide up to 50 percent of the private investment required to qualify for a grant from the economic recovery fund.

D. For business loans, the amount of money appropriated from the rural rehabilitation revolving fund may not exceed 50 percent of each loan made by the regional

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organization. The amount of nonpublic money must be at least 50 percent of each loan made by the regional organization. The loan limits of the regional organization will be $5,000 minimum and $100,000 maximum.

E. For loans to local governmental units, the amount of money appropriated from the rural rehabilitation revolving fund for each regional revolving loan may not exceed $25,000. The maximum regional revolving loan is $50,000. The local governmental unit must match the loan at a minimum dollar-for-dollar from its revolving loan fund. The loan made by a local governmental unit may be 100 percent public funds.

F. In determining which business activities may be considered for loans, the following minimum requirements apply:

(1) A loan may not exceed 50 percent of the total cost of an individual project.

(2) Eligible business enterprises include technologically innovative industries, value-added manufacturing, agriprocessing, information industries, and agricultural marketing.

(3) A loan may not be used for a retail development project.

(4) A business applying for a loan must be sponsored by a resolution of the local governmental unit within whose jurisdiction the project is located.

(5) Loan applications given preliminary approval by the regional organization must be forwarded to the commissioner for final approval.

Subp. 5. **Loan repayment.** For loans made to businesses, amounts equal to one-half of each principal and interest repayment must be deposited in the rural rehabilitation revolving fund. The money deposited in the fund will be used for additional challenge grants to the funding region for which the money was originally designated. The remaining amount of the loan repayment may be deposited in the regional revolving loan fund for further distribution by the regional organization.

For loans made to local governmental units, one-half of the

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money loaned by the regional organization must be repaid to the rural rehabilitation revolving fund. With the agreement of the regional organization, 50 percent of the money may be retained by the local governmental unit's revolving loan fund for further distribution by the local governmental unit.

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Office of the Revisor of Statutes

Administrative Rules

TITLE: Proposed Permanent Rules Relating to Challenge Grants

AGENCY: Rural Development Board

MINNESOTA RULES: Chapter 4370

The attached rules are approved for publication
in the State Register

David S. Niss
Assistant Revisor

In the Matter of the Adoption
Of the Rules of the Rural
Development Board Governing the
Challenge Grant Program.

DECLARATION
OF COUNSEL

I, H. Camilla Nelson, Special Assistant Attorney General, do hereby declare that I have examined the above-captioned rules, and the supporting rulemaking record, and that, based on my examination, the Administrative Procedure Act and Minnesota Rules, chapter 2010 have been followed. Any exceptions are listed below. For Attorney General billing purposes, the four-digit docket client code is 0422.

This declaration is subject to the following exception. In lieu of the certificate of the Board's authorizing resolution or a copy of a delegation of authority, the Board is submitting a copy of the Minutes of the January 13, 1988 meeting of the Board, at which a motion to publish the proposed Challenge Grant Rules in the State Register was unanimously passed. The purpose of the resolution or delegations of authority would be to authorize an individual to sign and give notice of the Board's intent to adopt the rule without a public hearing. Please note that included within the materials is a certificate of the Board's resolution adopting the rule which affirms the Board's intention to adopt the rule initially.

H. Camilla Nelson
Special Assistant Attorney General

Dated: May 13, 1988

RDB.RULES/II27-1

Jeff Bruce
Management Analyst
Room 205, Transportation Building
St. Paul, MN 55155

Oral statements will be received during regular business hours over the telephone at (612) 296-9503 and in person at the above address.

All statements of information and comment shall be accepted until December 2, 1987. Any written material received by the State Department of Public Safety shall become part of the rulemaking record in the event that the rules are promulgated.

Paul J. Tschida
Commissioner of Public Safety

Department of Revenue

Legal and Legislative Affairs Division

Notice of Solicitation of Outside Information or Opinions Regarding Proposed Rules Governing Corporate Taxation

Notice is hereby given that the State Department of Revenue is seeking information or opinions from sources outside the Agency in preparing to propose the adoption, amendment, and repeal of the rules governing corporate taxation, particularly the rules governing the following areas: assignment and apportionment of income; petitions for use of different apportionment formulas; special apportionment formulas for airlines, trucking companies, broadcasting companies, telecommunications, and other industries; income tax on corporations, business, and nonbusiness income; restoration of amounts received or accrued under claim of right; subchapter S corporations; bank affiliated returns; allocation of income by insurance companies; charitable and dividend deductions; notice of business activities report; and unitary business taxation. The adoption of rules is authorized by *Minnesota Statutes*, section 290.52, which permits the Agency to make rules enforcing the provisions of *Minnesota Statutes*, chapter 290.

The State Department of Revenue requests information and opinions concerning the subject matter of the rules. Interested persons or groups may submit data or views on the subject matter of concern in writing or orally. Written statements should be addressed to:

Michael E. Boekhaus
Legal & Legislative Affairs Division
Mail Station 2220
St. Paul, MN 55146-2220

Oral statements will be received during regular business hours over the telephone at (612) 296-1022; and in person at:

Centennial Office Building
2nd Floor
658 Cedar Street
St. Paul, MN 55145

All statements of information and opinions shall be accepted until December 15, 1987. Any written material received by the State Department of Revenue shall become part of the rulemaking record to be submitted to the Attorney General or administrative law judge in the event that the rules are adopted.

Dated: 14 October 1987

Michael E. Boekhaus, Attorney
Legal & Legislative
Affairs Division
Department of Revenue

Rural Development Board

Notice of Solicitation of Outside Information or Opinions Regarding Proposed Rule Governing Challenge Grants

Notice is hereby given that the Rural Development Board is seeking information or opinions from sources outside the agency in preparing to propose the adoption of the rule governing Challenge Grants. The adoption of the rule is authorized by *Minnesota Laws*

1987, chapter 386, article 1, section 10, subdivision 7, to be codified as *Minnesota Statutes* section 116N.08, subdivision 7, which requires the Board to adopt a rule to implement the Challenge Grant Program.

The Rural Development Board requests information and opinions concerning the subject matter of the rule. Interested persons or groups may submit data or views on the subject matter of concern in writing or orally. Written statements should be addressed to:

Jerry Schoenfeld, Director
Minnesota Trade and Economic Development
Community Development Division
900 American Center Building
150 East Kellogg Boulevard
St. Paul, Minnesota 55101-1421

Oral statements will be received during regular business hours over the telephone at 612/296-9956 and in person at the above address.

All statements of information and opinions shall be accepted until November 6, 1987. Any written material received by the Rural Development Board shall become part of the rulemaking record to be submitted to the Attorney General or administrative law judge in the event that the rule is adopted.

Dated: 19 October 1987

David J. Speer, Chairman
Rural Development Board

Office of the Secretary of State

Notice of Vacancies in Multi-Member State Agencies

Notice is hereby given to the public that vacancies have occurred in multi-member state agencies, pursuant to *Minnesota Statutes*, 15.0597, subd. 4. Application forms may be obtained at the Office of the Secretary of State, 180 State Office Building, St. Paul 55155-1299; (612) 296-2805. Application deadline is November 17, 1987.

MINNESOTA COUNCIL FOR THE BLIND has 1 vacancy open for an individual who is knowledgeable of issues concerning services for blind and visually handicapped Minnesotans (particularly the needs of blind children and their parents). The council advises the commissioner on the development of policies, programs, and services affecting the blind and visually impaired and provides the commissioner with a review of ongoing services. Members are appointed by the commissioner of jobs and training. Members receive $35 per diem plus expenses. For specific information contact the Minnesota Council for the Blind, Dept. of Jobs and Training, 1745 University Ave., St. Paul 55104; (612) 296-6034.

REHABILITATION REVIEW PANEL has 1 vacancy open for an alternate member representing labor. The panel advises the commissioner on rehabilitation matters relating to workers compensation and hears appeals under Chapter 14. Members are appointed by the commissioner of labor and industry. Members must file with the Ethical Practices Board. Members receive authorized expenses. For specific information contact the Rehabilitation Review Panel, Dept. of Labor and Industry, Office of Public Affairs, Space Center, 444 Lafayette Rd., St. Paul 55101; (612) 297-3467.

MINNESOTA BOARD OF CHIROPRACTIC EXAMINERS PEER REVIEW COMMITTEE has 7 vacancies open for the following members: a) 5 chiropractic members; b) 2 consumer members. The committee will make determinations of whether or not certain chiropractors properly utilized services rendered or ordered appropriate treatment or service, and whether or not the cost of treatment was unconscionable. Terms are varied. Members are appointed by the executive director of the chiropractic board. Members receive $50 per day. For specific information contact the Minnesota Board of Chiropractic Examiners Peer Review Committee, 2700 University Ave. W., Suite 102, St. Paul 55114-1089; (612) 642-0591.

HAZARDOUS SUBSTANCE NOTIFICATION ADVISORY COMMITTEE has 2 vacancies open for 1 volunteer firefighter member and 1 health professional member. The committee advises the development of rules to implement and enforce sections 10 to 18 (1986 laws special session) and to assist in the development of amendments to the hazardous substance report. Members are appointed by the commissioner of public safety. Members receive $35 per diem. For specific information contact the Hazardous Substance Notification Advisory Committee, Dept. of Public Safety, 211 Transportation Bldg., St. Paul 55155; (612) 296-6642.

MORTUARY SCIENCE ADVISORY COUNCIL has 2 vacancies open for: a) 1 professional member licensed in mortuary science and who has had at least five years experience in the practice of mortuary science; b) 1 full-time academic staff member of the courses in mortuary science at the University of Minnesota. The council licenses and regulates morticians and funeral directors; inspects and registers funeral facilities; advises the commissioner of health in the implementation of mortuary science law and rules

Southeastern Minnesota Development Corp.
P.O. Box 684 • Rushford, MN 55971
Phone 507-864-7557

We help small business grow

Community Development Division

DEC 23 1987

Mr. Jerry Schoenfeld
Community Development Division
900 American Center
150 East Kellogg Boulevard
St. Paul Mn. 55101

Dear Mr. Schoenfeld,

As Executive Director of Southeastern Minnesota Development Corporation I am pleased to submit our agencies comments on the Challenge Grant Rules.

We are very optimistic about the new initiatives from the State legislature and are hopeful that our rural communities will be able to access these funds. As practitioners who will be delivering many of the programs set forth in the legislation we are concerned that those communities who are in most need will not receive assistance, principally those communities with populations of 10,000 or under.

Southeastern Minnesota's economy is as diverse as is its geography. The differences in economic growth and prosperity between urban and rural are important. Although Olmstead County booms, at its borders one can find two counties who have been defined as economically distressed by the State of Minnesota.

The disparities in income and resources must be overcome if our rural towns are to again prosper. As you are aware historically those communities who have been able to afford full time development staff have been able to access many of the finance and self help programs made available through the State and Federal programs.

We are encouraged and hopeful that the new Challenge Grant program will impact our service area and have put forth a few comments and ideas that we hope will be beneficial to your rules formation process. Following are comments some general some specific on the Challenge Grant Program rules.

1. We suggest limiting loans to those businesses located in communities under the size of 10,000. In addition other demographic factors should be considered i.e. household income, poverty rates...etc.

2. Much emphasis has been placed on forming a "regional loan fund", using Mcknight regions as geographic guides. A "regional loan fund" which serves a 20 county area can not effectively offer the local control, accountability,and sense of ownership needed to make the Challenge Grant program a success. We recommend the use of county based geographic areas through which loan fund policies may be administered. Preliminary discussions with local development groups has shown support for this concept.

3. We recommend that you strike the word "Regional Organization" and in its place use "County Development Organization". (See I. Definitions). This would encourage the development of County based non-profit development groups to apply for funding. Language/rules should be developed to encourage these type of linkages.

4. We recommend that you give the local groups more time to organize matching pools of loan dollars. These groups would be much more open to participating financially if they could be closer to the lending source. The Regional loan fund concept, although administratively less costly, is/would be much harder to sell to potential local investors.

We realize that time constraints are critical when undertaking a new program and can sympathize with the rationale of working through regional loan funds. We ask that you consider the alternative approach of working with smaller groups closer to the problems at hand particularly in areas where regional development corporations don't exist.

Sincerely,

Terry Erickson

Terry Erickson
Executive Director
SEMDC

Rural Development Board

Proposed Permanent Rules Relating to Challenge Grants

Rules as Proposed (all new material)

4370.0010 DEFINITIONS.

Subpart 1. **Scope.** The definitions in this part apply to this chapter.

Subp. 2. **Annual report.** "Annual report" means a description of projects supported by the challenge grant program, an account of loans made during the calendar year, the source and amount of money collected and distributed by the challenge grant program, the program's assets and liabilities, and an explanation of administrative expenses.

Subp. 3. **Board.** "Board" means the Rural Development Board.

Subp. 4. **Commissioner.** "Commissioner" means the commissioner of trade and economic development.

Subp. 5. **Economic recovery fund.** "Economic recovery fund" means the state-funded economic development grant program established by Minnesota Statutes, sections 116J.401 to 116J.403, and 116J.873.

Subp. 6. **Funding region.** "Funding region" means the six rural areas of Minnesota that have boundaries that are coterminous with one or more of the development regions established under Minnesota Statutes, section 462.385. They are identified as follows:

A. northwest region is coterminous with development regions 1 and 2;

B. northeast region is coterminous with development region 3;

C. west central region is coterminous with development region 4;

D. central region is coterminous with development regions 5, 7E, and 7W;

E. southwest region is coterminous with development

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regions 6E, 6W, and 8; and

F. southeast region is coterminous with development regions 9 and 10.

Subp. 7. **Grant agreement.** "Grant agreement" means an agreement between the state and a regional organization through which the state provides funds to carry out specified programs, services, or activities.

Subp. 8. **Independent annual audit.** "Independent annual audit" means a yearly financial compliance audit performed by a certified public accountant in accordance with generally accepted accounting practices and auditing standards.

Subp. 9. **Loan limits.** "Loan limits" means that for businesses the minimum loan is $5,000 and the maximum is $100,000. For local governmental units the minimum is $5,000 and the maximum is $50,000.

Subp. 10. **Local governmental unit.** "Local governmental unit" means a home rule charter or statutory city when the project is located in an incorporated area, a county when the project is located in an unincorporated area, or an American Indian Tribal Council when the project is located within a federally recognized American Indian Reservation or community.

Subp. 11. **Local revolving loan fund.** "Local revolving loan fund" means a revolving loan fund established by a local governmental unit to promote economic development.

Subp. 12. **Low income.** "Low income" means income that is equal to or below the nonmetropolitan median household income.

Subp. 13. **Minimum interest rate.** "Minimum interest rate" means the interest rate established by the board that cannot be exceeded but that will ensure coverage of the necessary management costs incurred by the regional organization.

Subp. 14. **Private investment.** "Private investment" means cash injections from sources other than state, local, or federal government appropriations.

Subp. 15. **Regional organization.** "Regional organization" means a nonprofit corporation selected by the rural development board to receive a challenge grant.

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Subp. 16. **Regional revolving loan fund.** "Regional revolving loan fund" means a board-certified revolving loan fund established by a regional organization to provide loans to new and expanding businesses in rural Minnesota to promote economic development.

Subp. 17. **Rural.** "Rural" means the area of Minnesota located outside the seven-county metropolitan area as defined by Minnesota Statutes, section 473.121, subdivision 2.

Subp. 18. **Rural rehabilitation revolving fund.** "Rural rehabilitation revolving fund" means the trust fund established in Minnesota Statutes, section 116J.955.

4370.0020 PURPOSE.

The purpose of this chapter is to establish:

A. procedures for the Rural Development Board to select and enter into agreements with regional organizations; and

B. procedures for the use of revolving loan funds under Minnesota Statutes, section 116N.08.

4370.0030 OBJECTIVES OF PROGRAM.

The objectives of the challenge grant program are to encourage private investment, to provide jobs principally for low-income persons, and to promote economic development in the rural areas of the state.

4370.0040 TYPES OF FUNDING AVAILABLE.

The Rural Development Board shall designate up to $1,000,000 from the rural rehabilitation revolving fund for each funding region to be available over a three-year period. The money awarded to each regional organization will be appropriated to its regional revolving loan fund on a project-by-project basis and matched by the regional organization with an equal amount of nonpublic money.

The regional revolving loan fund shall be used by the regional organization to provide loans directly to new and expanding businesses or to local governmental units to promote

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economic development.

Loans to businesses from the regional revolving loan fund must be at least $5,000 and no more than $100,000. The amount of money appropriated from the regional revolving loan fund for each project may not exceed 50 percent of the total cost of each project. The amount of nonpublic money must equal at least 50 percent of the cost of each project.

Loans to local governmental units from the regional revolving loan fund must be at least $5,000 and no more than $50,000. The money loaned to a local governmental unit must be matched by the local revolving loan fund established by the local governmental unit and used to provide loans to businesses to promote local economic development.

4370.0050 APPLICATION PROCESS AND REQUIREMENTS FOR SELECTION OF REGIONAL ORGANIZATIONS TO RECEIVE CHALLENGE GRANTS.

Subpart 1. **Eligibility requirements.** An eligible applicant must be a nonprofit corporation that can demonstrate the authority and ability to establish and administer a revolving loan fund, to initiate and implement economic development within its funding region, to be familiar with other available public and private funding sources and economic development programs, and to analyze projects to objectively review loan requests. Subject to the approval of the commissioner, an applicant may contract with other entities that have the technical skills to provide the specific services that fulfill this requirement.

An eligible applicant must demonstrate that its board of directors includes citizens who are experienced in rural development, has representatives of the regional development commissions (when applicable), and has directors representative of the geographic areas in the funding region.

Subp. 2. **Process for submitting application.** The board shall give notice of the period during which applications will be accepted. The notice must be published in the State Register at least 30 days before the closing date.

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Subp. 3. **Contents of application.** The application must be in a form prescribed by the board and must include:

A. an assurance signed by the regional organization's chair that the applicant will comply with all applicable state and federal laws and requirements;

B. a resolution passed by the applicant's board of directors approving the submission of an application and authorizing execution of the grant agreement if funds are made available;

C. documentation of an applicant's eligibility; and

D. any additional information that the board requests as necessary to clarify and evaluate the application.

Subp. 4. **Evaluation and approval of applications.** Applicants that meet the eligibility requirements will be evaluated in the following two areas: (1) their ability to provide a nonpublic direct dollar match to the challenge grant award, and (2) their ability to implement requirements of the challenge grant program (including cooperation with other rural development organizations in carrying out the challenge grant program to promote rural development and provide technical assistance).

4370.0060 AGREEMENTS AND RECORDS.

Subpart 1. **Grant agreement required.** A grant agreement must be established with each regional organization approved for funding by the board. The agreement must be signed by a person authorized to commit the regional organization to legally binding agreements and to execute the agreement.

Subp. 2. **Contents of grant agreement.** The grant agreement must include but is not limited to the following:

A. Assurance that the regional organization has or will establish a board-certified revolving loan fund to provide loans to new and expanding businesses in their funding region to promote economic development.

B. Assurance that the grant recipient will comply with all applicable state and federal laws, including the

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requirements of Minnesota Statutes, section 116N.08.

C. No challenge grant funds shall be used to finance activities not approved in either the grant agreement or each loan agreement. If it is determined that an improper use of funds has occurred, the board will take whatever action is necessary to recover improperly spent funds. Grant recipients must return funds that are improperly expended.

D. The board shall suspend payment of funds to recipients that are not in compliance with applicable state and federal laws, rules, and regulations.

E. Amendments to the grant agreement must be in writing.

Subp. 3. **Record keeping.** The following record keeping requirements are established:

A. Challenge grant recipients shall maintain financial records that identify the source and application of funds for challenge grant-supported activities. These records must contain information about approved loans, obligations, unobligated balances, assets, liabilities, outlays and interest income, use of interest income, and other information as required by the board to fulfill its responsibilities. Financial records, supporting documents, statistical records, and all other records pertinent to the challenge grant program must be retained by the regional organization for one year after the grant program expires and records of each loan for one year from the final repayment. No records or documents may be disposed of while audits, claims, or litigation involving the records are in progress.

B. Challenge grant recipients must arrange and pay for an independent annual audit and submit a copy of the annual audit to the board.

C. By February 15 of each year, an annual report must be submitted to the board. The annual report must include a description of projects supported by the challenge grant program, an account of loans made during the calendar year, the source and amount of loans made during the year, the source and

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amount of money collected and distributed by the challenge grant program, the program's assets and liabilities, and an explanation of administrative expenses.

The annual report will be used as a basis for reviewing the utilization of challenge grants awarded by the board. Grant agreements will make provisions for reallocation in the event that the regional organization fails to perform its duties.

D. Representatives of the board and the legislative auditor shall have access to all books, records, accounts, reports, files and other papers, things, or property belonging to the regional organization which are related to the administration of the challenge grant program.

4370.0070 CHALLENGE GRANT ADMINISTRATION MANUAL.

The board shall prepare an administration manual for distribution to eligible regional organizations. The manual must instruct challenge grant applicants in the preparation of loan applications and describe the method by which the regional organization will evaluate and rate the applications.

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Subpart 1. **Regional policies required.** Regional policies must be developed to ensure that business loan applications meet specified eligibility threshold requirements. The criteria in this part must be incorporated into the regional policies.

Subp. 2. **Financing gap.** Loans must be made to businesses that are not likely to undertake a project for which loans are sought without assistance from the challenge grant program. The loan applicant must demonstrate the existence of a financing gap by documenting which of the following apply to the business:

A. inadequate equity;

B. inadequate private lender financing; or

C. inability to pay market interest rate or term requirements.

Subp. 3. **Jobs which principally benefit low-income persons.** A loan must be used for a project designed principally to benefit low-income persons through the creation or retention

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of jobs (principally is defined as more than 50 percent of the persons benefitting).

In addressing this criterion, an applicant should be prepared to show how low-income persons directly benefit from the creation or retention of jobs by providing evidence that the jobs retained employ low-income persons and that jobs created are filled or made available to low-income persons. The following are minimum threshold requirements relating to low-income job creation/retention.

A. Among loan applicants, priority must be given on the basis of the number of permanent jobs created or retained by the project and the proportion of nonstate money leveraged by the revolving loan.

B. Only jobs directly resulting from a specific grant activity will be considered.

C. In order to count retained jobs, there must be clear documentation provided by the business that it would reduce operations in the community or discontinue operations in Minnesota if additional financing is not made available.

Subp. 4. **Leverage private investment.** The amount of money made available from the regional revolving loan fund may not exceed 50 percent of the total cost of the project. The following are minimum threshold requirements for leveraging private investment:

A. Except with prior approval by the commissioner, leveraged private investment by the business must be in the form of new commitments that have not yet been expended.

B. Financial commitments should not be contingent upon events other than the approval of the regional revolving loan.

C. With the approval of the commissioner, a loan may be used to provide up to 50 percent of the private investment required to qualify for a grant from the economic recovery fund.

D. For business loans, the amount of money appropriated from the rural rehabilitation revolving fund may not exceed 50 percent of each loan made by the regional

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organization. The amount of nonpublic money must be at least 50 percent of each loan made by the regional organization. The loan limits of the regional organization will be $5,000 minimum and $100,000 maximum.

E. For loans to local governmental units, the amount of money appropriated from the rural rehabilitation revolving fund for each regional revolving loan may not exceed $25,000. The maximum regional revolving loan is $50,000. The local governmental unit must match the loan at a minimum dollar-for-dollar from its revolving loan fund. The loan made by a local governmental unit may be 100 percent public funds.

F. In determining which business activities may be considered for loans, the following minimum requirements apply:

(1) A loan may not exceed 50 percent of the total cost of an individual project.

(2) Eligible business enterprises include technologically innovative industries, value-added manufacturing, agriprocessing, information industries, and agricultural marketing.

(3) A loan may not be used for a retail development project.

(4) A business applying for a loan must be sponsored by a resolution of the local governmental unit within whose jurisdiction the project is located.

(5) Loan applications given preliminary approval by the regional organization must be forwarded to the commissioner for final approval.

Subp. 5. **Loan repayment.** For loans made to businesses, amounts equal to one-half of each principal and interest repayment must be deposited in the rural rehabilitation revolving fund. The money deposited in the fund will be used for additional challenge grants to the funding region for which the money was originally designated. The remaining amount of the loan repayment may be deposited in the regional revolving loan fund for further distribution by the regional organization.

For loans made to local governmental units, one-half of the

Approved
by Revisor _____

money loaned by the regional organization must be repaid to the rural rehabilitation revolving fund. With the agreement of the regional organization, 50 percent of the money may be retained by the local governmental unit's revolving loan fund for further distribution by the local governmental unit.

Approved
by Revisor _____

Office of the Revisor of Statutes

Administrative Rules

TITLE: Proposed Permanent Rules Relating to Challenge Grants

AGENCY: Rural Development Board

MINNESOTA RULES: Chapter 4370

The attached rules are approved for publication
in the State Register

David S. Niss
Assistant Revisor

DEPARTMENT OF TRADE AND ECONOMIC DEVELOPMENT

In the Matter of the Proposed Adoption of Rules of the Rural Development Board Governing the Challenge Grant Program

NOTICE OF INTENT TO ADOPT RULES WITHOUT A PUBLIC HEARING

Notice is hereby given that the Rural Development Board intends to adopt the above-entitled rules without a public hearing following the procedures set forth in the Administrative Procedure Act for adopting rules without a public hearing in Minnesota Statutes, sections 14.22 to 14.28. The statutory authority to adopt the rules is Minnesota Statutes, section 116N.08.

All persons have 30 days in which to submit comment in support of or in opposition to the proposed rules or any part or subpart of the rules. Comment is encouraged. Each comment should identify the portion of the proposed rules addressed, the reason for the comment, and any change proposed.

Any person may make a written request for a public hearing on the rules within the 30-day comment period. If 25 or more persons submit a written request for a public hearing within the 30-day comment period, a public hearing will be held unless a sufficient number withdraw their request in writing. Any person requesting a public hearing should state his or her name and address, and is encouraged to identify the portion of the proposed rules addressed, the reason for the request, and any change proposed. If a public hearing is required, the agency will proceed pursuant to Minnesota Statutes, sections 14.131 to 14.20.

Comments or written requests for a public hearing must be submitted to:

Bob Benner
Rural Development Board
900 American Center Building
150 East Kellogg Boulevard
St. Paul, Minnesota 55101
(612) 297-2515

The proposed rules may be modified if the modifications are supported by data and views submitted to the agency and do not result in a substantial change in the proposed rules as noticed.

A copy of the proposed rules is attached to this notice.

A Statement of Need and Reasonableness that describes the need for and reasonableness of each provision of the proposed rules and identifies the data and information relied upon to support the proposed rules has been prepared and is available from Bob Benner upon request.

If no hearing is required, upon adoption of the rules, the rules and the required supporting documents will be submitted to the Attorney General for review as to legality and form to the extent the form relates to legality. Any person may request notification of the date of submission to the Attorney General. Persons who wish to be advised of the submission of this material to the Attorney General, or who wish to receive a copy of the adopted rules, must submit the written request to Bob Benner.

February 12, 1988
Date

Name

Commissioner and Chair of the
Rural Development Board
Title

M XXIV/D57-CP

DEPARTMENT OF TRADE AND ECONOMIC DEVELOPMENT
STATE OF MINNESOTA
ST. PAUL, MINNESOTA

In the Matter of the Proposed Adoption of Rules of the Rural Development Board Governing the Challenge Grant Program

AFFIDAVIT OF MAILING THE NOTICE OF INTENT TO ADOPT RULE AMENDMENTS

STATE OF MINNESOTA)
) ss.
COUNTY OF RAMSEY)

Rboert A. Super, being first duly sworn, deposes and says:

That on the 22nd of February, 1988, at the City of St. Paul, County of Ramsey, State of Minnesota, he/she served that attached Notice of Intent to Adopt Rule Amendments Without a Public Hearing by depositing in the State of Minnesota Central Mail System for United States mailing at said City of St. Paul, a copy thereof, properly enveloped, with postage prepaid, on all persons and associations who have requested that their names be placed on file with the State of Minnesota for the purpose of receiving notice of the proposed adoption of rules by the Rural Development Board.

Robert A. Super
Name

Subscribed and sworn to before me this 22 February '88

Bonnie S. Burt

/cd
M XXIV/58-CP

BONNIE S. BURT
NOTARY PUBLIC — MINNESOTA
RAMSEY COUNTY
My commission expires Aug. 23, 1989

STATE OF MINNESOTA)
) ss.
COUNTY OF RAMSEY)

AFFIDAVIT OF CERTIFICATE
OF MAILING LIST

In the Matter of the Proposed Adoption of the Rules of the Rural Development Board Governing the Challenge Grant Program.

Robert A. Sugn, being sworn says:

I hereby certify that the list of persons, associations and other interested groups who have requested, pursuant to Minnesota Statute 14.14, subd. 1 and 14.22 or 14.30, that their names be placed on file with and maintained by the Rural Development Board for the purpose of receiving notice of the proposed adoption of rules by the Rural Development Board is accurate, complete and current as of Monday, February 8, 1988.

Subscribed and sworn to before me
this 22 day of February, 1988.

Bonnie S. Burt

/cd
RDB.GEN/III8-CP

BONNIE S. BURT
NOTARY PUBLIC — MINNESOTA
RAMSEY COUNTY
My commission expires Aug. 23, 1989

Rural Development Board

Proposed Permanent Rules Relating to Challenge Grants

Notice of Intent to Adopt Rules Without a Public Hearing

Notice is hereby given that the Rural Development Board intends to adopt the above-entitled rules without a public hearing following the procedures set forth in the Administrative Procedure Act for adopting rules without a public hearing in *Minnesota Statutes*, sections 14.22 to 14.28. The statutory authority to adopt the rules is *Minnesota Statutes*, section 116N.08.

All persons have 30 days in which to submit comment in support of or in opposition to the proposed rules or any part or subpart of the rules. Comment is encouraged. Each comment should identify the portion of the proposed rules addressed, the reason for the comment, and any change proposed.

Any person may make a written request for a public hearing on the rules within the 30-day comment period. If 25 or more persons submit a written request for a public hearing within the 30-day comment period, a public hearing will be held unless a sufficient number withdraw their request in writing. Any person requesting a public hearing should state his or her name and address, and is encouraged to identify the portion of the proposed rules addressed, the reason for the request, and any change proposed. If a public hearing is required, the agency will proceed pursuant to *Minnesota Statutes*, sections 14.131 to 14.20.

Comments or written requests for a public hearing must be submitted to:

Bob Benner
Rural Development Board
900 American Center Building
150 East Kellogg Boulevard
St. Paul, Minnesota 55101
(612) 297-2515

The proposed rules may be modified if the modifications are supported by data and views submitted to the agency and do not result in a substantial change in the proposed rules as noticed.

A copy of the proposed rules is attached to this notice.

A Statement of Need and Reasonableness that describes the need for and reasonableness of each provision of the proposed rules and identifies the data and information relied upon to support the proposed rules has been prepared and is available from Bob Benner upon request.

If no hearing is required, upon adoption of the rules, the rules and the required supporting documents will be submitted to the Attorney General for review as to legality and form to the extent the form relates to legality. Any person may request notification of the date of submission to the Attorney General. Persons who wish to be advised of the submission of this material to the Attorney General, or who wish to receive a copy of the adopted rules, must submit the written request to Bob Benner.

Dated: 12 February 1988

David Speer
Commissioner and Chair of the
Rural Development Board

Rules as Proposed (all new material)

4370.0010 DEFINITIONS.

Subpart 1. **Scope.** The definitions in this part apply to this chapter.

Subp. 2. **Annual report.** "Annual report" means a description of projects supported by the challenge grant program, an account of loans made during the calendar year, the source and amount of money collected and distributed by the challenge grant program, the program's assets and liabilities, and an explanation of administrative expenses.

Subp. 3. **Board.** "Board" means the Rural Development Board.

Subp. 4. **Commissioner.** "Commissioner" means the commissioner of trade and economic development.

Subp. 5. **Economic recovery fund.** "Economic recovery fund" means the state-funded economic development grant program established by Minnesota Statutes, sections 116J.401 to 116J.403, and 116J.873.

Subp. 6. **Funding region.** "Funding region" means the six rural areas of Minnesota that have boundaries that are coterminous with one or more of the development regions established under Minnesota Statutes, section 462.385. They are identified as follows:

A. northwest region is coterminous with development regions 1 and 2;

B. northeast region is coterminous with development region 3;

C. west central region is coterminous with development region 4;

D. central region is coterminous with development regions 5, 7E, and 7W;

E. southwest region is coterminous with development regions 6E, 6W, and 8; and

F. southeast region is coterminous with development regions 9 and 10.

Subp. 7. **Grant agreement.** "Grant agreement" means an agreement between the state and a regional organization through which the state provides funds to carry out specified programs, services, or activities.

Subp. 8. **Independent annual audit.** "Independent annual audit" means a yearly financial compliance audit performed by a certified public accountant in accordance with generally accepted accounting practices and auditing standards.

Subp. 9. **Loan limits.** "Loan limits" means that for businesses the minimum loan is $5,000 and the maximum is $100,000. For local governmental units the minimum is $5,000 and the maximum is $50,000.

Subp. 10. **Local governmental unit.** "Local governmental unit" means a home rule charter or statutory city when the project is located in an incorporated area, a county when the project is located in an unincorporated area, or an American Indian Tribal Council when the project is located within a federally recognized American Indian Reservation or community.

Subp. 11. **Local revolving loan fund.** "Local revolving loan fund" means a revolving loan fund established by a local governmental unit to promote economic development.

Subp. 12. **Low income.** "Low income" means income that is equal to or below the nonmetropolitan median household income.

Subp. 13. **Minimum interest rate.** "Minimum interest rate" means the interest rate established by the board that cannot be exceeded but that will ensure coverage of the necessary management costs incurred by the regional organization.

Subp. 14. **Private investment.** "Private investment" means cash injections from sources other than state, local, or federal government appropriations.

Subp. 15. **Regional organization.** "Regional organization" means a nonprofit corporation selected by the rural development board to receive a challenge grant.

Subp. 16. **Regional revolving loan fund.** "Regional revolving loan fund" means a board-certified revolving loan fund established by a regional organization to provide loans to new and expanding businesses in rural Minnesota to promote economic development.

Subp. 17. **Rural.** "Rural" means the area of Minnesota located outside the seven-county metropolitan area as defined by Minnesota Statutes, section 473.121, subdivision 2.

Subp. 18. **Rural rehabilitation revolving fund.** "Rural rehabilitation revolving fund" means the trust fund established in Minnesota Statutes, section 116J.955.

4370.0020 PURPOSE.

The purpose of this chapter is to establish:

A. procedures for the Rural Development Board to select and enter into agreements with regional organizations; and

B. procedures for the use of revolving loan funds under Minnesota Statutes, section 116N.08.

4370.0030 OBJECTIVES OF PROGRAM.

The objectives of the challenge grant program are to encourage private investment, to provide jobs principally for low-income persons, and to promote economic development in the rural areas of the state.

4370.0040 TYPES OF FUNDING AVAILABLE.

The Rural Development Board shall designate up to $1,000,000 from the rural rehabilitation revolving fund for each funding region to be available over a three-year period. The money awarded to each regional organization will be appropriated to its regional revolving loan fund on a project-by-project basis and matched by the regional organization with an equal amount of nonpublic money.

The regional revolving loan fund shall be used by the regional organization to provide loans directly to new and expanding businesses or to local governmental units to promote economic development.

KEY: PROPOSED RULES SECTION — Underlining indicates additions to existing rule language. ~~Strike outs~~ indicate deletions from existing rule language. If a proposed rule is totally new, it is designated "all new material." ADOPTED RULES SECTION — Underlining indicates additions to proposed rule language. ~~Strike outs~~ indicate deletions from proposed rule language.

Loans to businesses from the regional revolving loan fund must be at least $5,000 and no more than $100,000. The amount of money appropriated from the regional revolving loan fund for each project may not exceed 50 percent of the total cost of each project. The amount of nonpublic money must equal at least 50 percent of the cost of each project.

Loans to local governmental units from the regional revolving loan fund must be at least $5,000 and no more than $50,000. The money loaned to a local governmental unit must be matched by the local revolving loan fund established by the local governmental unit and used to provide loans to businesses to promote local economic development.

4370.0050 APPLICATION PROCESS AND REQUIREMENTS FOR SELECTION OF REGIONAL ORGANIZATIONS TO RECEIVE CHALLENGE GRANTS.

Subpart 1. **Eligibility requirements.** An eligible applicant must be a nonprofit corporation that can demonstrate the authority and ability to establish and administer a revolving loan fund, to initiate and implement economic development within its funding region, to be familiar with other available public and private funding sources and economic development programs, and to analyze projects to objectively review loan requests. Subject to the approval of the commissioner, an applicant may contract with other entities that have the technical skills to provide the specific services that fulfill this requirement.

An eligible applicant must demonstrate that its board of directors includes citizens who are experienced in rural development, has representatives of the regional development commissions (when applicable), and has directors representative of the geographic areas in the funding region.

Subp. 2. **Process for submitting application.** The board shall give notice of the period during which applications will be accepted. The notice must be published in the *State Register* at least 30 days before the closing date.

Subp. 3. **Contents of application.** The application must be in a form prescribed by the board and must include:

A. an assurance signed by the regional organization's chair that the applicant will comply with all applicable state and federal laws and requirements;

B. a resolution passed by the applicant's board of directors approving the submission of an application and authorizing execution of the grant agreement if funds are made available;

C. documentation of an applicant's eligibility; and

D. any additional information that the board requests as necessary to clarify and evaluate the application.

Subp. 4. **Evaluation and approval of applications.** Applicants that meet the eligibility requirements will be evaluated in the following two areas: (1) their ability to provide a nonpublic direct dollar match to the challenge grant award, and (2) their ability to implement requirements of the challenge grant program (including cooperation with other rural development organizations in carrying out the challenge grant program to promote rural development and provide technical assistance).

4370.0060 AGREEMENTS AND RECORDS.

Subpart 1. **Grant agreement required.** A grant agreement must be established with each regional organization approved for funding by the board. The agreement must be signed by a person authorized to commit the regional organization to legally binding agreements and to execute the agreement.

Subp. 2. **Contents of grant agreement.** The grant agreement must include but is not limited to the following:

A. Assurance that the regional organization has or will establish a board-certified revolving loan fund to provide loans to new and expanding businesses in their funding region to promote economic development.

B. Assurance that the grant recipient will comply with all applicable state and federal laws, including the requirements of Minnesota Statutes, section 116N.08.

C. No challenge grant funds shall be used to finance activities not approved in either the grant agreement or each loan agreement. If it is determined that an improper use of funds has occurred, the board will take whatever action is necessary to recover improperly spent funds. Grant recipients must return funds that are improperly expended.

D. The board shall suspend payment of funds to recipients that are not in compliance with applicable state and federal laws, rules, and regulations.

E. Amendments to the grant agreement must be in writing.

Subp. 3. **Record keeping.** The following record keeping requirements are established:

A. Challenge grant recipients shall maintain financial records that identify the source and application of funds for challenge grant-supported activities. These records must contain information about approved loans, obligations, unobligated balances, assets, liabilities, outlays and interest income, use of interest income, and other information as required by the board to fulfill its responsibilities. Financial records, supporting documents, statistical records, and all other records pertinent to the challenge grant program

must be retained by the regional organization for one year after the grant program expires and records of each loan for one year from the final repayment. No records or documents may be disposed of while audits, claims, or litigation involving the records are in progress.

B. Challenge grant recipients must arrange and pay for an independent annual audit and submit a copy of the annual audit to the board.

C. By February 15 of each year, an annual report must be submitted to the board. The annual report must include a description of projects supported by the challenge grant program, an account of loans made during the calendar year, the source and amount of loans made during the year, the source and amount of money collected and distributed by the challenge grant program, the program's assets and liabilities, and an explanation of administrative expenses.

The annual report will be used as a basis for reviewing the utilization of challenge grants awarded by the board. Grant agreements will make provisions for reallocation in the event that the regional organization fails to perform its duties.

D. Representatives of the board and the legislative auditor shall have access to all books, records, accounts, reports, files and other papers, things, or property belonging to the regional organization which are related to the administration of the challenge grant program.

4370.0070 CHALLENGE GRANT ADMINISTRATION MANUAL.

The board shall prepare an administration manual for distribution to eligible regional organizations. The manual must instruct challenge grant applicants in the preparation of loan applications and describe the method by which the regional organization will evaluate and rate the applications.

4370.0080 THRESHOLD REQUIREMENTS.

Subpart 1. **Regional policies required.** Regional policies must be developed to ensure that business loan applications meet specified eligibility threshold requirements. The criteria in this part must be incorporated into the regional policies.

Subp. 2. **Financing gap.** Loans must be made to businesses that are not likely to undertake a project for which loans are sought without assistance from the challenge grant program. The loan applicant must demonstrate the existence of a financing gap by documenting which of the following apply to the business:

A. inadequate equity;

B. inadequate private lender financing; or

C. inability to pay market interest rate or term requirements.

Subp. 3. **Jobs which principally benefit low-income persons.** A loan must be used for a project designed principally to benefit low-income persons through the creation or retention of jobs (principally is defined as more than 50 percent of the persons benefitting).

In addressing this criterion, an applicant should be prepared to show how low-income persons directly benefit from the creation or retention of jobs by providing evidence that the jobs retained employ low-income persons and that jobs created are filled or made available to low-income persons. The following are minimum threshold requirements relating to low-income job creation/retention.

A. Among loan applicants, priority must be given on the basis of the number of permanent jobs created or retained by the project and the proportion of nonstate money leveraged by the revolving loan.

B. Only jobs directly resulting from a specific grant activity will be considered.

C. In order to count retained jobs, there must be clear documentation provided by the business that it would reduce operations in the community or discontinue operations in Minnesota if additional financing is not made available.

Subp. 4. **Leverage private investment.** The amount of money made available from the regional revolving loan fund may not exceed 50 percent of the total cost of the project. The following are minimum threshold requirements for leveraging private investment:

A. Except with prior approval by the commissioner, leveraged private investment by the business must be in the form of new commitments that have not yet been expended.

B. Financial commitments should not be contingent upon events other than the approval of the regional revolving loan.

KEY: PROPOSED RULES SECTION — Underlining indicates additions to existing rule language. ~~Strike outs~~ indicate deletions from existing rule language. If a proposed rule is totally new, it is designated "all new material." ADOPTED RULES SECTION — Underlining indicates additions to proposed rule language. ~~Strike outs~~ indicate deletions from proposed rule language.

C. With the approval of the commissioner, a loan may be used to provide up to 50 percent of the private investment required to qualify for a grant from the economic recovery fund.

D. For business loans, the amount of money appropriated from the rural rehabilitation revolving fund may not exceed 50 percent of each loan made by the regional organization. The amount of nonpublic money must be at least 50 percent of each loan made by the regional organization. The loan limits of the regional organization will be $5,000 minimum and $100,000 maximum.

E. For loans to local governmental units, the amount of money appropriated from the rural rehabilitation revolving fund for each regional revolving loan may not exceed $25,000. The maximum regional revolving loan is $50,000. The local governmental unit must match the loan at a minimum dollar-for-dollar from its revolving loan fund. The loan made by a local governmental unit may be 100 percent public funds.

F. In determining which business activities may be considered for loans, the following minimum requirements apply:

(1) A loan may not exceed 50 percent of the total cost of an individual project.

(2) Eligible business enterprises include technologically innovative industries, value-added manufacturing, agriprocessing, information industries, and agricultural marketing.

(3) A loan may not be used for a retail development project.

(4) A business applying for a loan must be sponsored by a resolution of the local governmental unit within whose jurisdiction the project is located.

(5) Loan applications given preliminary approval by the regional organization must be forwarded to the commissioner for final approval.

Subp. 5. **Loan repayment.** For loans made to businesses, amounts equal to one-half of each principal and interest repayment must be deposited in the rural rehabilitation revolving fund. The money deposited in the fund will be used for additional challenge grants to the funding region for which the money was originally designated. The remaining amount of the loan repayment may be deposited in the regional revolving loan fund for further distribution by the regional organization.

For loans made to local governmental units, one-half of the money loaned by the regional organization must be repaid to the rural rehabilitation revolving fund. With the agreement of the regional organization, 50 percent of the money may be retained by the local governmental unit's revolving loan fund for further distribution by the local governmental unit.

Rural Finance Authority

Proposed Permanent Rules Relating to the Beginning Farmer Program

Notice of Intent to Adopt Rules Without a Public Hearing

Notice is hereby given that the Rural Finance Authority intends to adopt the above-entitled rules without a public hearing following the general procedures set forth in the Administrative Procedures Act for adopting rules without a public hearing in *Minnesota Statutes*, sections 14.22 to 14.28. The statutory authority to adopt these rules is contained in *Minnesota Statutes*, section 41B.07.

All persons have 30 days to submit comment in support of or in opposition to the proposed rules or any part or subpart of the rules. Comment is encouraged. Each comment should identify the portion of the proposed rules addressed, the reason for the comment, and any change proposed.

Any person may make a written request for a public hearing on the proposed rules within the 30 day comment period. If 25 or more persons submit a written request for a public hearing within the 30 day comment period, a public hearing will be held unless a sufficient number withdraw their request in writing, if the Rural Finance Authority Board determines that a hearing is appropriate. Any person requesting a public hearing should state their name and address, and is encouraged to identify the portion of the proposed rules addressed, the reason for the request, and any change proposed. If a public hearing is required, the department will proceed pursuant to *Minnesota Statutes*, sections 14.131 to 14.20.

Comments or requests for a public hearing must be submitted to:

David A. Johnson
Program Director
Rural Finance Authority
Room 309 State Administration Building
50 Sherburne Ave.
St. Paul, Minnesota 55155

CERTIFICATE OF THE

RURAL DEVELOPMENT BOARD

RESOLUTION ADOPTING THE RULES

I, David J. Speer, do hereby certify that I am a member and the Chair of the Rural Development Board, a board duly authorized under the laws of the State of Minnesota, and that the following is a true, complete, and correct copy of a resolution adopted at a meeting of the Rural Development Board, duly and properly called and held on the 13th day of May, 1988, that a quorum was present, and that a majority of those present voted for the resolution which has not been rescinded or modified.

"RESOLVED, that the rules relating to Challenge Grant Program are approved and adopted, pursuant to authority vested in the Rural Development Board by Minnesota Statutes 116N.08. Mark Lofthus, the Executive Director of the Rural Development Board, is authorized to sign the findings of fact, conclusions, and order adopting the rules and to perform the necessary acts to provide that the rules shall have the force and effect of law.

IN WITNESS WHEREOF, I have hereunto subscribed my name this 16 day of May, 1988.

David J. Speer

Chair of the Board

Robert L. Carolan

Attest by one other Board member

RDB.RULES/II23-1

In the Matter of the Adoption
Of the Rules of the Rural
Development Board Governing the
Challenge Grant Program.

DECLARATION
OF COUNSEL

I, H. Camilla Nelson, Special Assistant Attorney General, do hereby declare that I have examined the above-captioned rules, and the supporting rulemaking record, and that, based on my examination, the Administrative Procedure Act and Minnesota Rules, chapter 2010 have been followed. Any exceptions are listed below. For Attorney General billing purposes, the four-digit docket client code is 0422.

This declaration is subject to the following exception. In lieu of the certificate of the Board's authorizing resolution or a copy of a delegation of authority, the Board is submitting a copy of the Minutes of the January 13, 1988 meeting of the Board, at which a motion to publish the proposed Challenge Grant Rules in the State Register was unanimously passed. The purpose of the resolution or delegations of authority would be to authorize an individual to sign and give notice of the Board's intent to adopt the rule without a public hearing. Please note that included within the materials is a certificate of the Board's resolution adopting the rule which affirms the Board's intention to adopt the rule initially.

H. Camilla Nelson
Special Assistant Attorney General

Dated: May 18, 1988

RDB.RULES/II27-1

Minnesota Department of
Trade and Economic Development

Community Development Division

900 American Center
150 East Kellogg Boulevard
St. Paul, MN 55101-1421

612/296-5005
Fax: 612/296-1290

17 May 1988

Ms. H. Camilla Nelson
Special Assistant Attorney General
Bremer Tower Office
11th Floor Bremer Tower
7th and Minnesota
St. Paul, MN 55101

Dear Camilla:

Enclosed are the documents needed for a review of the Rural Development Board's Challenge Grant Rules, rules adopted without a public hearing. I have enclosed the following:

1. Declaration of Counsel - for your signature.

2. A photocopy of the Notice of Solicitation of Outside Information or Opinions.

Not the standard authorizing resolution

3. A copy of the Rural Development Board's minutes of its 1-13-88 board meeting. At this meeting the board authorized the publishing of the Challenge Grant Rules (see page 3 of the minutes).

4. A copy of the proposed rule with a certificate of approval as to form by the Revisor of Statutes attached.

5. The notice of intent to adopt a rule without a public hearing as mailed.

6. The statement of need and reasonableness in support of the proposed rule.

7. The affidavits of mailing the notice of intent to adopt a rule without a public hearing.

8. A photocopy of the notice of intent to adopt the rules without a public hearing as published in the State Register.

9. Four copies of the rule as adopted.

10. A copy of the Rural Development Board's resolution adopting the rule.

11. The findings of fact, conclusions, and order adopting the rule.

12. The written comments on the rules received by the Board.

What about letter from the 31st of March

The Board did not receive any requests for notice of submission of the rules to the attorney general.

Thank you for your help in this process.

Sincerely,

Mark W. Lofthus
Director