



Launch Minnesota Annual Report to Legislature

As required by 2019 Laws of Minnesota, Chapter 7, Art. 2, Sec. 8, Subd. 8

12/30/2023

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As requested by Minnesota Statute 3.197: This report cost approximately \$1,013.60 to prepare, including staff time, printing, and mailing expenses.

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Background

In 2019, the Legislature approved \$2.5 million for fiscal year FY20 to fund Launch Minnesota and funding has continued each year. This provided \$1,500,000 for Innovation Grants for entrepreneurs and emerging technology-based companies, \$500,000 for Education Grants for non-profits to support startups and \$500,000 for administration expenses that cover leadership and grant management.

Since inception, we have continued to modify the program to improve its impact. A few of the changes include:

- Expanding the scope of grant recipients from innovative technology to innovative technology and/or innovative business model.
- Established a directive that requires at least three minority advisory board members.
- Funded additional companies by limiting Business Operations grants to one per business.
- Changed Business Operations eligibility requiring startups to have raised less than \$1 million in equity.

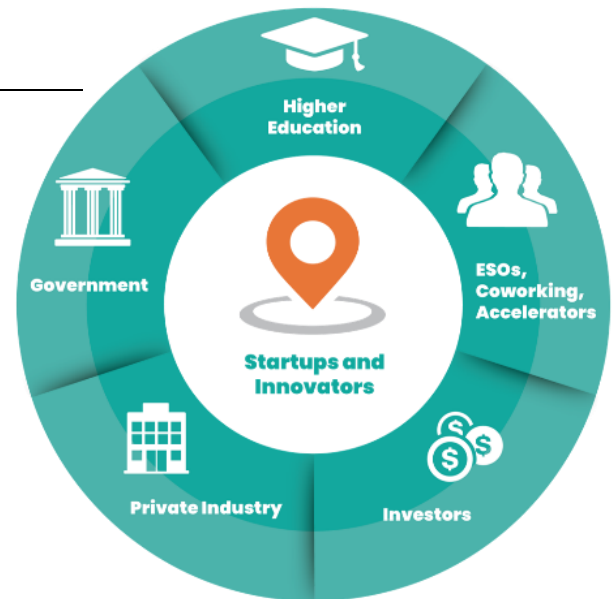
Innovation Grant funding provides entrepreneurs and startup companies with business development assistance and financial assistance to spur growth. Innovation Grants may be used for research and development, direct business expenses, or receiving technical assistance for businesses with an innovative technology or business model. Education Grants empower community builders to train entrepreneurs on critical skills in building technology startups.

Beyond these incentive programs, Launch Minnesota seeks to empower and elevate our state's innovation ecosystem by bringing sectors together to create a stronger network of innovators in Minnesota, and to tell the story of our startup growth to the rest of the country.

Mission

Launch Minnesota supports innovation and entrepreneurship across the state by increasing access to capital, creating a connected and collaborative culture, and expanding entrepreneurial talent and expertise.

Our program believes that the businesses of the future are the startups of today. Minnesota's innovators need a robust ecosystem of resources and expertise to grow their companies. Launch Minnesota powers our state's startup community by providing vital resources and working across communities and sectors to help entrepreneurs and innovators start and scale innovative businesses.



Why Our Work Matters:

- **Economic Impact** – Launch Minnesota is driving economic growth and opportunity and leveling the playing field for all entrepreneurs.
- **Connected Ecosystem** – The Launch Minnesota Network is the first of its kind in our state. Creating a connected and coordinated ecosystem increases the rate and success of new business formation.
- **Globally Competitive** – Cities and states that focus on and invest in innovation stay competitive both nationally and globally.

Solving Big Problems – Launch Minnesota is investing in startups tackling diverse problems like curing cancer, creating equity in employment, finding care for chronic diseases, and eliminating food waste.

Advisory Board

The Launch Minnesota [Advisory Board](#) advises and makes recommendations on many aspects of the program, such as grant awards. They also help guide Launch Minnesota with strategic planning and help to decide public-private partnerships.

A minimum of seven members must be from the private sector representing business and at least two members but no more than three members must be from government and higher education. At least three of the members must be from Greater Minnesota and at least three members shall be minority group members.

Roster of Current* Board Members:

- Alfonso Cornish: Gener8tor, General Partner (Twin Cities)
- Yu Sunny Han: Fulcrum, Founder and CEO (Twin Cities)
- Rick Huebsch: University of Minnesota, Executive Director of Office for Technology Commercialization (Twin Cities)
- Ben Wright: 3M, Vice President of 3M Ventures (Twin Cities)
- Ashley Lowes: Target, Communications Director (Twin Cities)
- Leena Pradhan-Nabzdyk: Canomiks, Founder and CEO (Twin Cities)
- Shawn Wellnitz: Entrepreneur Fund, CEO and President (Duluth)
- Stefan Madansingh: Mayo Clinic, Department of Business Development (Rochester)

*New board members will be added in early 2024

History

Launch Minnesota officially kicked-off in October 2019. Since then, we have seen progress in every corner of the state, even during the global pandemic. The activities and language used to foster an innovation economy was new for many communities. We have laid the groundwork and continue to see momentum.

This visual shows the increase in regional entrepreneurial activity in each region since Launch Minnesota’s inception:

| Informally Established Not Established | REGIONS: | | | | | | | | | | | |
|---|----------|-------|--------|-------|-------|-------|-------|-------|--------|-------|--------|-------|
| | NE | | NW | | SE | | SW | | WC | | TC | |
| | 2020 | 2024 | 2020 | 2024 | 2020 | 2024 | 2020 | 2024 | 2020 | 2024 | 2020 | 2024 |
| Collaborate with other organizations and cities to support startups | Red | Green | Red | Green | Green | Green | Red | Green | Red | Green | Yellow | Green |
| Active recruitment and creation of high tech/growth companies | Yellow | Green | Yellow | Green | Green | Green | Red | Green | Yellow | Green | Green | Green |
| Investor recruitment and fund development | Red | Green | Red | Green | Green | Green | Red | Green | Yellow | Green | Green | Green |
| Pitch competitions (feeder to MN Cup) | Green | Green | Red | Green | Green | Green | Green | Green | Red | Green | Green | Green |
| Provide lean startup education | Red | Green | Red | Green | Green | Green | Red | Green | Green | Green | Yellow | Green |
| Leveraging statewide resources to better support entrepreneurs | Red | Green | Red | Green | Red | Green | Red | Green | Red | Green | Red | Green |

Some regions had informally established programs such as investor recruitment and fund development, but they lacked the support required for expansion and success. By plugging into the Launch Minnesota Network, entrepreneurial support organizations were able to learn best practices and share resources to continue building initiatives vital for startup success.

In addition to the entrepreneurial growth, we have been able to incentivize private investment to leverage state dollars. For instance, our \$1,000,000 in FY24-25 education grants will be matched by \$3,182,126 in private funds.

Collectively, from FY20-FY24 we have awarded \$7.6M in innovation grants. Every **\$1 dollar** that was invested by the state has brought a return of **\$19.80 in follow on investments** from the private sector.

Innovation Grants

Launch Minnesota [Innovation Grants](#) target the most promising, innovative businesses and technology startups in Minnesota. Together we’re working to support Minnesota startups and entrepreneurs who are solving novel problems and growing our state’s innovation ecosystem.

The Legislature allocates \$1.5 million to fund this aspect of our program.

Innovation Grants reimburse business expenses, incurred in Minnesota, for research and development, direct business expenses and the purchase of technical assistance and services. Innovation Grants consist of Business Operations Grants and SBIR/STTR Matching Grants. Applicants may receive one Business Operations grant and up to two SBIR/STTR Matching Grants.

For Business Operations Grants, qualifying businesses may receive grants up to \$35,000. This grant requires a 1:1 match.

Eligibility criteria for businesses:

1. Primary business activity is an innovative technology, innovative business model or product.
2. Operations and headquarters in Minnesota
3. In operation for less than 10 years
4. Raised less than \$1 million in equity capital since inception
5. Business has not been previously awarded a Business Operation grant

Innovation Grant funds may be used for the following purposes:

1. Research and development expenses (proof of concept activities, intellectual property protection, prototype designs and production, commercial feasibility)
2. Direct business expenses (rent, equipment purchases, supplier invoices)
3. Purchasing technical assistance or services from public higher education institutions and nonprofit entities

SBIR/STTR Matching Grants are for businesses that are registered clients of the Small Business Innovation Research (SBIR) program. They are intended for first time Phase I and Phase II awardees and are based on a sliding scale depending on the amount of their federal award. Eligible businesses may receive up to \$35,000 for Phase I and up to \$50,000 for Phase II. To date, we have awarded \$5,523,071 in Business Operation grants and \$1,796,260 in SBIR/STTR matching grants.

The demand for Innovation Grants is greater than the available funding. Since FY2020, applicants have requested \$23.4 million in grants, but the program has only had funding to provide \$7.6 million. This constitutes 32% of dollars requested and 41% of applications submitted. Innovation Grants are competitive, and Launch Minnesota developed a process and application to ensure that the companies receiving awards have the greatest need and are in the best possible position to succeed.

However, with the program operating on an open application basis, it has experienced allocating all available grant funds early in the fiscal year, leaving a gap in funding for the rest of the year. To correct this issue in FY24 and beyond, Launch Minnesota began accepting applications fewer application windows. During the first application window in August 2023, Launch Minnesota received 102 applications, and 43% of the applicants received awards, but due to the high demand we still only have \$337,800 left to allocate from the \$1.5 million.

Outcomes of Innovation Grants

Since inception, Launch Minnesota has **awarded \$7.6 million in 304 grants to 221 unique Minnesota companies**. More than half of this funding (64%) has gone to businesses that are BIPOC-owned, woman-owned, veteran-owned, owned by people with disabilities or located in Greater Minnesota.

Collectively grantees have gone on to raise an additional \$149.8 million. This represents a \$19.80 return on every \$1 awarded.

Grantee Feedback

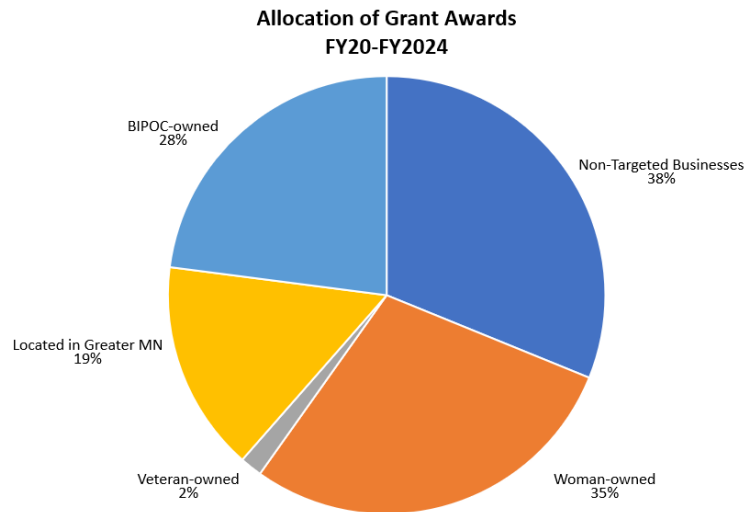
“With LaunchMN resources, we’ve been able to build what some have billed as “the best child-facing tech.” We were just invited to meet with the Gates Foundation to re-imagine early childhood assessment...We’ve developed new, novel measures for early learning while building a tool to help kids, educators, and parents to learn together. In other words, we’ve come full circle with your support.” – SayKid

“We have moved the company forward to leaps and bounds. Receiving a Launch Minnesota grant provides additional proof that the LoonMD technology has commercial legs. Thank you to the State of MN for its support.” – Loon Medical

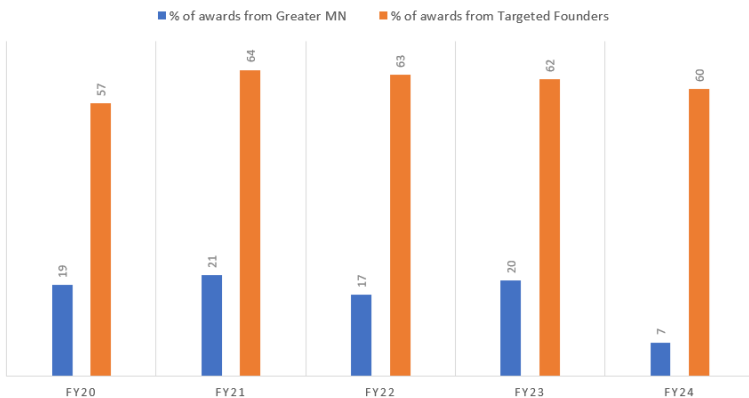
“Without help from the state of MN, I would not have been able to start my company. Full stop.” – Kronfeld Motors

Innovation Grant Data

Innovation Grants level the playing field for all entrepreneurs, especially targeted businesses, which Launch Minnesota defines as those that are woman-owned, BIPOC-owned, veteran-owned, owned by people with disabilities or located in Greater Minnesota. More than 60% of Innovation Grant funds have been awarded to these targeted groups.

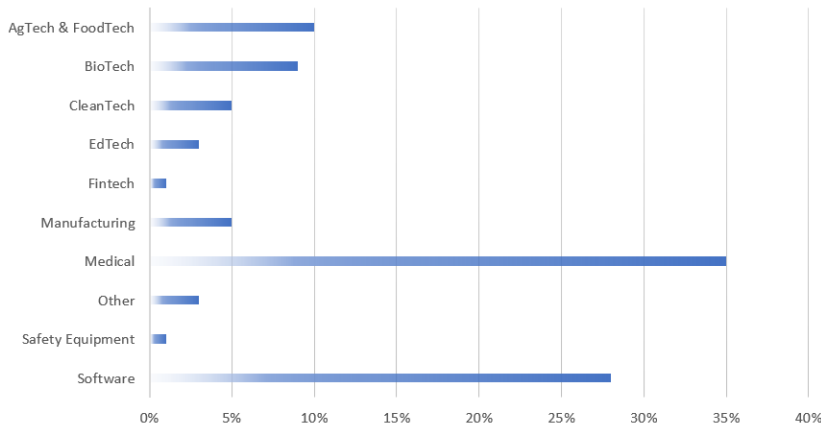


**DEMOGRAPHIC DATA
FY20-FY24**



Launch Minnesota believes that innovation happens everywhere – not just in metro areas. The Launch Minnesota Network connects entrepreneurs from Greater Minnesota to the resources they need to grow their business. Around 20% of our awardees are from Greater Minnesota.

FUNDS AWARDED BY INDUSTRY FY20-FY24



We have funded startups in more than a dozen industries, including medical technology, biotech, agriculture, and software.

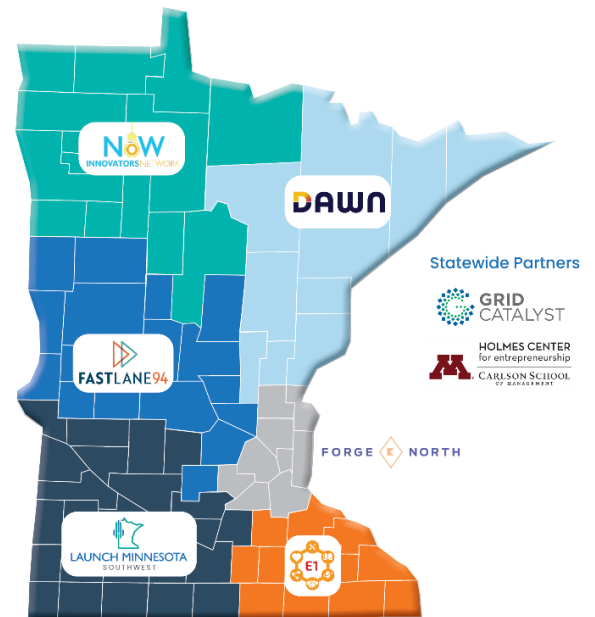
Education Grants

Launch Minnesota recognizes the importance of collaborating with entrepreneurial support organizations across the state to help startups connect with the resources and mentorship required for growth. Our Education Grants are designed to help begin the formation of partnerships that will, in turn, enhance the visibility of each region, of our vibrant startup community, and of our state as a national leader in innovation.

\$500,000 is available for Education Grants each fiscal year. By statute, these funds may be used to deliver the following services:

- Commercialization** for the development and delivery of educational resources to help small businesses understand business formation, market structure, fundraising strategies, intellectual property and more. These classes help founders start, scale and go to market. Commercialization funds also cover services like consulting and mentoring, as well as startup competitions and event.
- Risk Capital:** to connect with businesses to educate about the [Angel Tax Credit](#) Program, the [MNvest](#) crowd-funding program, and other state programs that support innovative technology business creation, especially in underserved communities.

Launch Minnesota's Regional and Statewide Partners



- **Statewide Collaboration:** to facilitate collaboration between local startup support organizations, higher education institutions, federal and state agencies, the [Small Business Development Centers](#), and the Small Business Assistance Office.
- **Networking:** to organize events and competitions with other innovation-related organizations to inform entrepreneurs and potential investors about Minnesota's growing innovation economy.

Organizations that receive Education Grants become Hub Leaders or Regional Partners who spearhead regional efforts for the Launch Minnesota Network. [The Network](#) is organized in a hub-and-spoke model that allows each region to customize its offerings while still enabling entrepreneurs to access statewide resources and best practices. We have partners at both local and [state levels](#). Currently, we have eight Hub Leaders and more than 90 member organizations in the Launch Minnesota Network.

Outcomes of Education Grants (Launch MN Network)

Prior to the creation of the Launch Minnesota Network, few entrepreneurial support organizations (ESOs) were connected or in regular communication. As a result, entrepreneurs found it difficult to navigate Minnesota's startup resources. These groups were also duplicating efforts rather than sharing resources and best practices.

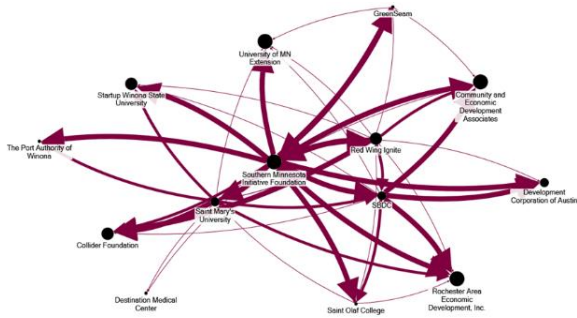
The Launch Minnesota Network catalyzed startup efforts in the state by building supportive systems within each of our six regions that allows ESOs and entrepreneurs to connect with community members and beyond. A study by the University of Minnesota Extension found that in one region, relationships changed substantially over the course of just one year thanks to the Launch Minnesota Network.

The six organizations responding to the UMN survey noted 49 connections (or 8.2 connections per organization) as of January 2020. At the time the survey began, about one-fourth of the possible connections among the 12 organizations existed – a network density of 27% (Figure 1).

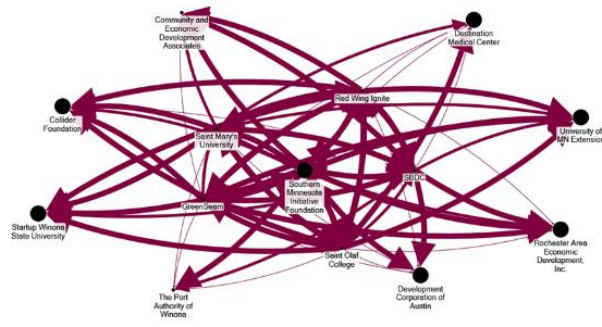
In August 2021 (18 months into UMN's survey), relationships among the organizations had deepened substantially. 77 connections were reported, or about 13 per organization. The density of the network (percentage of all possible connections) had increased to 42% (Figure 2).

UMN also found that the **quality of the connections increased**, as there were fewer relationships based on information sharing and more relationships based on coordination and collaboration.

Southeast Hub, January 2020 (Figure 1)



Southeast Hub, August 2021 (Figure 2)

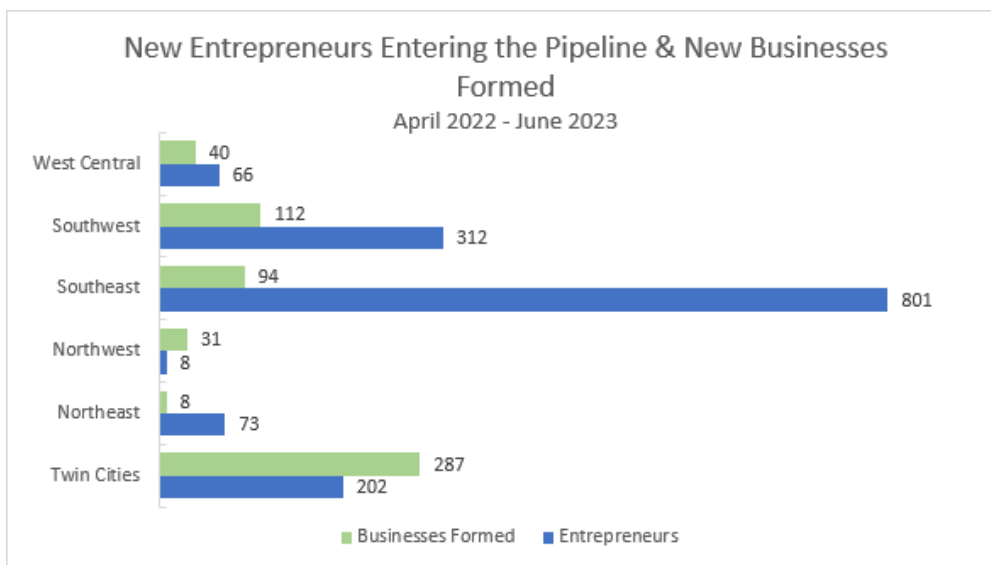


Launch Minnesota’s regional hub leaders reported the following achievements during FY24:

| Partner Organization | Achievement |
|--|--|
| Innovate 218 (Northeast MN) | Provided 636 hours of training to 69 regional entrepreneurs. |
| NoW Innovators (Northwest MN) | Connected with and provided assistance to 659 entrepreneurs through events, advising and other interactions. (Beat original goal of 250) |
| E1 Collaborative (Southeast MN) | Provided individual support to 2,585 entrepreneurs. |
| Startup Southwest (Southwest MN) | Educated 30 entrepreneurs through the Lean Business Innovation Academy. Provided 470 entrepreneurs with 2,400 hours of assistance. |
| Fastlane 94 (West Central MN) | Offered three education cohorts through ILT Academy, educating 164 entrepreneurs, the majority of which were from Launch MN’s targeted groups. |
| Forge North (Twin Cities) | Utilized Launch MN funding to implement programs that trained founders on commercialization fundamentals, connected them with sources of risk capital, networked |

| | |
|---|---|
| | them with one another, and created tools that could be utilized by founders across MN. |
| ConnectUP (Twin Cities) | Assisted a range of BIPOC entrepreneurs, leading to the establishment of 160 new businesses. |
| University of Minnesota (Statewide) | <ul style="list-style-type: none"> • Discovery Launchpad: Assisted nine entrepreneurs through its accelerator cohort model. • Tech Leadership Institute: Seven startups and 13 individuals participated in the inaugural cohort, which provided founders with three to four mentors in addition to faculty support to grow their businesses. • Venture Builders: Educated 126 entrepreneurs through a series of online courses and webinars. |
| Agricultural Utilization Research Institute (Statewide) | AURI's four cohort companies collectively increased their annual revenue by 10% during the program and obtained \$8.5M of investment and financing to grow their businesses. |

Below is a graph illustrating the growing number of entrepreneurs in the business pipeline:



Three top qualitative findings from the Launch MN Network highlight the impact of a connected and coordinated startup ecosystem:

- 1- **Working together to better serve entrepreneurs by leveraging organizations and building bridges across sectors:**
 - **Leveraging UMN resources to help entrepreneurs** and Launch Minnesota innovation grantees outside of the university through education, advising, and consulting. Prior to the creation of Launch Minnesota, these resources were only available to companies with a direct UMN connection.
 - Connecting investors and startups by partnering with public and private organizations to host **MN Venture pitch events**. In 2023, **31 startups pitched to 283 investors** across three events.
 - **Connecting higher education institutions to our state’s innovation ecosystem** by creating a statewide network that regularly convenes to discuss methods for bolstering entrepreneurship. We currently have **33 members from 24 Minnesota colleges**.

- 2- **Increasing efficiency and impact of support organizations by sharing best practices and providing statewide resources.**
 - Partnered with a local tech startup to launch the **Minnesota Exchange, which matches individuals from across the state to advisors for one-to one conversations**. It has grown to **540 members** in every corner of the state and multiple organizations are using this platform (General Mills, Grow North, BETA and others).
 - Creation of a statewide **Startup and Small Business Calendar providing one place for entrepreneurs** to go to find education, training, and events to help their business. In 2023, approximately 325 events were posted, and eight organizations and regional efforts were automatically syncing their events. In addition, large Twin Cities-based support organizations have embedded the calendar on their sites and saving them time and resources.
 - We were able to increase access to the MN Cup by helping create regional startup competitions that would feed into the statewide competition. Organizers reported that 3,052 Minnesotans participated in the application process this spring – exceeding MN Cup’s previous application record by 17%. **Additionally, 887 applications were submitted from 67 of Minnesota’s 87 counties. Organizers said that roughly 30% of this year’s applicants were from Greater Minnesota.**
 - We regularly bring together the **Launch MN Network** virtually and in person to learn from each other. One example is a summit hosted at the capital with 60+ attendees.

- 3- **Front Door to our state’s innovation ecosystem**
 - Launch Minnesota **is connected to startups and startup support organizations in every corner of the state**. Our role as a neutral connector and convener allows us to serve as an ambassador or “front door” to Minnesota’s startup ecosystem. If someone is interested in learning how to start a business or immerse their existing business in the local innovation ecosystem, we provide them with the connections needed for success.

- Launch Minnesota **creates and offers resources to both startups and entrepreneurial support organizations** including items such as: [Launch MN's Startup Guide](#), [DEED's Guide to Startup Resources](#), [5 Steps to Starting a Business](#), [Statewide Startup Calendar](#), and others. Launch Minnesota is a master connector in the startup scene. We have connected startups to accelerators, ESOs, investors, higher education resources and more. Our team is actively making and maintaining connections between all stakeholders. We're also available to answer any questions or requests from startups for resources or referrals.

Plans for the Future

The enacting legislation proposed that Launch Minnesota would roll out into the private sector at the end of the FY20/21 biennium.

Every year we take a thoughtful approach to understanding the needs and gaps in our state's startup community. Launch Minnesota conducts numerous stakeholder interviews, compares efforts of other organizations, and talks to other states to determine what is working.

Our board, staff and stakeholders continue to feel strongly that Launch Minnesota should be embedded with MN-DEED to act as a neutral connector and convener of our state's vibrant innovation ecosystem. Research shows government should be an active member of the state's innovation ecosystem. This involvement keeps Minnesota competitive in a global economy because we can incentivize change and fill gaps that others cannot.