
Emerging Entrepreneur Board Annual Report

Report to the Commissioner
8/30/2024

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Introduction

The Emerging Entrepreneur Board is an advisory board chaired by the Commissioner of the Department of Employment and Economic Development and includes the chair of the Metropolitan Council and the Commissioner of Human Rights. There are 12 public members appointed by the Governor.

The board:

1. Investigates and evaluates methods to enhance urban development, particularly methods relating to economic diversification through minority business enterprises and job creation for minority and other persons in low-income areas. The enterprises shall include, but are not limited to, technologically innovative industries, value-added manufacturing, and information industries.
2. Submits a report to the commissioner each year by February 1st describing the condition of Minnesota small businesses that are majority owned and operated by a racial or ethnic minority, woman, veteran, or a person with disabilities, along with any policy recommendations.
3. Acts as a liaison between the department and nonprofit corporations engaged in small business development support activities.
4. Assists the department in informational outreach about small business assistance programs.

Fulfilling requirement #2 above, this report includes 1) an overview of current business conditions of Minnesota small businesses owned by minorities¹, women, veterans, and persons with disabilities, and 2) a set of policy recommendations.

This report relies heavily on the following data and reports²:

1. The Census Bureau’s Annual Business Survey (ABS). This survey combines data that had been collected in the Annual Survey of Entrepreneurs (discontinued after 2016) and the Survey of Business Owners and Self-Employed Persons (discontinued after 2012). The ABS is now the official collection and publication of these data. The ABS includes reports on both employer businesses and non-employer businesses. Employer business data is from 2021, and non-employer data is from 2020, the most recent years with data releases.
2. 2017 Minnesota Joint Disparity Study (“Disparity Study”) – This study had a strong focus on industries specific to government contracting programs. An updated report was recommissioned in February 2024 to be released in 2025; therefore, 2017 is the most recent data.

¹ This report focuses on Black or African American, American Indian and Alaska Native, Asian, Hispanic/Latino, and White. The number of Native Hawaiian and Other Pacific Islander-owned businesses was not disclosed in the ABS 2021 table due to the small number reporting.

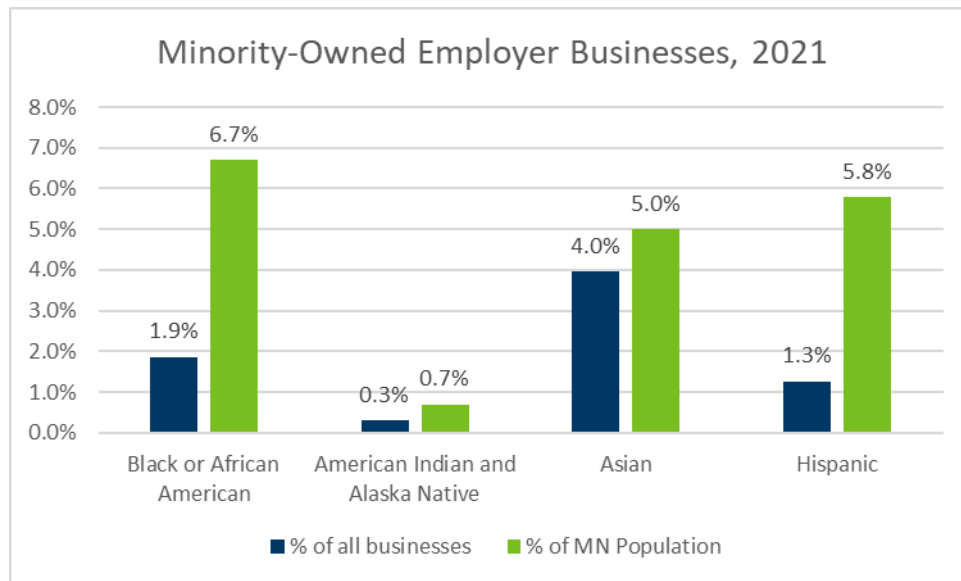
² All data sources include businesses of all sizes.

- Census Bureau population data. Data on race, sex, and ethnicity are from the decennial census in 2020 and the American Community Survey (ACS) in 2021. Estimates for numbers of veterans are from the ACS.

Minority-Owned Employer Businesses

Current Business Conditions

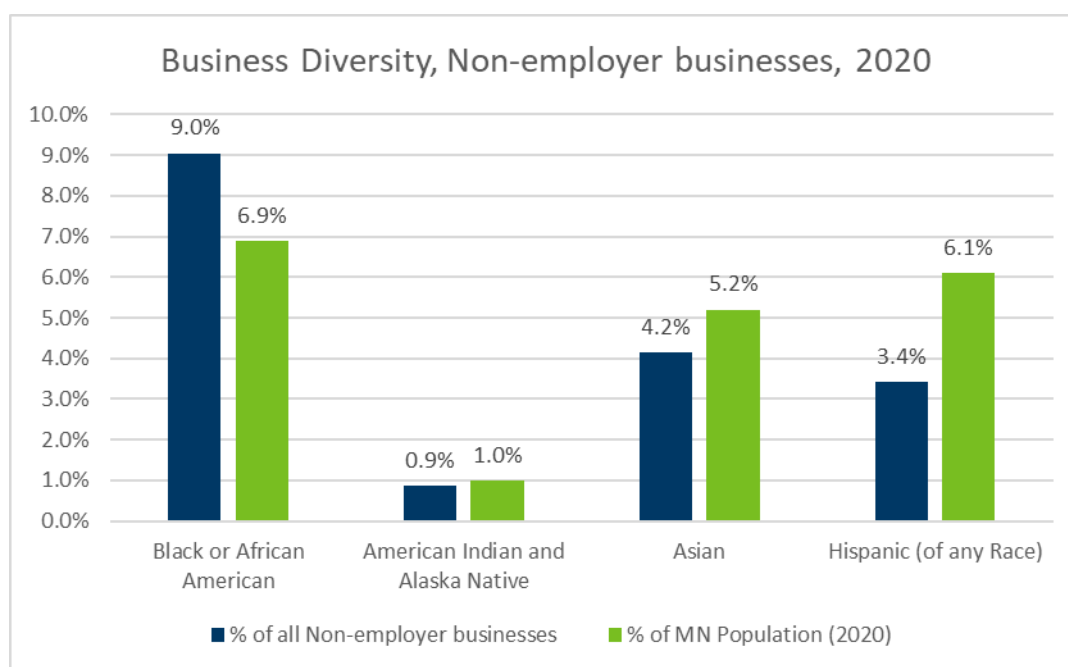
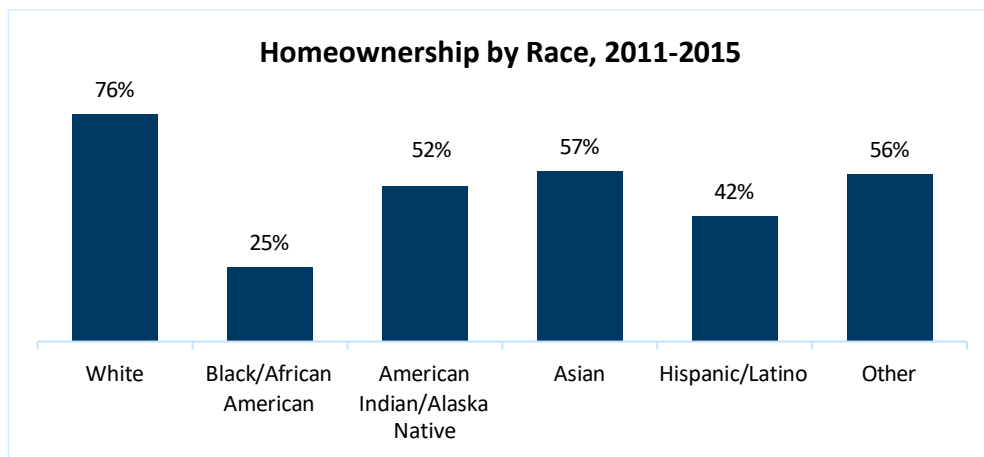
A disparity exists in minority business ownership rates compared to the minority population. While 6.7% of the population in Minnesota is Black or African American, Black or African American-owned businesses make up 1.9% of the employer businesses in the state. The American Indian and Alaska Native population is 0.7% compared to ownership of 0.3% of employer businesses. The Hispanic (of any race) population is 5.8% compared to ownership of 1.3% of employer businesses. While a gap remains, it is narrower for Asian-owned businesses at 4.0% of all businesses compared to 5.0% of the population.³



Demographic, 2021	# of employer businesses	% of all employer businesses	% of MN Population
White	96,088	85.7%	76.9%
Black or African American	2,095	1.9%	6.7%
American Indian and Alaska Native	354	0.3%	0.7%
Asian	4,458	4.0%	5.0%
Hispanic	1,419	1.3%	5.8%

³ Minority Owned Firms in Minnesota, DEED Report, 2015. Note: White, Black or African American, and American Indian and Alaska Native, and Asian population percentages are for each of those races alone (Non-Hispanic). Businesses where each demographic is the sole or majority owner are counted in the number of employer businesses.

In the case of non-employer businesses, Black or African American-owned businesses make up 9.0% of all non-employer businesses in Minnesota while comprising 6.9% of the population. Gaps are reflected in ownership rates for American Indian and Alaska Native, Asian, and Hispanic (of any race) as they are for employer businesses, but these gaps are narrower. The difference may be reflected by the types and industries of the businesses as well as the rise of the gig economy since the mid 2010s.



Demographic, 2020	# of Non-employer businesses	% of all Non-employer businesses	% of MN Population (2020)
White	334,000	81.7%	76.3%
Black or African American	37,000	9.0%	6.9%
American Indian and Alaska Native	3,500	0.9%	1.0%
Asian	17,000	4.2%	5.2%
Hispanic (of any Race)	14,000	3.4%	6.1%

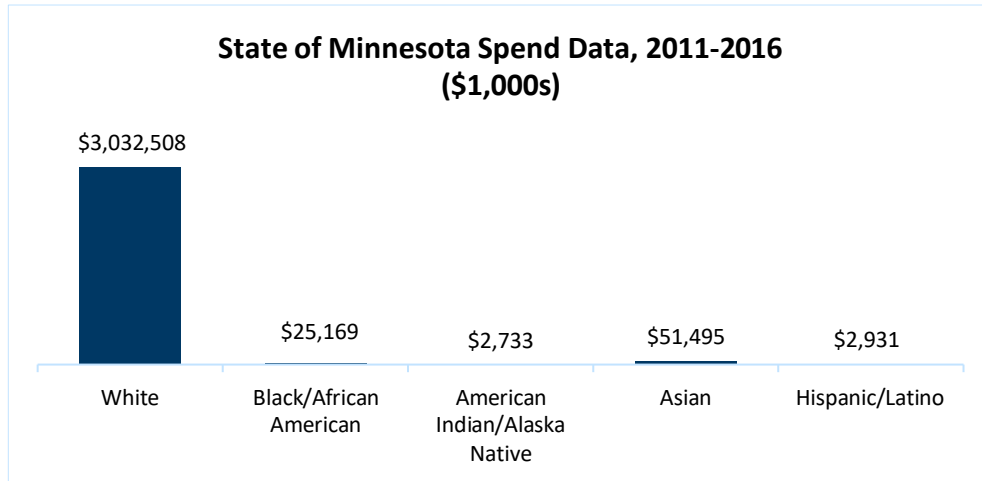
Access to Capital

Homeownership is an important source of capital to start or expand a business. Minorities continue to

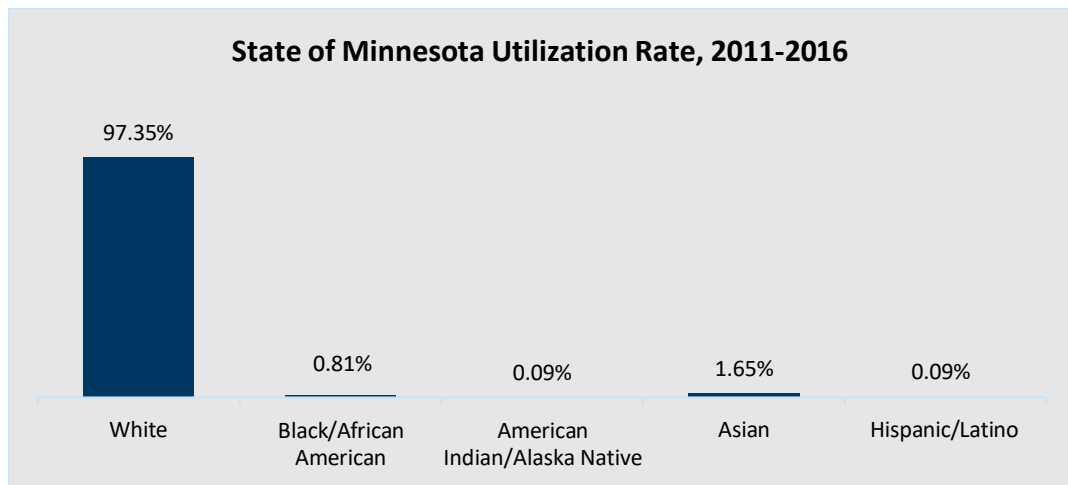
experience lower rates of homeownership compared to whites.⁴

Sales

According to the SBO, the average sale for minority-owned businesses (\$183,000) is much lower than white-owned businesses (\$638,000). One area for improvement in increasing sales is increasing contracting opportunities in the public and private sector. According to the Disparity Study, the State of Minnesota total spend from 2011-2016 was \$3.1 billion, with less than \$100 million spent with minority businesses.



Source: Minnesota Joint Disparity Study, Minnesota Department of Administration, 2017.

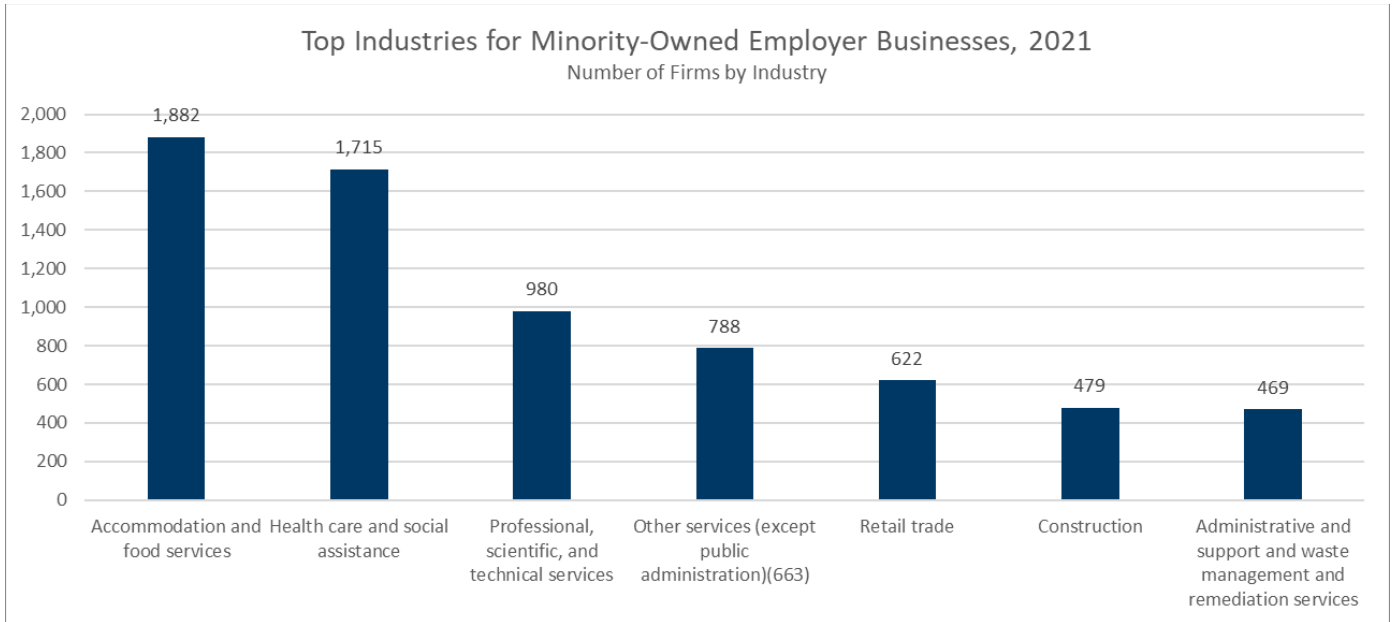


Source: Minnesota Joint Disparity Study, Minnesota Department of Administration, 2017.

⁴ Minnesota Joint Disparity Study, Minnesota Department of Administration, 2017.

Industry sector

Accommodation and Food Services is the top industry for minority-owned businesses followed closely by health care and social assistance.

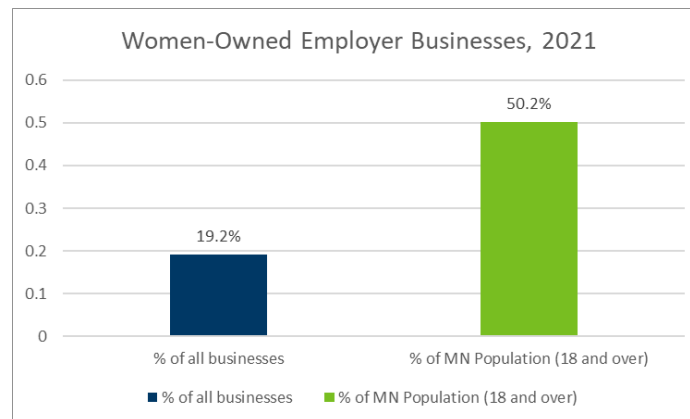


Women-Owned Employer Businesses

Current Businesses Conditions

A disparity exists in women business ownership rates compared to the population of women. Women were 50.2% of Minnesota's population in 2021 but owned only 19.2% of all employer businesses.⁵

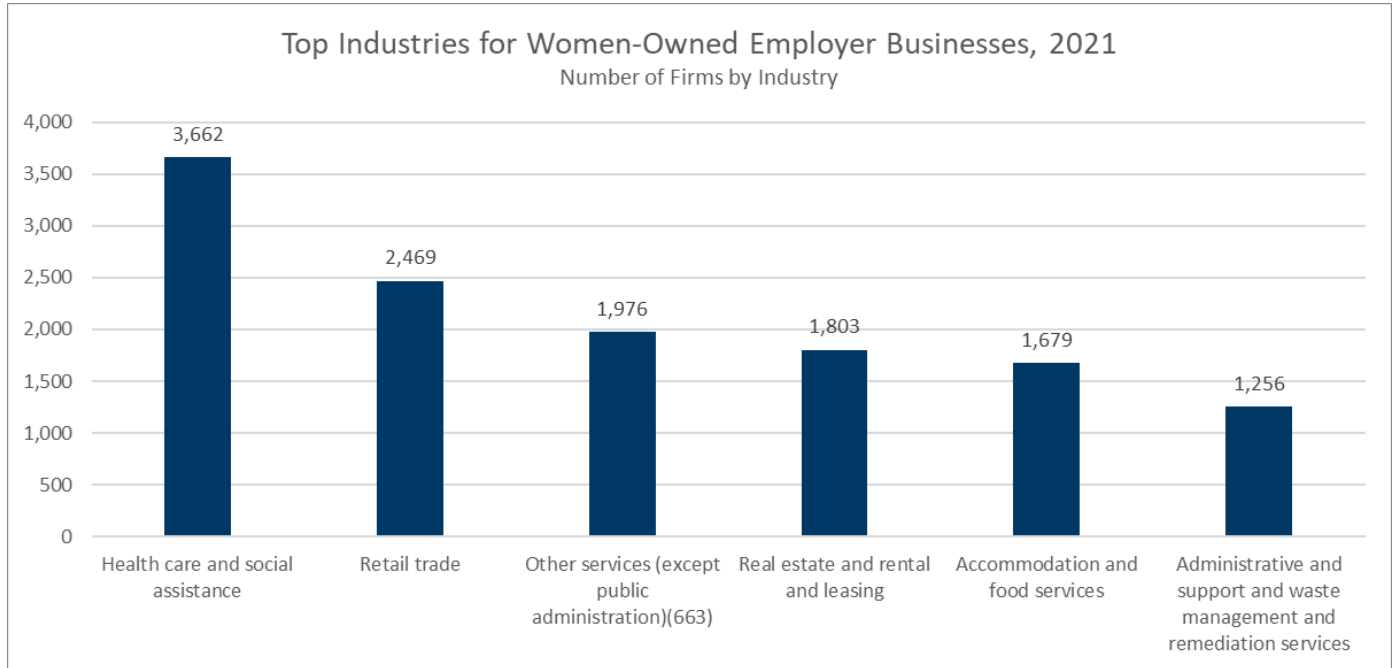
Sales: According to the Disparity Study, women-owned businesses received 8.82% (\$274.6 million) of the State's spend between 2011 and 2016.



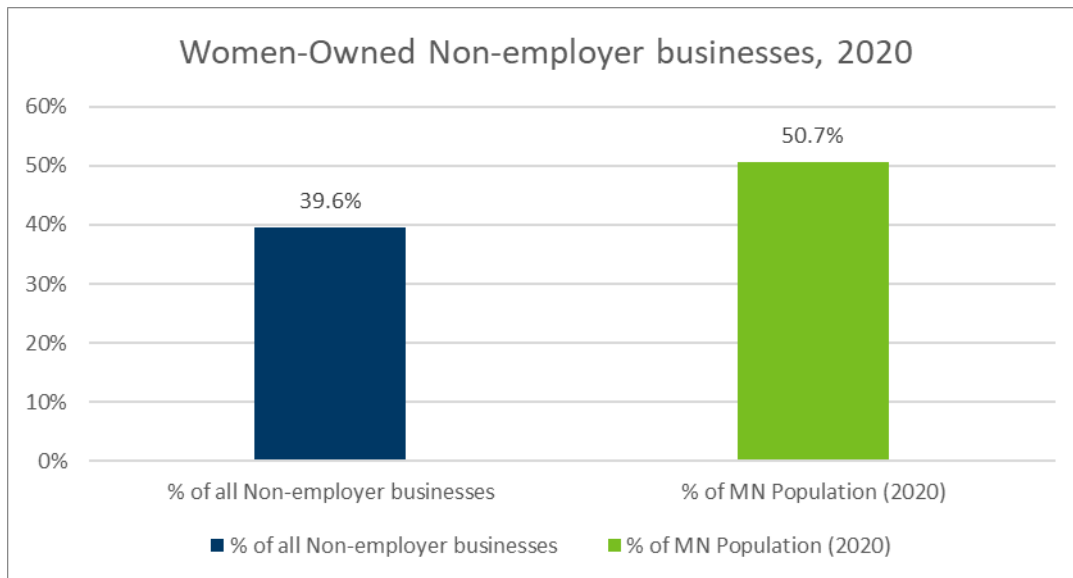
⁵ Minnesota Joint Disparity Study, Minnesota Department of Administration, 2017.

Industry Sector

Health care and social assistance is the top industry for women-owned employer businesses.



The gap in ownership rates is narrower for women-owned non-employer businesses. In 2020, 39.6% of all businesses were owned by women.



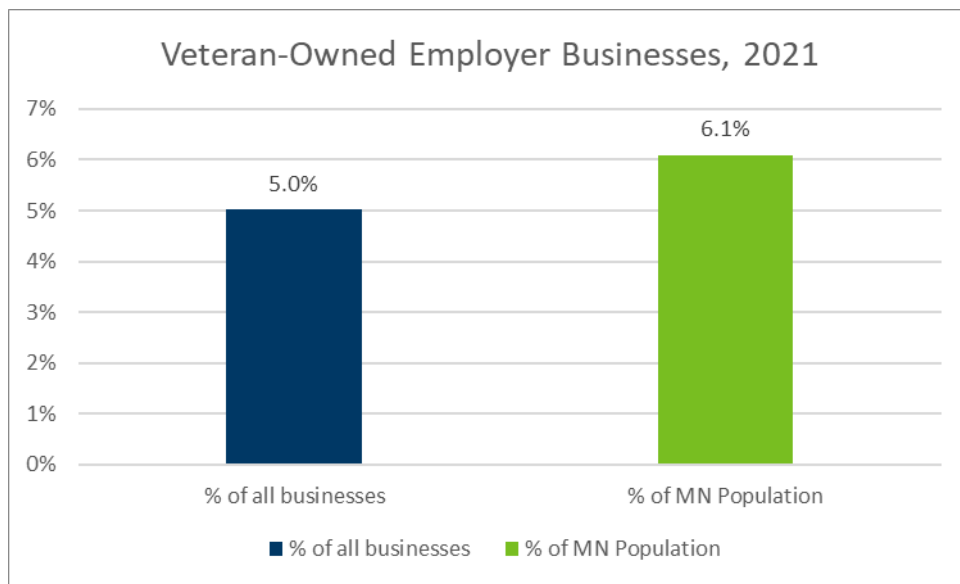
Sex, 2020	# of Non-employer businesses	% of all Non-employer businesses	% of MN Population (2020)
Female	162,000	39.6%	50.7%

Veteran-Owned Businesses

Current Businesses Conditions

A disparity currently exists for employer businesses solely or majority owned by veterans in Minnesota compared to the veteran population. Veterans make up 6.1% of the population and 5.0% of employer businesses.

Veteran business ownership rates vary across the state. Central Minnesota had the lowest percentage of veteran-owned LLCs filed in 2017, with veterans starting 5.85% of all businesses. Meanwhile, Northeastern Minnesota had the highest rate of veteran-owned LLCs filed, with veterans starting approximately 8.5% of all businesses.⁶



Access to capital

The homeownership rate for veterans was 82%, exceeding all other demographics, the next highest being whites at 76%. However, due to the 20 years of service historically required to receive a military retirement plan, veterans are less likely to have retirement savings that can be leveraged for startup capital.

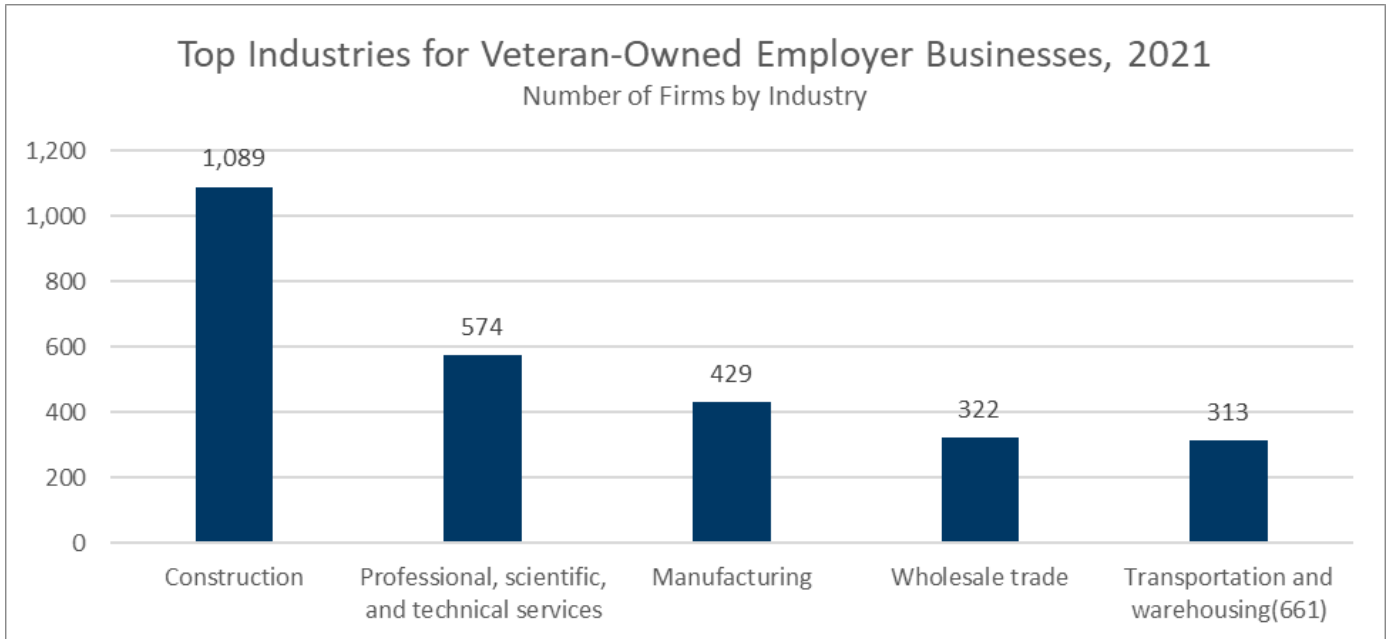
Sales

According to State spending, veteran-owned businesses received \$1.9 million in contracts in 2015. However, much like every other group (except white men), veterans are underutilized in comparison to their ownership rate. Underutilization refers to a smaller percentage of State spend dollars going to veterans proportional to their population size.

Industry Sector

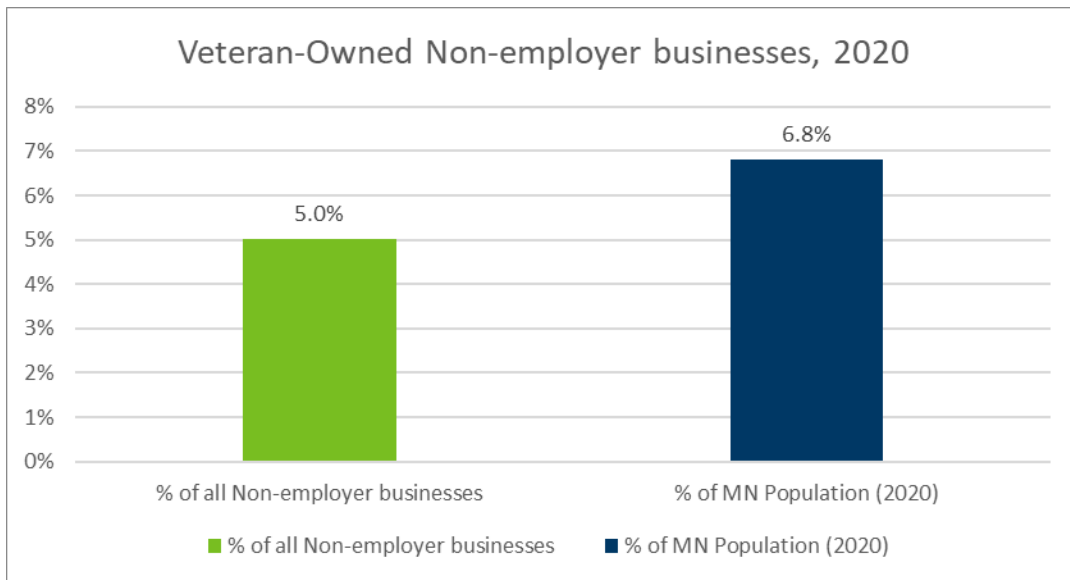
⁶ Minnesota Joint Disparity Study, Minnesota Department of Administration, 2017.

Construction is the top industry for veteran-owned employer businesses.



Note: A limited number of firms were classified into industries in the ABS 2021 data for veterans. Therefore, the sum of firms in individual industries does not equal the total.

The gap in the veteran ownership rate for non-employer businesses is similar to that of employer businesses.



Veteran Status	# of Non-employer businesses	% of all Non-employer businesses	% of MN Population (2020)
Veteran	20,500	5.0%	6.8%

Businesses Owned by Persons with Disabilities

Very few data sources exist for persons with disabilities. The SBO and ASE data do not contain information on persons with disabilities. The federal Office of Disability Employment Policy (ODEP) has collected and published a number of resources related to self-employment and entrepreneurship for persons with disabilities.

According to the Disparity Study, the mean annual earnings for businesses owned by persons with disabilities were \$28,066 from 2011 through 2015, while business owners without a disability had mean annual earnings of \$38,198.

Sales

Businesses owned by persons with disabilities are also included in the MN Department of Administration's targeted procurement program. In 2015, \$1,101,024 procurement dollars went to businesses owned by persons with disabilities. Persons with disabilities make up a very small segment of the list of targeted vendors on the Minnesota Office of State Procurement website.

Board Policy Recommendations

Based on the information above, the Board submits the policy recommendations to increase disadvantaged businesses access to networks and technical assistance. The board recommends the following that DEED should:

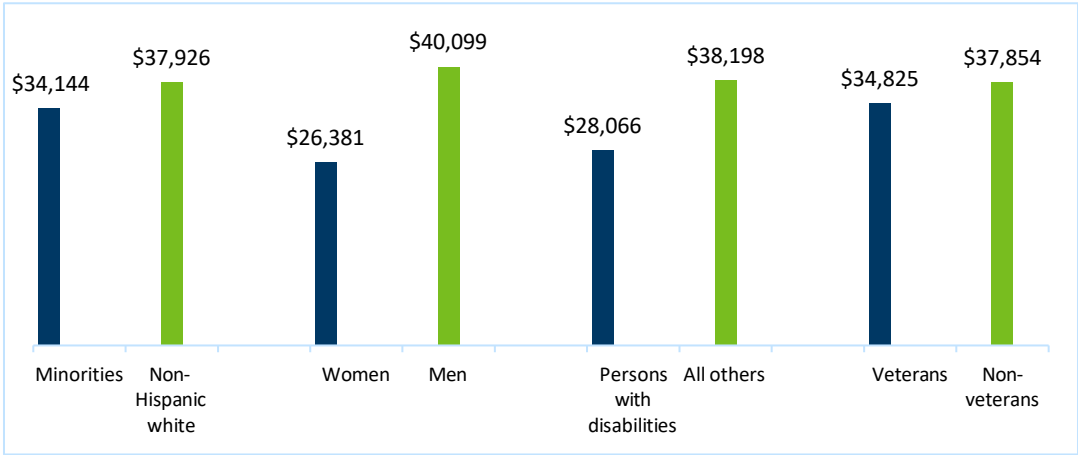
Increasing Access to Capital:

- Propose to the legislature a tax credit for large Minnesota corporations up to 100 percent of their yearly increase in the amount of their purchasing of goods and services from BIPOC and other underserved populations as defined at Minn. Stat. 116J.682.
- Propose a legislative increase in funding for DEED lending programs that offer below market interest rates and are available to fund medical expenses of the business's operators.
- Support a legislative increase in funding for Minnesota entrepreneurs and Community Development Financial Institution(CDFIs) and conduct surveys to ensure that Emerging Entrepreneur Loan Fund (ELF) is distributed in areas where funding is most needed and provide funding to the Minnesota Small Business Development Center (MN SBDC) to develop a capital access center that ensures equity in financial proformas and training to underserved communities.
- Propose increased funding for DEED's veterans programs and encourage DEED's Workforce programs to initiate efforts with other relevant state agencies to obtain funding to establish or expand programs to re-integrate ex-offenders into the job market.

Providing Capacity for Businesses to Succeed:

- Provide funding to the MN SBDC to assist minority businesses with business transitions like broad employee ownership, business spinoffs and changes in control, and private placements of securities.
- Support public-private partnerships and private joint ventures through matchmaking services to support inclusion to increase sales for minority owned businesses.
- Provide tools and support to CDFIs to ensure small businesses have sustainable support beyond training and grant funding. Develop additional resources that provide entrepreneurial training opportunity to underserved populations that help build wealth generation.
- Provide tools and support such as business mentor training to CDFIs and other non-profit business assistance programs to ensure that small businesses have sustainable support beyond training and grant funding. Develop additional resources that provide entrepreneurial training opportunities to underserved populations that help build wealth generation.
- Utilize Launch Minnesota's established hub and spoke support model to explore ways to increase the number of disadvantaged businesses that receive assistance to help start, scale, and succeed locally, regionally, and statewide.

Appendix A: Mean Annual Business Owner Earnings (2011-2015)



Source: 2017 Minnesota Joint Disparity Study

Appendix B: Businesses with Employees (2020-2021)

Characteristic	# of Businesses with Employees, 2020	# of Businesses with Employees, 2021	% change in # of businesses with employees (2020-2021)
All Businesses	111,659	112,176	0.5%
Minority-Owned	7,094	8,345	17.6%
Veteran-Owned	5,163	5,641	9.3%
Woman-Owned	N/A	21,529	N/A

Source: *Annual Business Survey (ABS)*. Minority-owned businesses are the sum of Black or African American alone, American Indian and Alaska Native alone, Asian alone, and Hispanic (of any race).

Appendix C: Number of Employees (2020-2021)

Characteristic	# of Employees, 2020	# of Employees, 2021	% change in # of Employees (2020-2021)
All Businesses	2,677,699	2,539,176	-5.2%
Minority-Owned	65,939	79,470	20.5%
Veteran-Owned	63,521	53,744	-15.4%
Woman-Owned	100,000 employees or more	189,400	N/A

Source: *Annual Business Survey (ABS)*. Minority-owned businesses are the sum of Black or African American alone, American Indian and Alaska Native alone, Asian alone, and Hispanic (of any race).

Appendix D: Annual Payroll (\$1,000s) 2020-2021

Characteristic	Annual Payroll (\$1,000s), 2020	Annual Payroll (\$1,000s), 2021	% change in Annual Payroll (2020-2021)
All Businesses	\$153,313,982	\$158,941,741	3.7%
Minority-Owned	\$2,111,438	\$2,866,473	35.8%
Veteran-Owned	\$2,807,758	\$2,800,360	-0.3%
Woman-Owned	N/A	\$8,344,758	N/A

Source: *Annual Business Survey (ABS)*. Minority-owned businesses are the sum of Black or African American alone, American Indian and Alaska Native alone, Asian alone, and Hispanic (of any race).

Appendix E: State Programs

There are several state programs that target disadvantaged business. The following is a listing of key programs.

Program	Lead Agency	Description
Targeted Group, Economically Disadvantaged and the Veteran (TG/ED/VO) Small Business Procurement Program	Department of Administration	This program provides preferences to certified minority- and women-owned firms, companies owned by people with a substantial physical disability, businesses located in an economically disadvantaged area, and veteran-owned businesses.
Minnesota Procurement Technical Assistance Center	Department of Administration	PTAC helps businesses navigate through the complicated intricacies of obtaining federal, state, and local government contracts. Staff is located throughout the state to better assist all of Minnesota. PTAC staff advises and assists clients in the identification of market opportunities as well as the preparation and proper submission of applications, certifications, and registrations necessary for them to do business with federal, state, and local government entities.
Federal Disadvantaged Business Enterprise (DBE) Program	Department of Transportation	This program aims to increase the participation of minority and women-owned businesses in state and local transportation projects that are funded by the Department through the Federal Aviation Administration (FAA), the Federal Highway Administration (FHWA), and the Federal Transit Administration (FTA).
Business Development Competitive Grant Program	Department of Employment and Economic Development	This program provides grants to non-profit agencies providing education and technical assistance to Minnesota small businesses.
Emerging Entrepreneur Loan Program	Department of Employment and Economic Development	This program supports the growth of businesses owned and operated by minorities, low-income persons, women, veterans and/or persons with disabilities. DEED provides grant funds to a network of nonprofit lenders which use these funds for loans to start-up and expanding businesses throughout the state.
Minnesota Small Business Development Centers	Department of Employment and Economic Development and local partners.	This program provides education and technical assistance to Minnesota small businesses.