
Emerging Entrepreneur Board Annual Report

Report to the Commissioner
10/29/2018

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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. U.S. Census Bureau, Annual Survey of Entrepreneurs (ASE), 2014 and 2015 – The ASE is the most current data source. It excludes sole proprietors and businesses owned by people with disabilities. In some categories data on women-owned business is not available (thus replaced with N/A in this report). See Appendix B, C, and D for more detailed data.
2. U.S. Census Bureau Survey of Business Owners and Self-Employed Persons (SBO, 2007-2012) – Released every five years, the SBO does include sole proprietors.
3. 2017 Minnesota Joint Disparity Study (“the Disparity Study”) – This study had a strong focus on industries specific to government contracting programs.
4. Latest Data on Minority Businesses in Minnesota, 2015.

¹ This report focuses on Black/African American, Asian, Hispanic/Latino, and White. Due to the relatively small size of the Native Hawaiians/Pacific Islanders population in Minnesota and data, this group was not included.

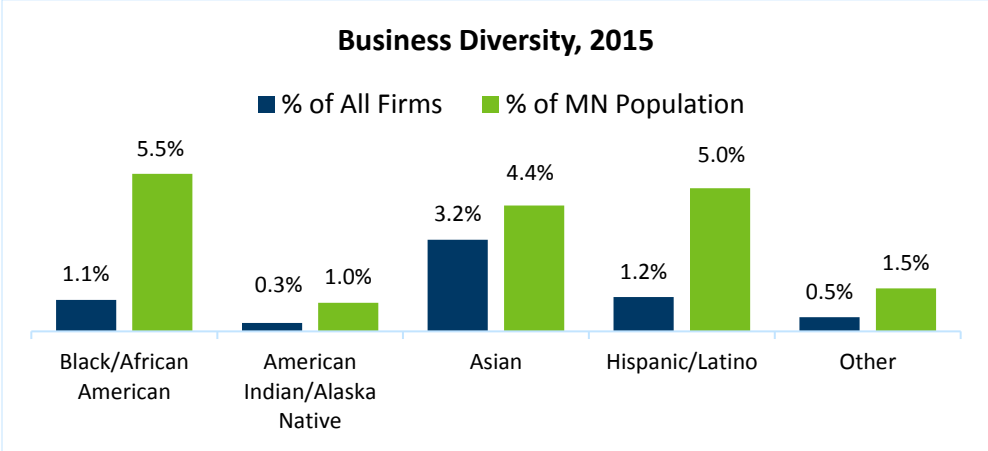
² All data sources include businesses of all sizes.

Minority-Owned Businesses

Current Business Conditions

According to the SBO, minority-owned businesses have experienced a growth in the number of businesses (53%), number of sales (58%), number of jobs created (68%), and payroll (71%). This growth exceeds that of non-minority-owned businesses.³ However, compared to white-owned businesses, minority-owned businesses have a significant disparity in ownership, access to capital and sales.

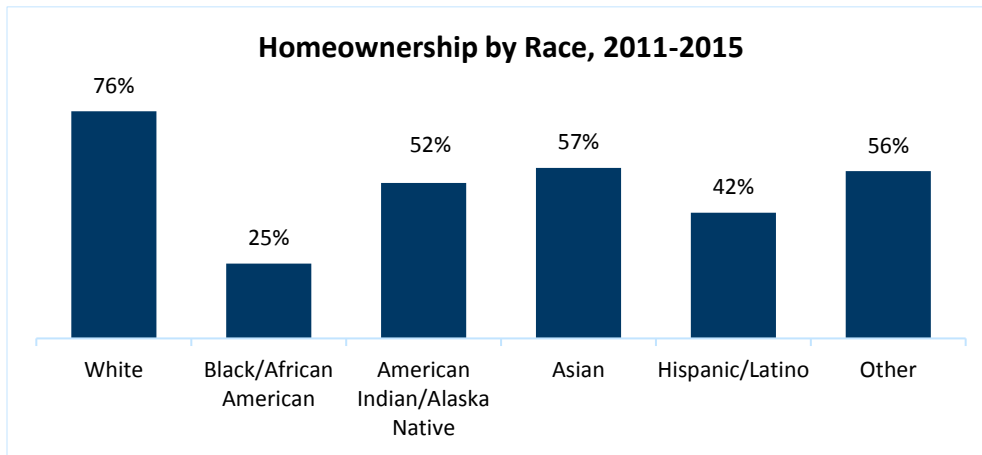
Business Ownership: A disparity exists in minority business ownership rates compared to the minority population.



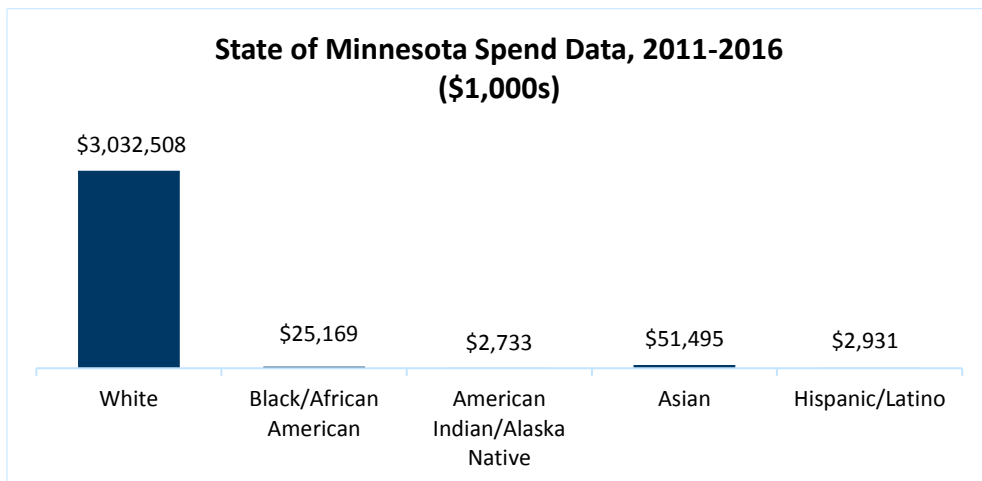
Demographic	# of businesses	% of All Businesses	% of MN Population
White	98,856	87.4%	84.8%
Black/African American	1,291	1.1%	5.5%
American Indian/Alaskan Native	379	.3%	1.0%
Asian	3,597	3.2%	4.4%
Hispanic/Latino	1,347	1.2%	5.0%
Other	566	.5%	1.5%

³ Source: [Latest Data on Minority Businesses in Minnesota, 2015](#).

Access to Capital: Homeownership is an important source of capital to start or expand a business.⁴ Minorities continue to experience lower rates of homeownership compared to whites.

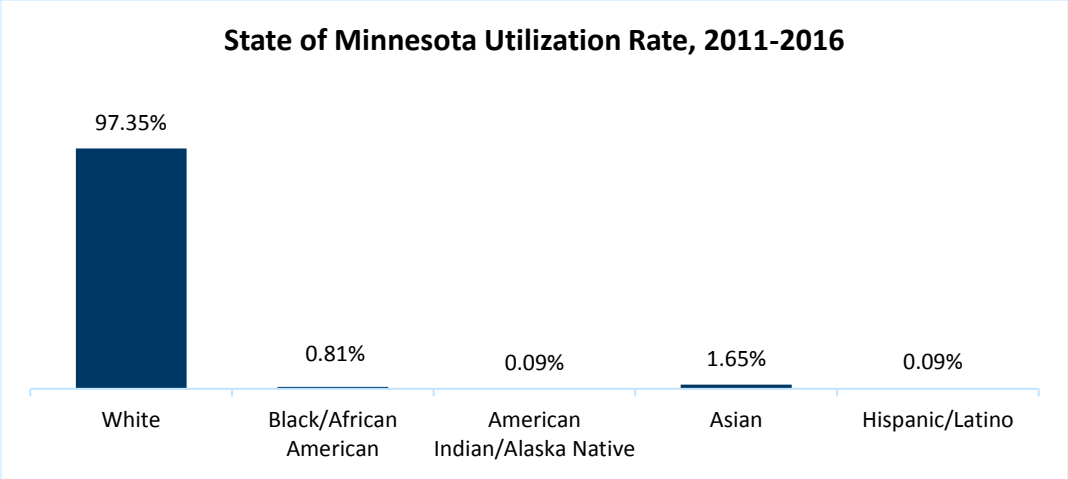


Sales: According to the SBO, the average sale for minority-owned businesses (\$183,000) is much lower than white-owned businesses (\$638,000). One area for improvement in increasing sales is increasing contracting opportunities in the public and private sector. According to the Disparity Study, the State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



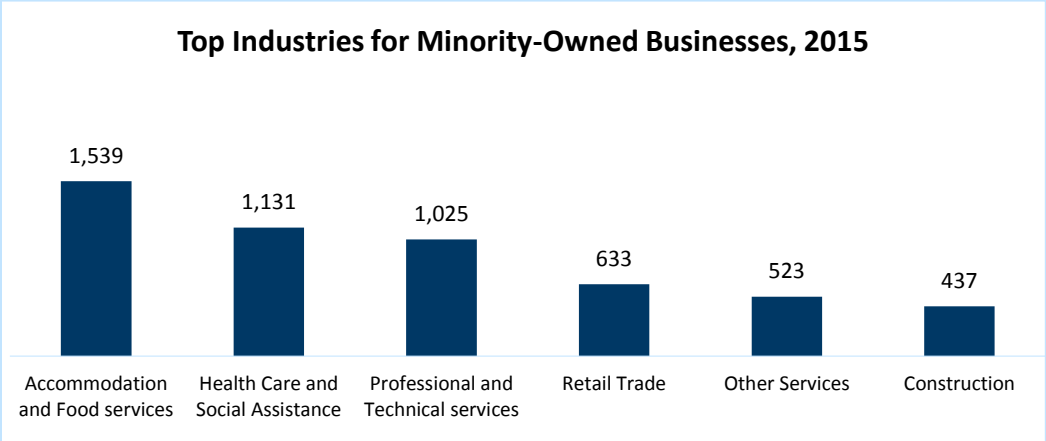
Source: 2017 Minnesota Joint Disparity Study

⁴ See 2017 Minnesota Joint Disparity Study.



Source: 2017 Minnesota Joint Disparity Study

Industry sector: Accommodation and Food Services is a top industry for minority-owned business.

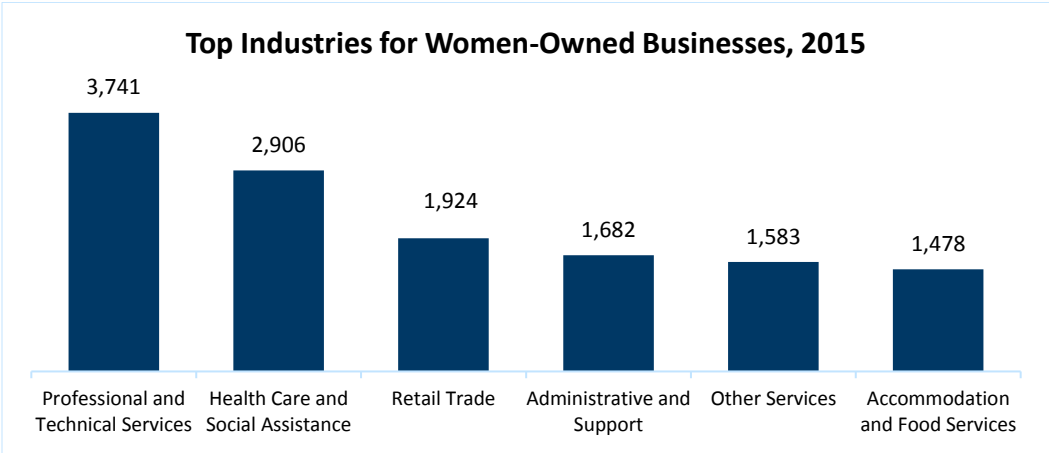


Women-Owned Businesses

Current Businesses Conditions

Ownership: According to the SBO, the number of women-owned businesses has increased from 27.8% to 33.0%. However, a disparity exists in women business ownership rates compared to the population of women. Women are 50.3% of Minnesota’s population, but own only 16.1% of all businesses.

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



Veteran-Owned Businesses

Current Businesses Conditions

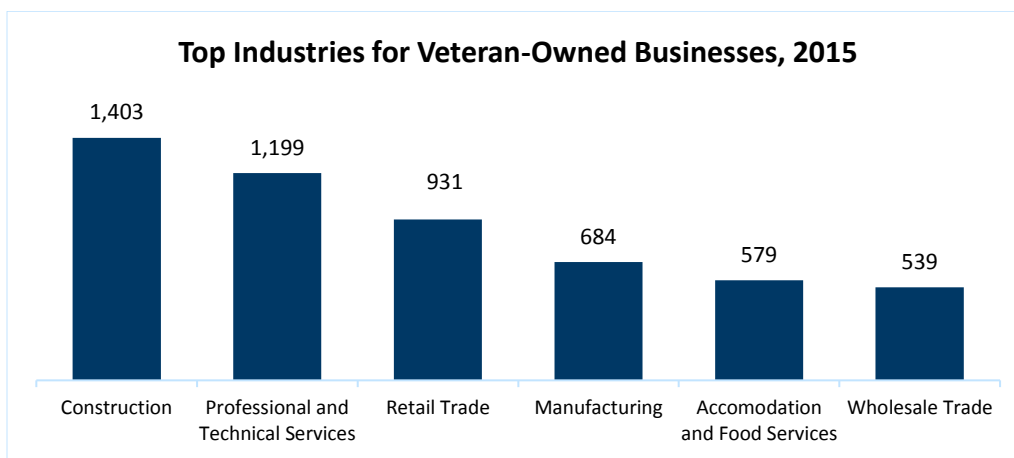
Veteran-owned businesses are growing at one of the slowest rates. The number of veteran-owned businesses increased 0.8% from 2014 to 2015, second only to black-owned businesses which experienced a decrease in the number of businesses. However, no disparity exists in veteran business ownership rates compared to veteran population; the ownership rate surpasses their population rate (veterans make up 6.3% of Minnesota’s population and 7.3% of all 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.⁵

The number of veterans pursuing business ownership is at historic lows, but those that choose to pursue it have very high success rates. There is a large opportunity for veterans who pursue entrepreneurship, and both the individual veteran and the economy as a whole benefit from an increase in veteran-owned businesses.

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 leverage 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.



Minority Veterans

⁵ Source: Bunker Labs

Minority veteran-owned businesses are outpacing the overall veteran growth rates in a number of areas by a significant margin. The number of minority veteran-owned businesses grew by 130% from 2007-2012 according to the SBO while the overall veteran business growth rate was only 6%. There are also substantial growth rates for minority veteran-owned businesses in sales (73%), job creation (85%), and annual payroll (106%).

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.

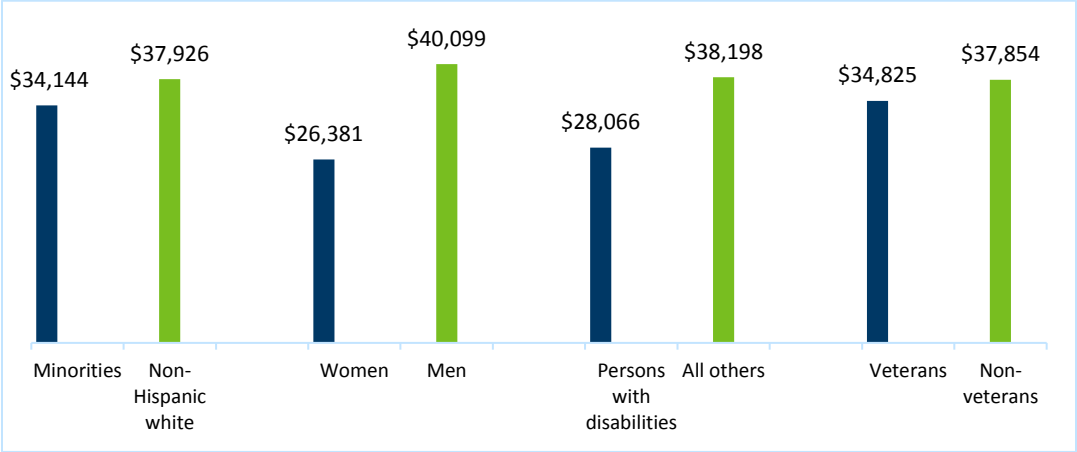
Sales: Businesses owned by persons with disabilities are also included in the MN Department of Administration's targeted procurement program. In 2015, \$1,101,024 procurement dollars went to businesses owned by persons with disabilities. Persons with disabilities make up a very small segment of the list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

Policy Recommendations

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

- Utilize informal procurement networks in the private/nonprofit sector (i.e. Business Bridge, Itasca Project, Forge North, MEDA Catalyst, etc.).
- Advise larger corporations to utilize business incubator programs to provide administrative/technical services for their vendors and potential vendors.
- Explore matchmaking systems for business transitions to minority groups (democracy collaborative, employee-owned stock purchases, and business spinoffs).
- Support public-private partnership opportunities around small business inclusion to increase sales for minority-owned businesses.
- Assist in equipping technical assistance providers with tools, trainings, and best practices.
- Explore avenues for increasing the number of disadvantaged businesses in technologically innovative and manufacturing industry sectors.
- Assist in creating formal opportunities akin to Startup Day Across America where state senators and representatives sit down with disadvantaged business enterprises about their needs and how best to serve them.
- Propose to the legislature an increase in funding for the Minnesota Reservist and Business Loan Program to \$1,000,000.
- Advocate for more resources and funding for Minnesota entrepreneurs, which will increase the opportunities for the broader pool of entrepreneurs and the subset of disadvantaged business enterprise entrepreneurs. DEED should consider paying special attention to regions that are underperforming on disadvantaged business enterprise creation.
- Assist in helping to reconnect veterans to the community following service deployment.

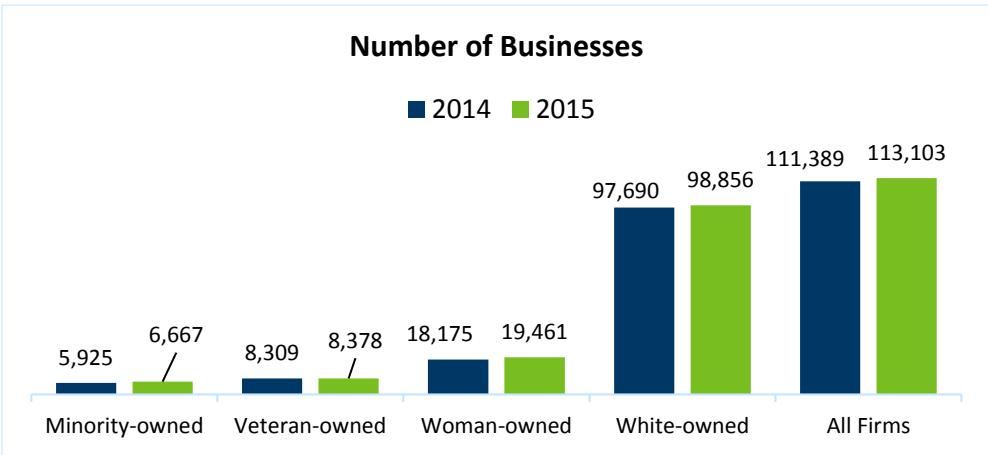
Appendix A: Mean Annual Business Owner Earnings (2011-2015)



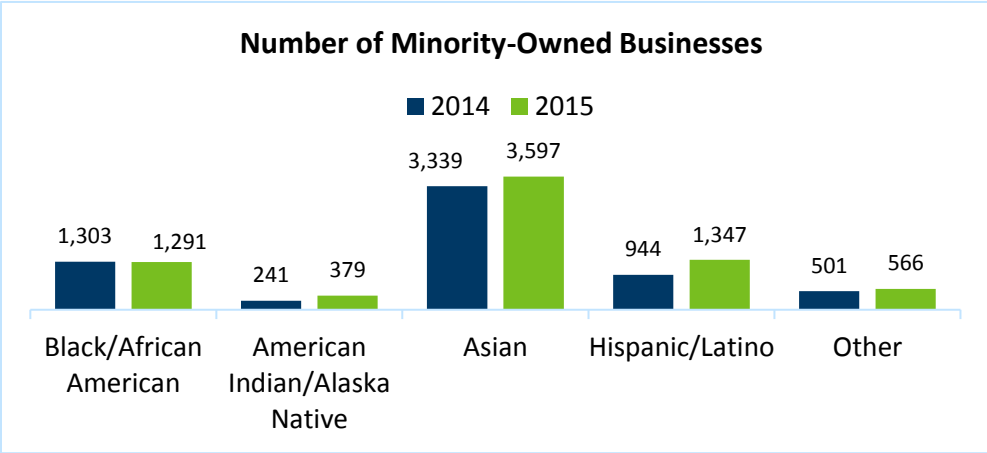
Source: 2017 Minnesota Joint Disparity Study

Appendix B: Businesses with Employees (2014-2015)

Characteristic	# of Businesses with Employees, 2014	# of Businesses with Employees, 2015	% Change in # of Businesses with Employees (2014-2015)
All Businesses	111,389	113,103	1.5%
Minority-Owned	5,925	6,667	12.5%
Veteran-Owned	8,309	8,378	0.8%
Woman- Owned	18,175	19,461	7.1%

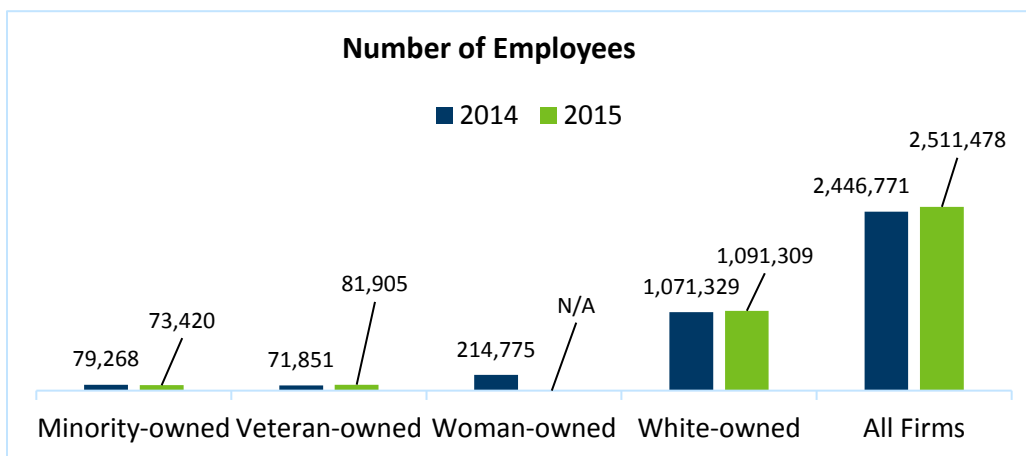


Characteristic	# of Businesses with Employees, 2014	# of Businesses with Employees, 2015	% Change in # of Businesses with Employees (2014-2015)
White	97,690	98,856	1.2%
Black/African American	1,303	1,291	-0.9%
American Indian/Alaska Native	241	379	57.3%
Asian	3,339	3,597	7.7%
Hispanic/Latino	944	1,347	42.7%
Other	501	566	13.0%

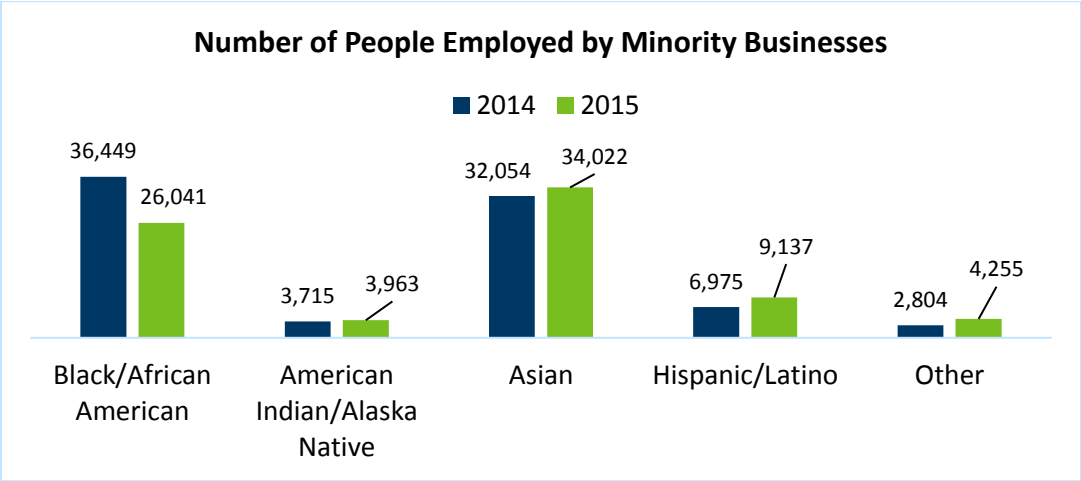


Appendix C: Number of Employees (2014-2015)

Characteristic	# of Employees, 2014	# of Employees, 2015	% Change in # of Employees (2014-2015)
All Businesses	2,446,771	2,511,478	2.6%
Minority-Owned	76,268	73,420	-7.4%
Veteran-Owned	71,851	81,905	14%
Woman-Owned	214,775	N/A	N/A

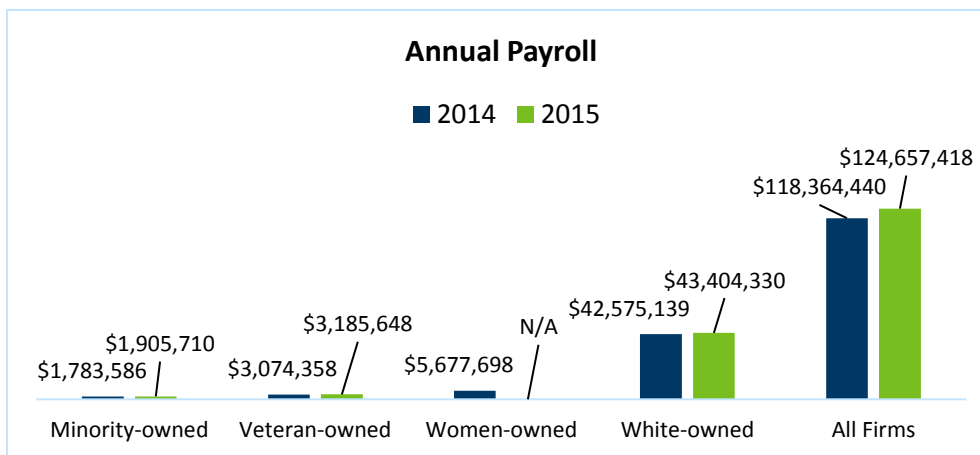


Characteristic	# of Employees, 2014	# of Employees, 2015	% Change in # of Employees (2014-2015)
White	1,071,329	1,091,309	1.9%
Black/African American	36,449	26,041	-28.6%
American Indian/Alaska Native	3,715	3,963	6.7%
Asian	32,054	34,022	6.1%
Hispanic/Latino	6,975	9,137	31.0%
Other	2,804	4,255	51.7%

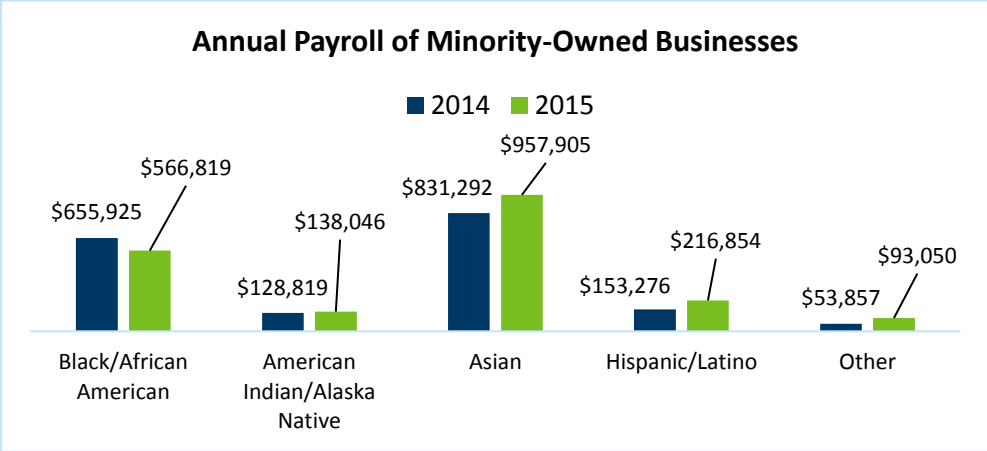


Appendix D: Annual Payroll (\$1,000s)

Characteristic	Annual Payroll (\$1000s), 2014	Annual Payroll (\$1000s), 2015	% Change in Annual Payroll (2014-2015)
All Businesses	\$111,364,440	\$124,657,418	5.3%
Minority-Owned	\$1,783,586	\$1,905,710	6.8%
Veteran-Owned	\$3,074,348	\$3,185,648	3.6%
Woman-Owned	\$5,677,698	N/A	N/A



Characteristic	Annual Payroll (\$1000s), 2014	Annual Payroll (\$1000s), 2015	% Change in Annual Payroll (2014-2015)
White	\$42,575,139	\$43,404,330	1.9%
Black/African American	\$655,925	\$566,819	-13.6%
American Indian/Alaska Native	\$128,819	\$138,046	7.2%
Asian	\$831,292	\$957,905	15.2%
Hispanic/Latino	\$153,276	\$216,854	41.5%
Other	\$53,857	\$93,050	72.8%



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.