



STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

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JAMES R. NOBLES, LEGISLATIVE AUDITOR

February 14, 1996

Members

Legislative Audit Commission

In June 1995, the Legislative Audit Commission directed us to evaluate state grant and loan programs for businesses. The commission wanted an assessment of the programs' effectiveness in helping businesses to create jobs in Minnesota. We focused our evaluation on business assistance programs, particularly the Economic Recovery Grant Program, administered by the Department of Trade and Economic Development (DTED).

For the most part, businesses receiving assistance have created the jobs they promised. Since 1991, firms accepting grants or loans from the Economic Recovery Fund (totalling over \$44 million) have created more than 8,300 jobs. But the median wage level was only \$7.20 per hour and some of the jobs were not permanent. We also found that DTED has interpreted state law to allow assistance to some businesses that could carry on their projects without the state's help.

We recommend that DTED modify its method of scoring applications for assistance and give preference to businesses that promise to create higher wage jobs. We also recommend that the Legislature clarify the purposes of the program and provide guidance to the department on what kind of businesses should receive assistance.

Our report was researched and written by Tom Walstrom (project manager), Carrie Meyerhoff, and Tara Jebens-Singh, and cost approximately \$50,000. We received the full cooperation of the Department of Trade and Economic Development.

Sincerely,

James Nobles
Legislative Auditor

Roger Brooks
Deputy Legislative Auditor