



EMPLOYMENT AND
ECONOMIC DEVELOPMENT

Governor's Budget Recommendations for the Department of Employment and Economic Development

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Recommendation Overview

- The Governor’s budget recommendation for the Department of Employment and Economic Development reflects a responsible and measured approach to maintain successful programs while also making targeted investments.
- Total General Fund recommendation (in thousands):

FY 26	FY 27	FY 28	FY 29
(\$7,544)	(\$6,988)	(\$8,665)	(\$8,665)

- Total Workforce Development Fund recommendation (in thousands):

FY 26	FY 27	FY 28	FY 29
\$13,000	\$13,000	\$5,000	\$5,000

Service to Success Initiative

- The Governor recommends \$3,000,000/yr in FY 2026-27 and \$500,000/yr in FY 2028-29 from the General Fund for the **Service to Success Initiative**.
- Funding for the **Service to Success Initiative** will be used in three ways:
 - \$600 thousand to establish the Office of Public Service to lead the Service to Success Initiative.
 - \$150 thousand for interagency workforce alignment.
 - \$2.25 million for grants to expand recruitment, retention, and completion of public service opportunities.



Service to Success Initiative

- There are thousands of public service opportunities available to Minnesotans every year, yet the wide variety of programs and positions lack coordination and awareness.
- **Service to Success** targets existing gaps in public service, including:
 - Lack of career pathways for individuals leaving public service programs into relevant careers, including public service careers, and alignment to further educational opportunities;
 - Lack of overall strategy for state investments across agencies into public service programs;
 - Lack of alignment across agencies in how to best use public service programs to align with education and workforce development initiatives in key areas of focus.

Drive for 5 Workforce Initiative

- The Governor recommends \$8,000,000 annually in FY 2026-27 from the Workforce Development Fund for the **Drive for 5 Workforce Initiative**.
- **Drive for 5** addresses the state's job vacancy challenge and prepares a workforce for high-growth careers with family-sustaining wages in five key sectors: (1) technology, (2) labor, (3) caring professions, (4) manufacturing, and (5) educational and professional services.
- Funding will be used for:
 - Competitive Grants for Workforce Development Organizations (\$4.5 million/yr).
 - Competitive Grants for Trade Associations for Job Placement (\$2 million/yr).
 - Employer Engagement Team (\$1.5 million/yr).



Drive for 5 Workforce Initiative

- **Drive for 5 competitive grants for workforce development organizations** will fund established and innovative approaches to training, reskilling, and building career pathways for key industry sectors.
- **Drive for 5 competitive grants for Trade Associations** will help ensure that workforce training efforts are aligned with employer demands and connect graduates with businesses looking to hire.
- **The Drive for 5 Employer Engagement Team** will work throughout local workforce development areas to assist with addressing the hiring needs of Minnesota's businesses through direct connection to job seekers and program participants in the CareerForce system.

Vocational Rehabilitation Services

- The Governor recommends \$5,000,000 annually in FY 2026-27 and FY2028-29 from the Workforce Development Fund for Vocational Rehabilitation Services (VRS).
- VRS provides employment-related services to Minnesotans with disabilities to help them find and retain jobs, advance in their careers, and live independently in their communities.

Vocational Rehabilitation Services

- The VRS program is currently facing budget constraints, due to increasing cost pressures, to maintain current case service levels. VRS has experienced a significant increase in the number of individuals, both students and adults, seeking services over the past few years.
- DEED has taken successive actions to reduce costs to the VRS program, including implementing a freeze on hiring, taking steps to reduce case services costs, slowing the growth of new cases, and other internal savings.
- Given current trends, additional support is needed to continue providing these critical services to help individuals with disabilities live independent, fulfilling lives.

Operations Adjustment

- The Governor recommends \$752,000 in FY 2026 and \$1,522,000 in each year of FY2027-29 to help address operating cost increases at DEED.
- The cost of operations rises each year due to increases in employer-paid health care contributions, FICA and Medicare, IT costs, legal services, and space costs.
- In light of the fiscal constraints, this ask does not fully keep up with needed operating funds – DEED will be absorbing costs even at this amount.

Budget Neutral Recommendations

Minnesota Forward Fund Modifications

- The Governor recommends that the **Minnesota Forward Fund** FY 2024 appropriation be amended to: (1) be available until spent and (2) remove the requirement that funds must be used as matching funds required by federal programs.
- The Minnesota Forward Fund **has positioned Minnesota to compete for and win large investments** that are occurring as the United States works to create domestic production and supply chains that are resilient for economic security and economic enhancement opportunities.
- With the proposed change, the Minnesota Forward Fund will be **better situated to help Minnesota compete** for business expansion and attraction projects in response to a changing economic development and federal funding landscape.



Minnesota Job Skills Partnership Modifications

- The Governor recommends modifications to the **Minnesota Job Skills Partnership (MJSP) Pathways and Partnership Programs** allowing larger maximum grant awards and to allow training providers to request market rates for training.
- The Minnesota Job Skills Partnership (MJSP) Pathways and Partnership Programs help promote economic development by providing businesses with the training they need to remain competitive, develop capacity at our Minnesota educational institutions, and provide workers with economic opportunity by training them in in-demand skills.
- The proposed change will result in **higher quality project proposals as well as greater demand** for MJSP programs.

Updating Workforce Program Outcomes Measures

- The Governor recommends modifying the definition of credential to allow for non-postsecondary credentials under the Workforce Program Outcomes statute (Minn. Stat. § 116L.98, subd. 2).
- Certificates offered from private training providers, such as welding and Commercial Driver's License training, coding boot camps, **provide accessible pathways to high wage, in-demand careers** do not get counted as credentials under the current definition. The proposal refines evaluation of workforce development programs to accurately reflect their impact.

Greater Minnesota Business Development Public Infrastructure

- The Governor recommends **expanding eligibility** for the Greater Minnesota Business Development Public Infrastructure (BDPI) grant program to include **plant-based processing**.
- This would empower the BDPI program to support plant-based processing around corn, beans, sugar beats, and more.
- Plant-based processing creates good jobs and increases the tax base, supporting overall community vitality.



Budget Reduction Recommendations

Overview of DEED Budget Reduction Recommendations

- The following slides show DEED's budget reduction recommendations for the FY26-27 and FY28-29 biennia.
- The reduction recommendations are calibrated so that the programs are still able to provide value to their service populations.
- The Economic Development division receives the greatest proportion of General Fund dollars compared with the other divisions. As a result, most of the reduction recommendations are to economic development programs.
- The Workforce Development and Workforce Services and Transformation divisions rely more on the Workforce Development Fund and federal funds.

Economic Development Reductions

Program	FY26	FY27	FY28	FY29
Job Creation Fund	(\$3,000)	(\$3,223)	(\$2,400)	(\$2,400)
Host Communities	(\$750)	(\$750)	(\$750)	(\$750)
Small Business Assistance Partnership	(\$1,000)	(\$1,000)	(\$1,000)	(\$1,000)
Emerging Entrepreneur Loan Program	(\$500)	(\$500)	(\$500)	(\$500)
Greater Minnesota Business Development Public Infrastructure	(\$2,287)	(\$2,287)	(\$2,287)	(\$2,287)
Redevelopment Fund	(\$1,000)	(\$1,000)	(\$1,000)	(\$1,000)
Contamination Cleanup	(\$750)	(\$750)	(\$750)	(\$750)

Workforce Development Reductions

Program	FY26	FY27	FY28	FY29
Pathways to Prosperity	(\$1,000)	(\$1,000)	(\$1,000)	(\$1,000)

Workforce Services and Transformation Reductions

Program	FY26	FY27	FY28	FY29
Individual Placement and Supports	(\$1,000)	(\$1,000)	(\$1,000)	(\$1,000)

Questions?