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State of Minnesota  
**HOUSE OF REPRESENTATIVES**

EIGHTY-EIGHTH SESSION

**H. F. No. 915**

02/25/2013 Authored by Winkler, Hausman, Mahoney and Norton

The bill was read for the first time and referred to the Committee on Higher Education Finance and Policy

1.1 A bill for an act  
1.2 relating to the Minnesota Science and Technology Authority; expanding the  
1.3 authority to include a research focus; establishing a new public research  
1.4 infrastructure grant program; requiring a plan for expanded research; establishing  
1.5 a public postsecondary research partnership; requiring a report; amending  
1.6 Minnesota Statutes 2012, sections 116W.01; 116W.02, subdivisions 2, 3;  
1.7 116W.03, subdivision 1; 116W.04, subdivisions 1, 8; 116W.06, subdivisions 1, 2;  
1.8 116W.25; 116W.26, subdivisions 2, 5, 6, 7, 8, 9; 116W.27; 116W.28; 116W.29;  
1.9 116W.30; 116W.31; 116W.32, subdivision 1; proposing coding for new law  
1.10 in Minnesota Statutes, chapter 116W.

1.11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.12 Section 1. Minnesota Statutes 2012, section 116W.01, is amended to read:

1.13 **116W.01 MINNESOTA SCIENCE ~~AND~~, TECHNOLOGY, AND RESEARCH**  
1.14 **AUTHORITY ACT.**

1.15 This chapter may be cited as the "Minnesota Science ~~and~~, Technology, and Research  
1.16 Authority Act."

1.17 **EFFECTIVE DATE.** This section is effective the day following final enactment.

1.18 Sec. 2. Minnesota Statutes 2012, section 116W.02, subdivision 2, is amended to read:

1.19 Subd. 2. **Authority.** "Authority" means the Minnesota Science ~~and~~, Technology,  
1.20 and Research Authority.

1.21 **EFFECTIVE DATE.** This section is effective the day following final enactment.

1.22 Sec. 3. Minnesota Statutes 2012, section 116W.02, subdivision 3, is amended to read:

Subd. 3. **Eligible recipient.** "Eligible recipient" means an entity primarily operating to create and retain jobs in the state's industrial base, expand research capacity throughout the state, and maximize the economic growth of the state through:

- (1) high-technology research and development capabilities;
- (2) product and process innovation and commercialization;
- (3) high-technology manufacturing capabilities;
- (4) science and technology business environment; ~~or~~
- (5) science and technology workforce preparation; and
- (6) enhanced capacity for research through expanded research infrastructure and opportunities.

**EFFECTIVE DATE.** This section is effective the day following final enactment.

Sec. 4. Minnesota Statutes 2012, section 116W.03, subdivision 1, is amended to read:

Subdivision 1. **Membership.** The Minnesota Science ~~and~~ Technology, and Research Authority consists of the commissioner of employment and economic development, the commissioner of management and budget, the commissioner of revenue, the commissioner of commerce, ~~and the commissioner of agriculture,~~ the chancellor of the Minnesota State Colleges and Universities, and the president of the University of Minnesota.

**EFFECTIVE DATE.** This section is effective the day following final enactment.

Sec. 5. Minnesota Statutes 2012, section 116W.04, subdivision 1, is amended to read:

Subdivision 1. **Duties.** The Science ~~and~~ Technology, and Research Authority shall:

- (1) coordinate public and private efforts to procure federal funding for collaborative research and development projects of primary benefit to small-sized and medium-sized businesses;
- (2) promote contractual relationships between Minnesota businesses that are recipients of federal grants and prime contractors, and Minnesota-based subcontractors;
- (3) work with Minnesota nonprofit institutions including the University of Minnesota, Minnesota State Colleges and Universities, and the Mayo Clinic in promoting collaborative efforts to respond to federal funding opportunities;
- (4) develop a framework for Minnesota companies to establish sole-source relationships with federal agencies;
- (5) provide grants or other forms of financial assistance to eligible recipients for purposes of this chapter;

(6) coordinate workshops, assistance with business proposals, licensing, intellectual property protection, commercialization, and government auditing with the University of Minnesota and Minnesota State Colleges and Universities; and

(7) develop and implement a comprehensive science ~~and~~ technology, and research economic development strategy for the state.

Sec. 6. Minnesota Statutes 2012, section 116W.04, subdivision 8, is amended to read:

Subd. 8. **Reports.** (a) The authority shall report by February 1 each year to the chairs and ranking minority members of the legislative committees and divisions with jurisdiction over finance and economic development on its progress to design, coordinate, and administer a strategic science and technology program for the state to promote the welfare of the people of the state, maximize the economic growth of the state, and create and retain jobs in the state's industrial base, and expand research capacity throughout the state, through enhancement of Minnesota's:

(1) high-technology research and development capabilities;

(2) product and process innovation and commercialization;

(3) high-technology manufacturing capabilities;

(4) science and technology business environment; ~~and~~

(5) science and technology workforce preparation; and

(6) research capabilities.

(b) The report must include a complete operating and financial statement covering the authority's operations during the year, including amounts of income from all sources. Books and records of the authority are subject to audit by the legislative auditor in the manner prescribed for state agencies.

**EFFECTIVE DATE.** This section is effective the day following final enactment.

Sec. 7. Minnesota Statutes 2012, section 116W.06, subdivision 1, is amended to read:

Subdivision 1. **Advisory commission membership.** A Science ~~and~~ Technology and Research Initiative Advisory Commission of 18 members is established and is comprised of:

(1) two representatives of the University of Minnesota, selected by the president of the university, including a faculty member actively involved in science and technology research;

(2) two representatives of the Minnesota State Colleges and Universities, selected by the chancellor, including a faculty member actively involved in science and technology research;

- 4.1 (3) the chief executive officer of Mayo Clinic or a designee;
- 4.2 (4) six chief executive officers or designees from science-oriented or,
- 4.3 technology-oriented, or research-oriented companies;
- 4.4 (5) four representatives from science-oriented and, technology-oriented, and
- 4.5 research-oriented organizations;
- 4.6 (6) one representative of organized labor;
- 4.7 (7) a venture capital representative; and
- 4.8 (8) a representative of angel investors.

4.9 A member must have experience in science or, technology, or research in order to

4.10 serve on the commission.

4.11 Members of the commission listed in clauses (4) to (8) shall be appointed by the

4.12 authority.

4.13 **EFFECTIVE DATE.** This section is effective the day following final enactment.

4.14 Sec. 8. Minnesota Statutes 2012, section 116W.06, subdivision 2, is amended to read:

4.15 Subd. 2. **Advisory commission duties.** The advisory commission must assist

4.16 the authority in developing a comprehensive science and, technology, and research

4.17 economic development plan to be presented to the chairs and ranking minority members

4.18 of the legislative committees and divisions with jurisdiction over economic development

4.19 and higher education by January 15, 2011. The plan must include recommendations in

4.20 strategic areas for science and, technology, and research investments, recommendations on

4.21 additional programs to support science and, technology, and research focused economic

4.22 development activities in the state, selection of specific programs and grantees for support

4.23 from program funds authorized by the advisory commission and ongoing assessment of

4.24 the effectiveness of programmatic elements according to metrics to be developed by the

4.25 authority in consultation with the advisory commission. The advisory commission may

4.26 also advise and assist the authority in fulfilling its duties under section 116W.04.

4.27 **EFFECTIVE DATE.** This section is effective the day following final enactment.

4.28 Sec. 9. Minnesota Statutes 2012, section 116W.25, is amended to read:

4.29 **116W.25 CITATION.**

4.30 Sections 116W.26 to 116W.34 may be cited as the "Minnesota science and,

4.31 technology, and research program."

4.32 **EFFECTIVE DATE.** This section is effective the day following final enactment.

5.1 Sec. 10. Minnesota Statutes 2012, section 116W.26, subdivision 2, is amended to read:

5.2 Subd. 2. **Authority.** "Authority" means the Minnesota Science and Technology,  
5.3 and Research Authority established under this chapter.

5.4 **EFFECTIVE DATE.** This section is effective the day following final enactment.

5.5 Sec. 11. Minnesota Statutes 2012, section 116W.26, subdivision 5, is amended to read:

5.6 Subd. 5. **Commercialized research project.** "Commercialized research project"  
5.7 means research conducted within a college or university or nonprofit research institution  
5.8 or by a qualified science and technology or research company or organization that has  
5.9 shown advanced commercial potential through license agreements, patents, or other forms  
5.10 of invention disclosure, and by which a qualified science and technology, or research  
5.11 company has been or is being currently formed.

5.12 **EFFECTIVE DATE.** This section is effective the day following final enactment.

5.13 Sec. 12. Minnesota Statutes 2012, section 116W.26, subdivision 6, is amended to read:

5.14 Subd. 6. **Fund.** "Fund" means the Minnesota science and technology, and research  
5.15 fund.

5.16 **EFFECTIVE DATE.** This section is effective the day following final enactment.

5.17 Sec. 13. Minnesota Statutes 2012, section 116W.26, subdivision 7, is amended to read:

5.18 Subd. 7. **Nonprofit research institution.** "Nonprofit research institution" means an  
5.19 entity with its principle place of business in Minnesota, that qualifies under section 501(c) of  
5.20 the Internal Revenue Code, and that conducts significant research or development activities  
5.21 in this state in the areas of science and technology, and other applied research areas.

5.22 **EFFECTIVE DATE.** This section is effective the day following final enactment.

5.23 Sec. 14. Minnesota Statutes 2012, section 116W.26, subdivision 8, is amended to read:

5.24 Subd. 8. **Program.** "Program" means the Minnesota science and technology, and  
5.25 research program.

5.26 **EFFECTIVE DATE.** This section is effective the day following final enactment.

5.27 Sec. 15. Minnesota Statutes 2012, section 116W.26, subdivision 9, is amended to read:

5.28 Subd. 9. **Qualified science and technology, and research company.** "Qualified  
5.29 science and technology, and research company" means a corporation, limited liability

company, S corporation, partnership, limited liability partnership, or sole proprietorship with fewer than 100 employees that is engaged in research, development, or production of science or technology in this state including, without limitation, research, development, or production directed toward developing or providing science and technology products, processes, or services, or products, processes, or services generated through applied research for specific commercial or public purposes.

**EFFECTIVE DATE.** This section is effective the day following final enactment.

Sec. 16. Minnesota Statutes 2012, section 116W.27, is amended to read:

**116W.27 MINNESOTA SCIENCE ~~AND~~, TECHNOLOGY, AND RESEARCH FUND.**

A Minnesota science ~~and~~, technology, and research fund is created in the state treasury. The fund is a direct-appropriated special revenue fund. Money of the authority must be paid to the commissioner of management and budget as agent of the authority and the commissioner shall not commingle the money with other money. The money in the fund must be paid out only on warrants drawn by the commissioner of management and budget on requisition of the executive director of the authority or designee.

**EFFECTIVE DATE.** This section is effective the day following final enactment.

Sec. 17. Minnesota Statutes 2012, section 116W.28, is amended to read:

**116W.28 MINNESOTA SCIENCE ~~AND~~, TECHNOLOGY, AND RESEARCH FUND; AUTHORIZED USES.**

The Minnesota science ~~and~~, technology, and research fund may be used for the following to:

- (1) establish the commercialized research program authorized under section 116W.29;
- (2) establish the federal research and development support program under section 116W.30;
- (3) establish the industry technology and competitiveness program under section 116W.31; and
- (4) carry out the powers of the authority authorized under sections 116W.04 and 116W.32 that are in support of the programs in clauses (1) to (3).

**EFFECTIVE DATE.** This section is effective the day following final enactment.

Sec. 18. Minnesota Statutes 2012, section 116W.29, is amended to read:

**116W.29 COMMERCIALIZED RESEARCH PROGRAM.**

(a) The authority may establish a commercialized research program. The purpose of the program is to accelerate the commercialization of science ~~and~~ technology, and applied research products, processes, or services from colleges or universities, nonprofit research institutions, or qualified science and technology companies that lead to an increase in science and technology businesses and jobs. The program shall:

(1) provide science ~~and~~ technology, and applied research gap funding of up to \$250,000 per science and technology research project to assist in the commercialization and transfer of science and technology research projects from a college or university or nonprofit research institution to a qualified science and technology company; and

(2) provide funding of up to \$250,000 for early stage development for qualified science ~~and~~ technology, and research companies to conduct commercialized research projects.

(b) All activities under the commercialized research program must require:

(1) written criteria set by the authority for the application, award, and use of the funds;

(2) matching funds by the participating qualified science ~~and~~ technology, and research company, college or university, or nonprofit research institution;

(3) no more than 15 percent of the funds awarded by the authority may be used for overhead costs; and

(4) a report by the participating qualified science ~~and~~ technology, and research company, college or university, or nonprofit research institution that provides documentation of the use of funds and outcomes of the award. The report must be submitted to the authority within one calendar year of the date of the award.

**EFFECTIVE DATE.** This section is effective the day following final enactment.

Sec. 19. Minnesota Statutes 2012, section 116W.30, is amended to read:

**116W.30 FEDERAL RESEARCH AND DEVELOPMENT SUPPORT PROGRAM.**

The authority may establish a federal research and development support program. The purpose of the program is to increase and coordinate efforts to procure federal funding for research projects of primary benefit to qualified science ~~and~~ technology, and research companies, colleges or universities, and nonprofit research institutions. The program shall:

(1) develop and execute a strategy to identify specific federal agencies and programs that support the growth of science ~~and~~<sub>2</sub> technology, and applied research industries in this state; and

(2) provide grants to qualified science ~~and~~<sub>2</sub> technology, and research companies:

(i) to assist in the development of federal Small Business Innovation (SBIR) or Small Business Technology Transfer (STTR) proposals; and

(ii) to match funds received through SBIR or STTR awards. No more than \$1,500,000 may be awarded in a year for matching grants under this clause.

**EFFECTIVE DATE.** This section is effective the day following final enactment.

Sec. 20. Minnesota Statutes 2012, section 116W.31, is amended to read:

**116W.31 INDUSTRY INNOVATION AND COMPETITIVENESS PROGRAM.**

(a) The authority may establish an industry technology and competitiveness program. The purpose of the program is to advance the technological capacity and competitiveness of existing and emerging science ~~and~~<sub>2</sub> technology, and research industries. The program shall:

(1) provide matching funds to programs and organizations that assist entrepreneurs in starting and growing qualified science ~~and~~<sub>2</sub> technology, and research companies including, but not limited to, matching funds for mentoring programs, consulting and technical services, and related activities;

(2) fund initiatives that retain engineering, science, technology, and mathematical occupations in the state including, but not limited to, internships, mentoring, and support of industry and professional organizations; and

(3) fund initiatives that support the growth of targeted industry clusters and the competitiveness of existing qualified science ~~and~~<sub>2</sub> technology, and research companies in developing and marketing new products and services.

(b) All activities under the industry innovation and competitiveness program shall require:

(1) written criteria set by the authority for the application, award, and use of the funds;

(2) matching funds by the participating qualified science ~~and~~<sub>2</sub> technology, and research company, college or university, or nonprofit research institution; and

(3) a report by the participating qualified science ~~and~~<sub>2</sub> technology, and research company, college or university, or nonprofit research institution providing documentation on the use of the funds and outcomes of the award. The report must be submitted to the authority within one calendar year from the date of the award.

**EFFECTIVE DATE.** This section is effective the day following final enactment.



9.1 Sec. 21. Minnesota Statutes 2012, section 116W.32, subdivision 1, is amended to read:

9.2 Subdivision 1. **General powers.** The authority shall have all of the powers  
9.3 necessary to carry out the purposes and provisions of sections 116W.26 to 116W.34,  
9.4 including, but not limited to, those provided under section 116W.04 and the following:

9.5 (1) The authority may make awards in the forms of grants or loans, and charge and  
9.6 receive a reasonable interest for the loans, or take an equity position in form of stock, a  
9.7 convertible note, or other securities in consideration of an award. Interests, revenues, or  
9.8 other proceeds received as a result of a transaction authorized by use of this fund shall be  
9.9 deposited to the corpus of the fund and used in the same manner as the corpus of the fund.

9.10 (2) In awarding money from the fund, priority shall be given to proposals from  
9.11 qualified science ~~and~~ technology, and research companies that have demonstrable  
9.12 economic benefit to the state in terms of the formation of a new private sector business  
9.13 entity, the creation of jobs, or the attraction of federal and private funding.

9.14 (3) In awarding money from the fund, priority shall be given to proposals from  
9.15 colleges or universities and nonprofit research institutions that:

9.16 (i) promote collaboration between any combination of colleges or universities,  
9.17 nonprofit research institutions, and private industry;

9.18 (ii) enhance existing research superiority by attracting new research entities,  
9.19 research talent, or resources to the state; and

9.20 (iii) create new research superiority that attracts significant researchers and resources  
9.21 from outside the state.

9.22 (4) Subject to the limits in this clause, money within the fund may be used  
9.23 for reasonable administrative expenses by the authority including staffing and direct  
9.24 operational expenses, and professional fees for accounting, legal, and other technical  
9.25 services required to carry out the intent of the program and administration of the fund.  
9.26 Administrative expenses may not exceed five percent of the first \$5,000,000 in the fund  
9.27 and two percent of any amount in excess of \$5,000,000.

9.28 (5) Before making an award, the authority shall enter into a written agreement with  
9.29 the entity receiving the award that specifies the uses of the award.

9.30 (6) If the award recipient has not used the award received for the purposes intended,  
9.31 as of the date provided in the agreement, the recipient shall repay that amount and any  
9.32 interest applicable under the agreement to the authority. All repayments must be deposited  
9.33 to the corpus of the fund.

9.34 **EFFECTIVE DATE.** This section is effective the day following final enactment.

9.35 Sec. 22. **[116W.35] PUBLIC RESEARCH CAPITAL GRANT PROGRAM.**

10.1 Subdivision 1. **Creation of account.** A public research capital account is created in  
10.2 the bond proceeds fund. Money in the account may only be used for capital costs of public  
10.3 research facilities and improvement projects.

10.4 Subd. 2. **Definitions.** For purposes of this section:

10.5 (1) "authority" means the Minnesota Science, Technology, and Research Authority;

10.6 (2) "eligible project" means a capital improvement project in this state for a public  
10.7 research facility to support science, technology, and applied research;

10.8 (3) "governing body" means the council, board of commissioners, board of trustees,  
10.9 board of regents, or other body charged with governing a local governmental unit;

10.10 (4) "local governmental unit" means a county; city; town; special district; the  
10.11 University of Minnesota campuses at Crookston, Duluth, Morris, Rochester, and Twin  
10.12 Cities, and the institutions of the Minnesota State Colleges and Universities; or other  
10.13 political subdivision or public corporation; and

10.14 (5) "public research facility" means a publicly owned facility, or improvements of a  
10.15 capital nature to a publicly owned facility, that supports research for science, technology,  
10.16 and other applied research.

10.17 Subd. 3. **Grant program established.** (a) The authority shall make competitive  
10.18 grants to local governmental units for an eligible project. The local governmental unit  
10.19 receiving a grant must provide for the remainder of the costs of the eligible project from  
10.20 other sources.

10.21 (b) The amount of a grant may not exceed the lesser of the cost of the eligible  
10.22 project or 50 percent of the sum of the cost of the public research facility plus the cost  
10.23 of the completed eligible project.

10.24 (c) The purpose of the program is to support and expand research in the state and  
10.25 the benefits of commercialization of research, including keeping or enhancing area jobs,  
10.26 increasing the tax base, or expanding or creating new economic development through  
10.27 innovative research.

10.28 Subd. 4. **Application.** (a) The authority must develop forms and procedures for  
10.29 soliciting and reviewing applications for grants under this section. At a minimum, a local  
10.30 governmental unit must include the following information in its application:

10.31 (1) a resolution of its governing body certifying that the money required to be  
10.32 supplied by the local governmental unit to complete the public research facility is  
10.33 available and committed;

10.34 (2) a detailed estimate, along with necessary supporting evidence, of the total  
10.35 development costs for the eligible project;

11.1 (3) a description of the potential or likely use of the site for research activities after  
11.2 completion of the research facility and eligible project;

11.3 (4) a timeline indicating the major milestones of the eligible project and the  
11.4 anticipated completion date;

11.5 (5) a commitment from the governing body to repay the grant if the milestones are  
11.6 not realized by the completion date identified in clause (4); and

11.7 (6) any additional information or material the authority prescribes.

11.8 (b) The determination of whether to make a grant under subdivision 3 is within the  
11.9 discretion of the authority, subject to this section. The authority's decisions and application  
11.10 of the priorities are not subject to judicial review, except for abuse of discretion.

11.11 Subd. 5. **Priorities.** (a) If applications for grants exceed the available appropriations,  
11.12 grants must be made for public research facilities that, in the authority's judgment, provide  
11.13 the highest return in public benefits for the public costs incurred. In making this judgment,  
11.14 the authority shall give priority to eligible projects with one or more of the following  
11.15 characteristics:

11.16 (1) the geographic expansion of public research facilities;

11.17 (2) the ability of the local government unit to provide support for the eligible project;

11.18 (3) the cross-disciplinary participation in the research plan, transportation, and  
11.19 environmental impact;

11.20 (4) that the eligible project is not relocating substantially the same research activities  
11.21 from another location in the state, unless the authority determines that the eligible  
11.22 project cannot be reasonably accommodated within the local government unit in which it  
11.23 is currently located; and

11.24 (5) the potential for commercialization of the research findings and the potential  
11.25 number of jobs created in the state through commercialization.

11.26 (b) The factors in paragraph (a) are not listed in a rank order of priority; rather,  
11.27 the authority may weigh each factor, depending upon the facts and circumstances, as  
11.28 the commissioner considers appropriate.

11.29 Subd. 6. **Cancellation of grant.** If a grant is awarded to a local government unit  
11.30 and funds are not encumbered for the grant within four years after the award date, the  
11.31 grant must be canceled.

11.32 Subd. 7. **Repayment of grant.** If an eligible public research facility project funded  
11.33 with a grant awarded under this section is not operational in accordance with the grant  
11.34 application under subdivision 4 within five years after the date of the last grant payment,  
11.35 the grant recipient must repay the amount of the grant received. The commissioner must

12.1 deposit all money received under this subdivision into the state treasury and credit it to the  
12.2 debt service account in the state bond fund.

12.3 **EFFECTIVE DATE.** This section is effective the day following final enactment.

12.4 Sec. 23. **MINNESOTA SCIENCE, TECHNOLOGY, AND RESEARCH**  
12.5 **AUTHORITY; EXPANDED RESEARCH CAPACITY PLAN.**

12.6 To realize the full potential of academic research conducted in Minnesota, the  
12.7 Science, Technology, and Research Authority under Minnesota Statutes, sections  
12.8 116W.02 to 116W.06, must develop a plan to expand academic research at postsecondary  
12.9 institutions and nonprofit research facilities within Minnesota. The plan must examine  
12.10 existing barriers to research expansion and identify methods to expand the academic  
12.11 research at the: University of Minnesota's campuses, including the Twin Cities,  
12.12 Duluth, Crookston, Morris, and Rochester campuses; campuses of the Minnesota State  
12.13 Colleges and Universities; campuses of private nonprofit colleges and universities in  
12.14 Minnesota; and Minnesota-based nonprofit research institutions. The plan must include  
12.15 recommendations on how to best expand academic research within the existing network  
12.16 of institutions and facilities in Minnesota. The authority must provide the plan with an  
12.17 implementation strategy and make recommendations for realizing Minnesota's research  
12.18 potential to the committees of the legislature responsible for economic development and  
12.19 higher education by February 15, 2014.

12.20 **EFFECTIVE DATE.** This section is effective the day following final enactment.

12.21 Sec. 24. **PUBLIC POSTSECONDARY RESEARCH PARTNERSHIP.**

12.22 The Board of Regents of the University of Minnesota and the Board of Trustees  
12.23 of the Minnesota State Colleges and Universities must establish a joint partnership to  
12.24 develop a model for the expansion of academic research activities throughout Minnesota's  
12.25 postsecondary institutions. In conjunction with the partnership, the University of  
12.26 Minnesota must provide administrative and fiscal services to facilitate and support  
12.27 research grant applications submitted by the faculty of the Minnesota State Colleges and  
12.28 Universities. By January 15, 2014, the Board of Regents and the Board of Trustees must  
12.29 report to committees of the legislature responsible for economic development and higher  
12.30 education on the research partnership outcomes. The report must include recommendations  
12.31 on how to expand the partnership model to encompass academic research activities at  
12.32 private postsecondary institutions and private nonprofit research institutions.

12.33 **EFFECTIVE DATE.** This section is effective the day following final enactment.