A bill for an act
relating to economic development; establishing a Minnesota science and technology program; requiring reports; proposing coding for new law in Minnesota Statutes, chapter 116W.

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

Section 1. **[116W.25] CITATION.**

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

Sec. 2. **[116W.26] DEFINITIONS.**

Subdivision 1. **Applicability.** For the purposes of sections 116W.26 to 116W.34, the terms in this section have the meanings given them.

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

Subd. 3. **Base-year taxation.** "Base-year taxation" means the 2010 calendar year state withholding taxes of science and technology employees working for primary science and technology companies currently located in or operating in this state. Each year the commissioner of management and budget shall adjust the base-year taxation by the annual percentage change over the prior year in the consumer price index for all urban consumers for the St. Paul-Minneapolis metropolitan area prepared by the United States Department of Labor.

Subd. 4. **College or university.** "College or university" means an institution of postsecondary education, public or private, that grants undergraduate or postgraduate academic degrees, conducts significant research or development activities in the areas of science and technology.

Subd. 5. **Commercialization.** "Commercialization" means any of the full spectrum of activities required for a new technology, product, or process to be developed from its basic research of conceptual stage through applied research or development to the marketplace including, without limitation, the steps leading up to and including licensure, sales, and services.

Subd. 6. **Commercialized research project.** "Commercialized research project" means research conducted within a college or university or nonprofit research institution or by a qualified science and technology company that has shown advanced commercial potential through license agreements, patents, or other forms of invention disclosure, and by which a qualified science and technology company has been or is being currently formed.

Subd. 7. **Fund.** "Fund" means the Minnesota science and technology fund.

Subd. 8. **Nonprofit research institution.** "Nonprofit research institution" means an entity with its principle place of business in Minnesota, that qualifies under section 501(c) of the Internal Revenue Code, and that conducts significant research or development activities in this state in the areas of science and technology.

Subd. 9. **Primary science and technology company.** "Primary science and technology company" means a corporation, limited liability company, S corporation, partnership, limited liability partnership, or sole proprietorship operating within a set of industries that are the primary developers of new scientific, engineered, or technological products and services and that operate under the following North American Industry Classification System codes or industry groups, or any successor code sections covering these areas of research, development, and commercial activities: 3241, 3251, 3252, 3253, 3254, 3255, 3259, 3331, 3332, 3333, 3336, 3339, 3341, 3342, 3343, 3344, 3345, 3353, 3359, 3364, 3369, 3391, 5112, 5172, 5182, 5415, 5417, 541330, 541380, 541620, 541690.

Subd. 10. **Program.** "Program" means the Minnesota science and technology program.

Subd. 11. **Qualified science and technology company.** "Qualified science and technology 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 for specific commercial or public purposes.

Subd. 12. **Withholding taxes.** "Withholding taxes" means the aggregate of all amounts withheld from amounts paid to primary science and technology company employees during a calendar year for the payment of state income taxes under chapter 290.

Sec. 3. **[116W.27] MINNESOTA SCIENCE AND TECHNOLOGY FUND.**

(a) A Minnesota science and technology 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.

(b) By September 1, 2011, the commissioner of revenue and the authority shall establish the base-year taxation for all primary science and technology companies. Within 120 days after the end of each year beginning with the year ending December 31, 2011, and for each subsequent year prior to the end of the last funding year, the commissioner of revenue and the authority shall determine the increase of aggregate withholding taxes for the year over the base year taxation.

(c) Notwithstanding the provisions of section 290.62, beginning with the taxable year ending December 31, 2011, the commissioner of management and budget shall pay annually 85 percent of the increase in aggregate withholding taxes that are over the base-year taxation amount, as certified by the commissioner of revenue, to the fund. The annual amount of withholding paid into the fund must not exceed $25,000,000. The commissioner of management and budget may make estimated payments to the fund more frequently based on estimates provided by the commissioner of revenue but the payments must be reconciled annually.

Sec. 4. **[116W.28] MINNESOTA SCIENCE AND TECHNOLOGY FUND; AUTHORIZED USES.**

The Minnesota science and technology 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).

Sec. 5. **[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 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 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 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 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 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.

Sec. 6. **[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 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 technology industries in this state; and

(2) provide grants to qualified science and technology 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.

Sec. 7. **[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 technology industries. The program shall:

(1) provide matching funds to programs and organizations that assist entrepreneurs in starting and growing qualified science and technology 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 technology companies in developing and marketing new products and services.

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

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

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

(iii) a report by the participating qualified science and technology 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.

Sec. 8. **[116W.32] MINNESOTA SCIENCE AND TECHNOLOGY AUTHORITY; POWERS UNDER FUND.**

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

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

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

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

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

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

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

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

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

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

Subd. 2. **Rules.** The authority may adopt rules to implement the programs authorized under sections 116W.29 to 116W.31.

Sec. 9. **[116W.33] REPAYMENT.**

An entity must repay all or a portion of the amount of any award, grant, loan, or financial assistance of any type paid by the authority under sections 116W.29 to 116W.32 if the entity relocates outside the state or ceases operation in Minnesota within three years from the date the authority provided the financial award. If the entity relocates outside of this state or ceases operation in Minnesota within two years of the financial award, the entity must repay 100 percent of the award. If the entity relocates or ceases operation in Minnesota after a period of two years but before three years from the date of the financial award, the entity must repay 75 percent of the financial award.

Sec. 10. **[116W.34] EXPIRATION.**

Sections 116W.26 to 116W.33 expire on the expiration date of the authority under section 116W.03, subdivision 7. Any unused money in the fund shall be deposited in the general fund.