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State of Minnesota  
HOUSE OF REPRESENTATIVES

EIGHTY-EIGHTH SESSION

H. F. No. 1881

02/25/2014 Authored by Murphy, E.,  
The bill was read for the first time and referred to the Committee on Jobs and Economic Development Finance and Policy

1.1 A bill for an act  
1.2 relating to economic development; establishing the Minnesota Regenerative  
1.3 Medicine Research Institute and the regenerative medicine research project  
1.4 funding program; repealing the long-term care insurance tax credit; appropriating  
1.5 money for a state matching funds program; authorizing rulemaking; requiring  
1.6 a report; proposing coding for new law in Minnesota Statutes, chapter 116J;  
1.7 repealing Minnesota Statutes 2012, section 290.0672.

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

1.9 Section 1. **[116J.886] SCOPE.**

1.10 Sections 116J.886 to 116J.8864 shall be known as the Regenerative Medicine  
1.11 Research Act to provide further investment in regenerative medicine which will benefit  
1.12 the state's economy, reduce the long-term costs for the state related to treating debilitating  
1.13 illnesses, advance the regenerative medicine industry, and facilitate clinical research  
1.14 opportunities in Minnesota for both private and public institutions.

1.15 Sec. 2. **[116J.8861] DEFINITIONS.**

1.16 Subdivision 1. **Application.** For the purposes of sections 116J.886 to 116J.8864, the  
1.17 following terms have the meanings given them.

1.18 Subd. 2. **Commissioner.** "Commissioner" means the commissioner of employment  
1.19 and economic development.

1.20 Subd. 3. **Institute.** "Institute" means the Minnesota Regenerative Medicine  
1.21 Research Institute under section 116J.8862.

1.22 Subd. 4. **Program.** "Program" means the program authorized under section  
1.23 116J.8864.

2.1 Subd. 5. **Regenerative medicine research project.** "Regenerative medicine  
 2.2 research project" means any research relating to basic, preclinical, or clinical work to  
 2.3 produce a drug, biological or chemical material, compound, or medical device designed  
 2.4 to augment, repair, replace, or regenerate organs and tissue that have been damaged by  
 2.5 disease, injury, or the natural aging process.

2.6 Subd. 6. **Research funding.** "Research funding" means a grant, loan, or loan  
 2.7 guarantee for obligations paid, to be paid, or incurred, which are reasonably required  
 2.8 for basic research, therapy development, and the development of pharmacologies and  
 2.9 treatments through preclinical or clinical trials, including:

2.10 (1) direct costs of conducting research;

2.11 (2) indirect administrative costs, not to exceed five percent for any single funding  
 2.12 recipient; and

2.13 (3) the purchase and installation of furniture, fixtures, and equipment, not to exceed  
 2.14 five percent for any single funding recipient. Research funding does not include capital  
 2.15 or permanent building expenses.

2.16 Sec. 3. **[116J.8862] REGENERATIVE MEDICINE RESEARCH INSTITUTE.**

2.17 Subdivision 1. **Established.** (a) The commissioner shall establish the Minnesota  
 2.18 Regenerative Medicine Research Institute (MRMRI) as a nonprofit, collaborative research  
 2.19 and economic development initiative between the Department of Employment and  
 2.20 Economic Development, the University of Minnesota, the Department of Human Services,  
 2.21 and private industry partners. MRMRI is not a state agency.

2.22 (b) The board established in subdivision 2 shall organize and operate MRMRI as  
 2.23 a not-for-profit corporation and in a manner and form that the board determines best  
 2.24 allows MRMRI to carry out its objectives.

2.25 Subd. 2. **Board.** (a) MRMRI is governed by a board of 11 directors, appointed by  
 2.26 the governor to three-year terms. The board is comprised of:

2.27 (1) the commissioner of employment and economic development;

2.28 (2) the commissioner of human services;

2.29 (3) the director of the Minnesota Stem Cell Institute at the University of Minnesota;

2.30 (4) a representative of a Minnesota-based trade association with the largest number  
 2.31 of bioscience companies as its membership;

2.32 (5) a representative of a Minnesota-based trade association with the largest number  
 2.33 of hospitals as its membership;

3.1 (6) one member of the house of representatives appointed by the speaker of the  
3.2 house and one member of the house of representatives appointed by the minority leader  
3.3 of the house of representatives;

3.4 (7) one member of the senate appointed by the majority leader of the senate and one  
3.5 member of the senate appointed by the minority leader of the senate; and

3.6 (8) two members of the public appointed by the governor with the advice and  
3.7 consent of the senate, who are not members of the senate or house of representatives or  
3.8 officers or employees of any agency in the executive branch.

3.9 All members shall be residents of the state.

3.10 (b) The legislative members serve at the pleasure of the appointing authority and are  
3.11 nonvoting members. Members of the board are public officials for purposes of chapter  
3.12 10A. Except for legislators and members appointed under paragraph (a), clauses (1) and  
3.13 (2), the terms, removal of members, and filling of vacancies for board members shall be  
3.14 as provided in section 15.0575. Compensation of members, other than legislators, is as  
3.15 provided in section 15.0575. The chair of the board shall be designated by the governor  
3.16 from among the voting members of the board.

3.17 Subd. 3. **Board actions.** A majority of the board, excluding vacancies, constitutes a  
3.18 quorum to conduct its business, to exercise its powers, and for all other purposes.

3.19 Subd. 4. **Meeting by telephone or other means.** (a) If compliance with section  
3.20 13D.02 is impractical, the board may conduct a meeting of its members by telephone or  
3.21 other electronic means if the following conditions are met:

3.22 (1) all members of the board participating in the meeting, wherever their physical  
3.23 location, can hear one another and can hear all discussion and testimony;

3.24 (2) members of the public present at the regular meeting location of the board can  
3.25 clearly hear all discussion and testimony and all votes of members of the board and, if  
3.26 needed, receive those services required by sections 15.44 and 15.441;

3.27 (3) at least one member of the board is physically present at the regular meeting  
3.28 location; and

3.29 (4) all votes are conducted by roll call, so each member's vote on each issue can be  
3.30 identified and recorded.

3.31 (b) Each member of the board participating in a meeting by telephone or other  
3.32 electronic means is considered present at the meeting for purposes of determining a  
3.33 quorum and participating in all proceedings.

3.34 (c) If a telephone or other electronic means is used to conduct a regular, special, or  
3.35 emergency meeting, the board shall provide notice of the regular meeting location, of the  
3.36 fact that some members may participate by telephone or other electronic means, and of

4.1 the provisions of paragraph (a). The timing and method of providing notice is governed  
 4.2 by section 13D.04.

4.3 Subd. 5. **Administrative services.** The commissioner shall provide administrative  
 4.4 services to the institute, establish an annual budget for the institute, provide an  
 4.5 evaluation of project applications pursuant to section 116J.8864, and promptly inform the  
 4.6 commissioner of management and budget regarding all expenditures.

4.7 Subd. 6. **Personal liability.** Members of the board and officers of the institute are  
 4.8 not personally liable for any debt or obligation of the institute.

4.9 Subd. 7. **In general.** The institute has all the powers necessary to carry out its  
 4.10 duties under this chapter.

4.11 Subd. 8. **Sunset.** The institute established under this section expires on June 30,  
 4.12 2024, or two years after the last approved project is completed, whichever occurs sooner.

4.13 Sec. 4. **[116J.8863] POWERS; DUTIES.**

4.14 Subdivision 1. **Bylaws; rules.** The board of the institute shall adopt bylaws for its  
 4.15 organization and internal management. The commissioner may adopt rules governing the  
 4.16 institute's operations, properties, and facilities.

4.17 Subd. 2. **Power to sue; enter contracts.** The institute may sue and be sued. The  
 4.18 institute may make and enter into contracts, leases, and agreements with individuals and  
 4.19 private and public entities as necessary to perform its duties and exercise its powers.

4.20 Subd. 3. **Outside funding.** The institute may accept appropriations, gifts, grants,  
 4.21 and bequests.

4.22 Subd. 4. **Employees.** The institute may hire employees or delegate any of its powers  
 4.23 or responsibilities to a state agency or entity through mutual agreement.

4.24 Subd. 5. **Revolving funds.** All funds received by the institute through state  
 4.25 appropriations, loan repayments, or royalty payments must be held in a special account in  
 4.26 the state treasury by the commissioner of management and budget until June 30, 2024,  
 4.27 after which all remaining funds shall be returned to the general fund.

4.28 Subd. 6. **Report.** The institute must report to the legislature by January 1 of each  
 4.29 odd-numbered year on implementation of projects since the last report and on plans for  
 4.30 the upcoming fiscal year.

4.31 Sec. 5. **[116J.8864] REGENERATIVE MEDICINE RESEARCH INSTITUTE**  
 4.32 **FUNDING PROGRAM.**

5.1 Subdivision 1. **Program established.** The institute shall establish a regenerative  
5.2 medicine research funding program to provide loans, grants, or loan guarantees on a  
5.3 competitive basis to projects that meet the requirements described in subdivision 2.

5.4 Subd. 2. **Grant applications; criteria.** The institute shall develop a project  
5.5 application process for grants, loans, or loan guarantees for qualified projects. To be  
5.6 eligible for a funding under the program, a project must meet the following criteria:

5.7 (1) the institute may pay no more than 30 percent of the total costs of any project  
5.8 and nonstate sources must pay at least 70 percent of the costs of the project. A nonstate  
5.9 source may meet all or part of the required share of the matching costs of the project  
5.10 through the prior purchase of scientific equipment and materials incidental to the project,  
5.11 provided the purchase is completed not more than two years prior to the approval of  
5.12 funding by the institute;

5.13 (2) the project must not duplicate or supplant any other research or project already  
5.14 conducted by the federal government, or for which federal funding is otherwise available,  
5.15 but federal funds may be used to meet the nonstate matching requirements in clause (1);

5.16 (3) the project must be carried out directly by the grant recipient; and

5.17 (4) at a minimum, the application must include the following information:

5.18 (i) certification that the required match is available and committed;

5.19 (ii) a detailed estimate, along with necessary supporting evidence, of the total cost  
5.20 of the research project;

5.21 (iii) an assessment of the potential to attract new or continue existing public and  
5.22 private research grant awards resulting from the project;

5.23 (iv) a detailed risk analysis projecting the likelihood of clinical success resulting in  
5.24 revenues or royalty payments from the project;

5.25 (v) an assessment of the likelihood for and potential cost savings for publicly  
5.26 funded health care and long-term care programs from the project as a result of reducing  
5.27 the incidence or lowering the treatment costs of debilitating illnesses and diseases over  
5.28 the next ten years;

5.29 (vi) a timeline indicating the major milestones of research projects and their  
5.30 anticipated completion dates, including any previously completed similar research; and

5.31 (vii) an estimate of any potential current and future employment opportunities  
5.32 within the state, stimulation of economic growth, and the possibility for advancing the  
5.33 development of commercially successful and affordable regenerative medicine products,  
5.34 processes, or services. These factors are not in priority order and the institute may weigh  
5.35 each factor, depending upon the facts and circumstances, as the institute considers  
5.36 appropriate.

6.1            Subd. 3. **Grant approvals.** The institute shall determine for each project for  
6.2 which an application is submitted whether it meets the criteria in subdivision 2. Upon  
6.3 determination by the institute that a project meets the specified criteria in subdivision 2,  
6.4 the institute may approve a grant, loan, or loan guarantee under the program for the project  
6.5 in an amount equal to 30 percent of the total cost of the project. Beginning January 1,  
6.6 2015, the institute must report to the legislature by January 1 of each year on all projects  
6.7 approved by the institute during the fiscal year. The institute may approve total grants,  
6.8 loans, or guarantees to the extent of available funding.

6.9            Subd. 4. **Disbursements.** Disbursement of grants, loans, or loan guarantees  
6.10 approved by the institute under the program must be made for eligible project costs as  
6.11 incurred according to the project grant agreement and applicable state laws governing  
6.12 the payment.

6.13           Sec. 6. **APPROPRIATION.**

6.14            \$8,000,000 in fiscal year 2015 and \$9,000,000 in fiscal year 2016 is appropriated  
6.15 from the general fund to the commissioner of employment and economic development  
6.16 for the purposes of sections 1 to 5. Up to one-half of one percent of the total amount  
6.17 appropriated may be used as administrative expenses related to the staff and operations of  
6.18 the institute and the board.

6.19           Sec. 7. **REPEALER.**

6.20            Minnesota Statutes 2012, section 290.0672, is repealed.

6.21            **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
6.22 December 31, 2013.

**290.0672 LONG-TERM CARE INSURANCE CREDIT.**

Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms have the meanings given.

(b) "Long-term care insurance" means a policy that:

(1) qualifies for a deduction under section 213 of the Internal Revenue Code, disregarding the 7.5 percent income test; or meets the requirements given in section 62A.46; or provides similar coverage issued under the laws of another jurisdiction; and

(2) has a lifetime long-term care benefit limit of not less than \$100,000; and

(3) has been offered in compliance with the inflation protection requirements of section 62S.23.

(c) "Qualified beneficiary" means the taxpayer or the taxpayer's spouse.

(d) "Premiums deducted in determining federal taxable income" means the lesser of (1) long-term care insurance premiums that qualify as deductions under section 213 of the Internal Revenue Code; and (2) the total amount deductible for medical care under section 213 of the Internal Revenue Code.

Subd. 2. **Credit.** A taxpayer is allowed a credit against the tax imposed by this chapter for long-term care insurance policy premiums paid during the tax year. The credit for each policy equals 25 percent of premiums paid to the extent not deducted in determining federal taxable income. A taxpayer may claim a credit for only one policy for each qualified beneficiary. A maximum of \$100 applies to each qualified beneficiary. The maximum total credit allowed per year is \$200 for married couples filing joint returns and \$100 for all other filers. For a nonresident or part-year resident, the credit determined under this section must be allocated based on the percentage calculated under section 290.06, subdivision 2c, paragraph (e).