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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-FIRST SESSION

H. F. No. 2852

- 04/25/2019 Authored by Noor and Bahner
- 05/07/2019 The bill was read for the first time and referred to the Committee on Government Operations
- 05/07/2019 Adoption of Report: Re-referred to the Committee on Ways and Means
- 05/20/2019 Pursuant to Joint Rule 2.03, re-referred to the Committee on Rules and Legislative Administration
- 05/20/2019 Pursuant to Joint Rule 3.02(b), returned to the Committee on Ways and Means

1.1 A bill for an act

1.2 relating to economic development; creating a Minnesota Innovation Collaborative;

1.3 authorizing grants; appropriating money.

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

1.5 Section 1. MINNESOTA INNOVATION COLLABORATIVE.

1.6 Subdivision 1. Establishment. The Minnesota Innovation Collaborative is established

1.7 within the Business and Community Development Division of the Department of

1.8 Employment and Economic Development to encourage and support the development of

1.9 new private sector technologies and support the science and technology policies under

1.10 Minnesota Statutes, section 3.222. The Minnesota Innovation Collaborative must provide

1.11 entrepreneurs and emerging technology-based companies business development assistance

1.12 and financial assistance to spur growth.

1.13 Subd. 2. Definitions. (a) For purposes of this section, the terms defined in this subdivision

1.14 have the meanings given.

1.15 (b) "Advisory board" means the board established under subdivision 11.

1.16 (c) "Commissioner" means the commissioner of employment and economic development.

1.17 (d) "Department" means the Department of Employment and Economic Development.

1.18 (e) "Entrepreneur" means a Minnesota resident who is involved in establishing a business

1.19 entity and secures resources directed to its growth while bearing the risk of loss.

1.20 (f) "Greater Minnesota" means the area of Minnesota located outside of the metropolitan

1.21 area as defined in section 473.121, subdivision 2.

2.1 (g) "High technology" includes aerospace, agricultural processing, renewable energy,
2.2 energy efficiency and conservation, environmental engineering, food technology, cellulosic
2.3 ethanol, information technology, materials science technology, nanotechnology,
2.4 telecommunications, biotechnology, medical device products, pharmaceuticals, diagnostics,
2.5 biologicals, chemistry, veterinary science, and similar fields.

2.6 (h) "Institution of higher education" has the meaning given in Minnesota Statutes, section
2.7 136A.28, subdivision 6.

2.8 (i) "Minority group member" means a United States citizen who is Asian, Pacific Islander,
2.9 Black, Hispanic, or Native American.

2.10 (j) "Minority-owned business" means a business for which one or more minority group
2.11 members:

2.12 (1) own at least 50 percent of the business or, in the case of a publicly owned business,
2.13 own at least 51 percent of the stock; and

2.14 (2) manage the business and control the daily business operations.

2.15 (k) "Research and development" means any activity that is:

2.16 (1) a systematic, intensive study directed toward greater knowledge or understanding
2.17 of the subject studies;

2.18 (2) a systematic study directed specifically toward applying new knowledge to meet a
2.19 recognized need; or

2.20 (3) a systematic application of knowledge toward the production of useful materials,
2.21 devices, systems and methods, including design, development and improvement of prototypes
2.22 and new processes to meet specific requirements.

2.23 (l) "Start-up" means a business entity that has been in operation for less than ten years,
2.24 has operations in Minnesota, and is in the development stage defined as devoting substantially
2.25 all of its efforts to establishing a new business and either of the following conditions exists:

2.26 (1) planned principal operations have not commenced; or

2.27 (2) planned principal operations have commenced, but have generated less than
2.28 \$1,000,000 in revenue.

2.29 (m) "Technology-related assistance" means the application and utilization of
2.30 technological-information and technologies to assist in the development and production of
2.31 new technology-related products or services or to increase the productivity or otherwise
2.32 enhance the production or delivery of existing products or services.

3.1 (n) "Trade association" means a nonprofit membership organization organized to promote
3.2 businesses and business conditions and having an election under Internal Revenue Code
3.3 section 501(c)(3) or 501(c)(6).

3.4 (o) "Women" means persons of the female gender.

3.5 (p) "Women-owned business" means a business for which one or more women:

3.6 (1) own at least 50 percent of the business or, in the case of a publicly owned business,
3.7 own at least 51 percent of the stock; and

3.8 (2) manage the business and control the daily business operations.

3.9 Subd. 3. **Duties.** The Minnesota Innovation Collaborative shall:

3.10 (1) support innovation and initiatives designed to accelerate the growth of high-technology
3.11 start-ups in Minnesota;

3.12 (2) offer classes and instructional sessions on how to start a high-tech and innovative
3.13 start-up;

3.14 (3) promote activities for entrepreneurs and investors regarding the state's growing
3.15 innovation economy;

3.16 (4) hold events and meetings that gather key stakeholders in the state's innovation sector;

3.17 (5) conduct outreach and education on innovation activities and related financial programs
3.18 available from the department and other organizations, particularly for underserved
3.19 communities;

3.20 (6) interact and collaborate with statewide partners including but not limited to businesses,
3.21 nonprofits, trade associations, and higher education institutions;

3.22 (7) administer an advisory board to assist with direction, grant application review,
3.23 program evaluation, report development, and partnerships;

3.24 (8) commission research in partnership with the University of Minnesota and Minnesota
3.25 State Colleges and Universities to study innovation and its impacts on the state's economy
3.26 with emphasis on the state's labor market;

3.27 (9) accept grant applications under subdivisions 5 and 6 and work with the advisory
3.28 board to evaluate the applications and provide funding recommendations to the commissioner;
3.29 and

3.30 (10) perform other duties at the commissioner's discretion.

4.1 Subd. 4. **Administration.** (a) The department shall employ an executive director in the
4.2 unclassified service. The executive director shall:

4.3 (1) hire no more than two staff;

4.4 (2) assist the commissioner and the advisory board in performing the duties of the
4.5 Minnesota Innovation Collaborative; and

4.6 (3) comply with all state and federal program requirements, and all state and federal
4.7 securities and tax laws and regulations.

4.8 (b) To the extent possible, the space that the Minnesota Innovation Collaborative shall
4.9 occupy and lease must be a private coworking facility that includes office space for staff
4.10 and space for community engagement for training entrepreneurs. The space leased under
4.11 this paragraph is exempt from the requirements in Minnesota Statutes, section 16B.24,
4.12 subdivision 6.

4.13 (c) Except for grants under subdivision 7, the Minnesota Innovation Collaborative must
4.14 accept grant applications under this section and provide funding recommendations to the
4.15 commissioner, who shall distribute grants based in part on the recommendations.

4.16 Subd. 5. **Application process.** (a) The commissioner shall establish the application form
4.17 and procedures for innovation grants.

4.18 (b) Upon receiving recommendations from the Minnesota Innovation Collaborative
4.19 under subdivision 4, paragraph (c), the department is responsible for evaluating all
4.20 applications using evaluation criteria developed by the Minnesota Innovation Collaborative,
4.21 the advisory board, and the commissioner. Priority shall be given if the applicant is:

4.22 (1) a business or entrepreneur located in greater Minnesota; or

4.23 (2) a business owner or entrepreneur who is a woman or minority group member.

4.24 (c) The department staff, and not the Minnesota Innovation Collaborative staff, is
4.25 responsible for awarding funding, disbursing funds, and monitoring grantee performance
4.26 for all grants awarded under this section.

4.27 (d) Grantees must provide matching funds by equal expenditures and grant payments
4.28 must be provided on a reimbursement basis after review of submitted receipts by the
4.29 department.

4.30 (e) Grant applications must be accepted on a regular periodic basis by the Minnesota
4.31 Innovation Collaborative and must be reviewed by the collaborative and the advisory board
4.32 before being submitted to the commissioner with their recommendations.

5.1 Subd. 6. **Innovation grants.** (a) The commissioner shall distribute innovation grants
5.2 under this subdivision.

5.3 (b) The commissioner shall provide a grant of up to \$50,000 to an eligible business or
5.4 entrepreneur for research and development expenses. Research and development expenditures
5.5 may be related but not limited to proof of concept activities, intellectual property protection,
5.6 prototype designs and production, and commercial feasibility. Expenditures funded under
5.7 this subdivision are not eligible for the research and development tax credit under Minnesota
5.8 Statutes, section 290.068. Each business or entrepreneur may receive only one grant under
5.9 this paragraph.

5.10 (c) The commissioner shall provide a grant of up to \$25,000 to an eligible start-up or
5.11 entrepreneur for direct business expenses including but not limited to rent, equipment
5.12 purchases, supplier invoices, and staffing. Taxes imposed by the federal, state, or local
5.13 government entities may be not be reimbursed under this paragraph. Each start-up or
5.14 entrepreneur may receive only one grant under this paragraph.

5.15 (d) The commissioner shall provide a grant of up to \$7,500 to reimburse an entrepreneur
5.16 for health care, housing, or child care expenses for the entrepreneur, spouse, or children 26
5.17 years of age or younger. Each entrepreneur may receive only one grant under this paragraph.

5.18 (e) The commissioner shall provide a grant of up to \$50,000 to an eligible business or
5.19 entrepreneur that, as a registered client of the Small Business Innovation Research (SBIR)
5.20 program, has been awarded a Phase 2 award pursuant to the SBIR or Small Business
5.21 Technology Transfer (STTR) programs after July 1, 2019. Each business or entrepreneur
5.22 may receive only one grant under this paragraph. Grants under this paragraph are not subject
5.23 to the requirements of subdivision 2, paragraph (l), and are awarded without the review or
5.24 recommendation of the Minnesota Innovation Collaborative.

5.25 (f) The commissioner shall provide a grant of up to \$25,000 to provide financing to
5.26 start-ups to purchase technical assistance and services from public higher education
5.27 institutions and nonprofit entities to assist in the development or commercialization of
5.28 innovative new products or services.

5.29 Subd. 7. **Entrepreneur education grants.** (a) The commissioner shall make entrepreneur
5.30 education grants to institutions of higher education and other organizations to provide
5.31 educational programming to entrepreneurs and provide outreach to and collaboration with
5.32 businesses, federal and state agencies, institutions of higher education, trade associations,
5.33 and other organizations working to advance innovative, high technology businesses
5.34 throughout Minnesota.

6.1 (b) Applications for entrepreneur education grants under this subdivision must be
6.2 submitted to the commissioner and evaluated by department staff other than the Minnesota
6.3 Innovation Collaborative. The evaluation criteria must be developed by the Minnesota
6.4 Innovation Collaborative, the advisory board, and the commissioner with priority given to
6.5 an applicant who demonstrates activity assisting businesses or entrepreneurs residing in
6.6 greater Minnesota or who are women or minority group members.

6.7 (c) Department staff other than the Minnesota Innovation Collaborative staff is responsible
6.8 for awarding funding, disbursing funds, and monitoring grantee performance under this
6.9 subdivision.

6.10 (d) Grantees may use the grant funds to deliver the following services:

6.11 (1) development and delivery to high technology businesses of industry specific or
6.12 innovative product or process specific counseling on issues of business formation, market
6.13 structure, market research and strategies, securing first mover advantage or overcoming
6.14 barriers to entry, protecting intellectual property, and securing debt or equity capital. This
6.15 counseling is to be delivered in a classroom setting or using distance media presentations;

6.16 (2) outreach and education to businesses and organizations on the small business
6.17 investment tax credit program under Minnesota Statutes, section 116J.8737, the MNvest
6.18 crowd-funding program under Minnesota Statutes, section 80A.461, and other state programs
6.19 that support high technology business creation especially in underserved communities;

6.20 (3) collaboration with institutions of higher education, local organizations, federal and
6.21 state agencies, the Small Business Development Center, and the Small Business Assistance
6.22 Office to create and offer educational programming and ongoing counseling in greater
6.23 Minnesota that is consistent with those services offered in the metropolitan area; and

6.24 (4) events and meetings with other innovation-related organizations to inform
6.25 entrepreneurs and potential investors about Minnesota's growing information economy.

6.26 Subd. 8. **Report.** The Minnesota Innovation Collaborative shall report by February 1,
6.27 2020, and again on February 1, 2021, to the chairs and ranking minority members of the
6.28 committees of the house of representatives and senate having jurisdiction over economic
6.29 development policy and finance issues on the work completed, including awards made by
6.30 the department under this section.

6.31 Subd. 9. **Advisory board.** (a) The commissioner shall establish an advisory board to
6.32 advise the executive director regarding the activities of the Minnesota Innovation
6.33 Collaborative and to perform the recommendations described in this section.

7.1 (b) The advisory board shall consist of ten members and is governed by Minnesota
7.2 Statutes, section 15.059. A minimum of six members must be from the private sector
7.3 representing business and at least two members but no more than four members from
7.4 government and higher education. Appointees shall represent a range of interests, including
7.5 entrepreneurs, large businesses, industry organizations, investors, and both public and private
7.6 small business service providers.

7.7 (c) The advisory board shall select a chair from its private sector members. The executive
7.8 director shall provide administrative support to the committee.

7.9 **Sec. 2. APPROPRIATION.**

7.10 \$4,500,000 in fiscal year 2020 and \$4,500,000 in fiscal year 2021 are appropriated to
7.11 the commissioner of employment and economic development for the Minnesota Innovation
7.12 Collaborative. Of this amount:

7.13 (1) \$2,900,000 each year is for innovation grants to eligible Minnesota entrepreneurs or
7.14 start-up businesses to assist with their operating needs. Of this amount, five percent is for
7.15 the department's administrative costs;

7.16 (2) \$850,000 each year is for administration of the Minnesota Innovation Collaborative;
7.17 and

7.18 (3) \$750,000 each year is for grantee activities at the Minnesota Innovation Collaborative.
7.19 Of this amount, five percent is for the department's administrative costs.

7.20 This is a onetime appropriation and funds are available until June 30, 2023.