

# HOUSE RESEARCH

## Bill Summary

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### Overview

This bill creates a Minnesota Science and Technology Program to be administered by the Minnesota Science and Technology Authority. The program will be funded through a dedicated fund with annual revenues of up to \$25 million from the growth in Minnesota state income tax withholding on employees of a group of Minnesota businesses, designated in the bill by the North American Industry Classification System (NAICS) codes. These include software publishers, medical equipment manufacturers, wireless carriers, chemical manufacturing, semiconductor and electrical equipment manufacturing, and many others.

The program will be used to fund grants and loans for science and technology businesses and for research by Minnesota colleges, universities, and nonprofit research organizations under three programs:

- The commercialized research program under section 5
- The federal research and development support program under section 6
- The industry innovation and competitiveness program under section 7

The program expires on June 30, 2018.

**1 Citation.** Names the law the “Minnesota Science and Technology Program.”

**2 Definitions.** Defines the following terms for purposes of the program:

**Authority** is the Minnesota Science and Technology Authority, an existing state entity that is established in Minnesota Statutes, section 116W.03.

**Base-year taxation** is tax year 2010 Minnesota income tax withholding, adjusted for inflation (based on the Minneapolis-St. Paul consumer price index), for science and technology employees working for primary science and technology companies.

**College or university** is a private or public postsecondary education institution that grants academic degrees and conducts research and development in science and technology.

**Commercialization** includes all of the activities involved with developing, producing, and selling a new product, ranging from doing the basic research at the “conceptual stage” through selling the product.

**Commercialized research project** is research conducted in a college or university or at a nonprofit research institution or by a qualified science and technology company that has shown advanced commercial potential in the form of licenses, patents, or similar and for which a qualified science and technology company is being or has been formed.

**Fund** is the Minnesota science and technology fund created under section 3.

**Nonprofit research institution** is a 501(c)(3) organization with its principal place of business in Minnesota that conducts significant research and development activities in Minnesota.

**Primary science and technology company** means a business in one of the following NAICS codes:

- Petroleum and Coal Products Manufacturing (3241)
- Basic Chemical Manufacturing (3251)
- Resin, Synthetic Rubber, and Artificial and Synthetic Fibers and Filaments Manufacturing (3252)
- Pesticide, Fertilizer, and Other Agricultural Chemical Manufacturing (3253)
- Pharmaceutical and Medicine Manufacturing (3254)
- Paint, Coating, and Adhesive Manufacturing (3255)
- Other Chemical Product and Preparation Manufacturing (3259)
- Agriculture, Construction, and Mining Machinery Manufacturing (3331)
- Industrial Machinery Manufacturing (3332)
- Commercial and Service Industry Machinery Manufacturing (3333)
- Engine, Turbine, and Power Transmission Equipment Manufacturing (3336)
- Other General Purpose Machinery Manufacturing (3339)
- Computer and Peripheral Equipment Manufacturing (3341)
- Communications Equipment Manufacturing (3342)
- Audio and Video Equipment Manufacturing (3343)
- Semiconductor and Other Electronic Component Manufacturing (3344)
- Navigational, Measuring, Electromedical, and Control Instruments Manufacturing (3345)
- Electrical Equipment Manufacturing (3353)
- Other Electrical Equipment and Component Manufacturing (3359)
- Aerospace Product and Parts Manufacturing (3364)
- Other Transportation Equipment Manufacturing (3369)
- Medical Equipment and Supplies Manufacturing (3391)
- Software Publishers (5112)
- Wireless Telecommunications Carriers (except Satellite) (5172)
- Data Processing, Hosting, and Related Services (5182)

- Computer Systems Design and Related Services (5415)
- Scientific Research and Development Services (5417)
- Engineering Services (541330)
- Testing Laboratories (541380)
- Environmental Consulting Services (541620)
- Other Scientific and Technical Consulting Services (541690)

**Program** is the Minnesota Science and Technology Program.

**Qualified science and technology company** is a business with fewer than 100 employees engaged in research, development, or production of science or technology in Minnesota.

**Withholding taxes** means the total amount of Minnesota state income taxes withheld from the wages of employees of primary science and technology companies during a calendar year.

- 3 Minnesota Science and Technology Fund.** Establishes the Minnesota Science and Technology Fund as a special revenue fund in the state treasury. Payments from the fund may only be made at the request of the Authority. Each year the commissioner of revenue and the authority set the amount of the base-year taxation and determine the total increase in collections over that base-year amount. 85 percent of this increase, up to a maximum of \$25 million per year, is dedicated to the fund. This dedication begins with calendar year 2011 withholding taxes. The commissioner of management and budget is authorized to make quarterly estimated payments with an annual reconciliation.
- 4 Authorized uses of the fund.** Authorizes the fund to be used for:
- The commercialized research program under section 5
  - The federal research and development support program under section 6
  - The industry innovation and competitiveness program under section 7
  - Carrying out the powers of the authority to award grants and loans under section 8
- 5 Commercialized research program.** Authorizes the authority to establish a commercialized research program to encourage the creation of science and technology jobs. This program can provide grants of up to \$250,000 per project for:
- Research projects to assist in the commercialization of science and technology, developed by a college, university, or nonprofit organization and transferred to a qualified science and technology company
  - Projects developed directly by a qualified science and technology company
- This program is subject to the following limits:
- The authority must establish written criteria for award and use of the grants
  - The recipient (college, university, nonprofit organization, or private company) must provide matching funds
  - Recipients must report to the authority on the uses and outcomes of the grant within one year
- 6 Federal research and development support program.** Authorizes the authority to establish a federal research and development support program to increase and coordinate efforts to obtain federal funding for research of primary benefit to qualified science and technology companies, colleges and universities, and nonprofit research organizations.

Specifically, this program is to:

- Identify potential federal funding sources
- Make grants to qualified science and technology companies
- Help develop federal Small Business Innovation (SBIR) or Small Business Technology Transfer (STTR) proposals
- Match SBIR and STTR awards (subject to an annual \$1.5 million funding limit)

**7 Industry innovation and competitiveness program.** Authorizes the authority to create an industry technology and competitiveness program to:

- Provide matching funds to help startup of qualified science and technology companies
- Fund efforts to retain engineering, science, and technical jobs in Minnesota
- Fund science and technology industry growth clusters

This program is subject to the following limits:

- The authority must establish written criteria for the award and use of the grants
- The recipient (college, university, nonprofit organization, or private company) must provide matching funds
- Only 15 percent of the grants may be used for overhead
- Recipients must report to the authority on the uses and outcomes of the grant within one year

**8 Minnesota science and technology authority; powers.** Provides that the authority has all of the powers necessary to carry out its purposes, including the power to make grants and loans and to pay for reasonable administrative expenses, including staff and professional fees.

In making grants, the authority is directed to give priority to qualified science and technology businesses that have “demonstrable economic benefits to the state” by creating jobs, attracting federal money, or creating new businesses.

In making grants to colleges, universities, and nonprofit research organizations, the authority is to give priority to proposals that:

- Promote collaboration with private businesses;
- Attract new research entities, talent, or resources to Minnesota; or
- Attract significant researchers and resources from outside of Minnesota.

Interest charged on the loans and other revenues from the fund’s transactions, including required repayments, go back to the corpus of the fund.

**9 Repayment.** Requires the recipient of an award, grant, loan, or other financial assistance to repay all or part of it, if the recipient moves out of Minnesota within three years after it received the grant. If the relocation occurs within two years of receipt, the entire amount must be repaid. Relocations after two years and before three years require repayment of 75 percent of the amount.

**10 Expiration.** Provides the law expires when the Minnesota Science and Technology Authority expires by law (June 20, 2018). Any unused money in the fund at that point would be returned to the general fund.