Overview

This bill uses one-time tobacco settlement payments to establish four endowments:

Minnesota families foundation ($600 million). This foundation sunsets on June 30, 2009.
Health professional education and medical research endowment fund ($350 million). This endowment sunsets on June 30, 2009.
Medical education and research cost endowment fund ($100 million).
Local public health endowment fund ($260 million).

1 Minnesota Families Foundation. (Creates new § 10.57).

Subd. 1. Establishment. Establishes the Minnesota families foundation as a nonprofit foundation to foster a public-private partnership to support self-sufficiency and reduce long-term dependency on government. Requires the foundation to operate as a private foundation under the Internal Revenue Code (IRC) section 509(a), and the state statutes governing nonprofit corporations.

Provides that the foundation is not subject to the following chapters of state law: 13 (data practices act); 14 (administrative procedures act); 16A (finance department); 16B (department of administration); 16C (state procurement); 43A (department of employee relations); and 179A (public employment and labor relations).

Subd. 2. Board membership. Provides that the foundation is governed by a 16-member board of directors. The membership is specified as follows:
eight members (not state employees), appointed by the governor;
eight members (not legislators), two appointed by the subcommittee on committees of the senate committee on rules and administration, two appointed by the senate minority leader, two appointed by the speaker of the house, and two appointed by the house minority leader.
Subd. 3. Terms; compensation; removal. In paragraph (a), specifies that the board members serve four-year terms, with terms ending on the first Monday in January. Section 15.0575, subdivision 4, applies to removal.

Permits board members to serve until their successors are appointed, but not past July 1 after the term has expired, unless reappointed.

Specifies that a vacancy on the board must be filled for the unexpired portion of the term in the same way the initial appointment was made.

In paragraph (b), requires that board members not be paid a per diem, but must be reimbursed for reasonable out-of-pocket expenses they incur.

In paragraph (c), requires board members to fully disclose to the board when they may have a conflict of interest. Provides that the liability of board members is governed by existing provisions in state law.

Subd. 4. Organization. Requires the board to adopt bylaws to conduct the foundation's business. Also requires the board to select a chairperson, and any necessary officers, from its membership. Requires all board meetings to be open to the public, and all grants, contracts and meeting minutes to be available to the public.

Subd. 5. Executive director; employees of the foundation. In paragraph (a), requires the board to hire an executive director, who serves at the pleasure of the board. Provides that the executive director is a nonvoting board member, whose salary can not exceed 85 percent of the governor's salary.

In paragraph (b), requires the executive director to oversee foundation operations and hire employees. Provides that these employees are not state employees.

In paragraph (c), requires the executive director to prepare an annual budget that will be reviewed and approved by the board.

In paragraph (d), requires the foundation's administrative support to be provided by the state department of finance until the end of fiscal year 2000, but only to the extent the board makes funds available to cover expenses. Requires the board to make up to $200,000 available in fiscal year 2000 for these expenses.

Subd. 6. Foundation funds. In paragraph (a), requires the board to be responsible for managing the investment of the foundation's funds. Places specified conditions on this requirement.

In paragraph (b), permits the foundation to accept gifts from private donors.

Subd. 7. Foundation grants. In paragraph (a), requires the foundation to provide grants, beginning in January, 2000, to nonprofit, community-based organizations that:

1) are flexible, innovative and close the gap between dependence on and independence from government programs;
2) support the efforts of working families and individuals to be self-sufficient;
3) will ensure that the core government efforts to encourage self-sufficiency have every chance to succeed;
4) focus resources so the effect on a goal or set of goals can be demonstrated; and
5) have demonstrated success in reducing future government expenditures.

In paragraph (b), requires grantees to provide a dollar-for-dollar match, 25 percent of which may be in-kind. Prohibits federal, state or local funds from being used to provide the matching funds.

Subd. 8. Reports to the legislature. In paragraph (a), requires a biennial report from the
foundation to the governor and legislature on January 15 of each regular legislative session. Specifies that the report must contain: an earnings report; an expense report; a list of grant awards; and a copy of the independent audit report for the previous two years.

In paragraph (b), also requires the initial report to include the foundation's mission statement, by-laws and policies.

**Subd. 9. Dissolution of the foundation.** Sunsets the Minnesota families foundation on June 30, 2009. Requires all of the foundation's remaining funds to be returned to the tobacco settlement fund.

Provides that if the legal status of the foundation or its funds is successfully challenged in court, the foundation is dissolved and all appropriations and unspent earnings revert to the tobacco settlement fund.

2 Tobacco settlement fund. (Creates new § 16A.86).

**Subd. 1. Establishment; purpose.** Establishes the tobacco settlement fund for the purpose of the endowments created in sections 1, 3, 4 and 5.

**Subd. 2. Deposit of money.** Requires the commissioner of finance to deposit all one-time tobacco settlement payments received after July 1, 1998, in the tobacco settlement fund. Requires all other tobacco settlement payments to be deposited in the general fund.

3 Health professional education and medical research endowment fund. (Creates new § 137.44).

**Subd. 1. Condition; appropriation.** Makes a conditional appropriation of $350 million from the tobacco settlement fund to the board of regents of the University of Minnesota for a health professional education and medical research endowment fund. Requires the board of regents to comply with the requirements of this section if it accepts the appropriation.

**Subd. 2. Establishment; purpose, administration.** Requires the board of regents to establish a health professional education and medical research endowment fund, the sole purpose of which is to support health professional education programs at the University academic health center and medical research at the University and the Mayo Foundation. Provides that the fund will be administered by the board of regents, and requires all earnings of the fund to be credited to the fund.

**Subd. 3. Investment management.** In paragraph (a), requires the board of regents to transfer the endowment fund money to the Minnesota medical foundation, which is to be responsible for managing the investment of the endowment. Requires that on July 1, 2009 the balance in the fund must be returned to the board of regents.

In paragraph (b), places specified conditions on the management of the endowment fund.

In paragraph (c), requires the board of regents, at its discretion, to establish an annual appropriation from the fund, up to 5 percent of the value of the fund's assets.

In paragraph (d), requires the monies appropriated from the fund to be distributed as directed by the board of regents, for the purposes of the endowment.

**Subd. 4. Advisory board.** Requires the board of regents to establish a seven-member advisory board to consult with the senior vice-president for health sciences in making recommendations about the fund's annual appropriation. Requires the commissioner of health to be a member of the board, and requires the other representation on the board to be equally divided between health care consumers and providers.
Subd. 5. Budgeting annual appropriation. In paragraph (a), requires the board of regents to adopt an annual budget for the use of the fund's annual appropriation. Requires that monies must be budgeted specifically for the instructional costs of health professional education programs at the University and its affiliated teaching hospitals, and for medical research at the University and the Mayo Foundation.

   In paragraph (b), requires 75 percent of the annual appropriation to be budgeted for instructional costs at the University's academic health center and its affiliated teaching hospitals.

   In paragraph (c), requires 8.33 percent of the annual appropriation to be budgeted for medical research costs at the University. Provides that these funds are available only if they are matched 1:1 by nonstate funds.

   In paragraph (d), requires 8.33 percent of the annual appropriation to be transferred annually to the Mayo Foundation for medical research costs. Specifies that these funds are available only if they are matched 1:1 by nonstate funds.

   In paragraph (e), requires 8.34 percent of the annual appropriation to be budgeted for collaborative medical research between the University and the Mayo Foundation, and is available only if matched 1:1 by nonstate funds. Requires a collaborative medical research committee to evaluate and select proposals for funding.

Subd. 6. Annual report. In paragraph (a), requires an annual report detailing how the fund's annual appropriation is budgeted, and the amounts and purposes of the fund's expenditures.

   In paragraph (b), requires the regents to include in the biennial budget document to the governor and legislature the following information: endowment fund annual reports for two fiscal years; and information on forecasted fund income and planned expenditures for the coming biennium.

Subd. 7. Sunset. Sunsets the health professional education and medical research endowment fund on June 30, 2009, and requires the board of regents to return all of the remaining endowment fund monies to the tobacco settlement fund.

4 Medical education and research costs endowment. (Creates new § 144.1461).

Subd. 1. Establishment; purpose. Establishes the medical education and research costs endowment fund as a nonexpendable trust fund, to be administered by the commissioner of health. Requires all earnings of the endowment fund to be credited to the fund.

Subd. 2. Appropriation. Beginning in fiscal year 2000, annually appropriates the fund's accrued earnings, up to $5 million, to the commissioner. These appropriations are to be distributed under the current law provisions for the medical education and research (MERC) trust fund. Permits money appropriated under this section to be used for grants to support medical research, including research activities that are conducted in a non-educational setting by a Minnesota-based nonprofit organization.

Subd. 3. Review. Requires that the purpose of this endowment fund be reviewed in each biennial budget.

5 Local public health endowment fund. (Creates new § 145.076).

Subd. 1. Establishment; purpose. Establishes the local public health endowment fund as a nonexpendable trust fund, to be administered by the commissioner of health. Requires all earnings of the endowment fund to be credited to the fund.

Subd. 2. Appropriation of earnings. Annually appropriates the fund's accrued earnings, up to 5 percent of the fund balance, to the commissioner. These appropriations are to be distributed to community health boards under the current law provisions that distribute a subsidy to
community health boards.

**Subd. 3. Report.** Requires the commissioner to report to the legislature by January 15 of each odd-numbered year on the community health boards' activities.

**Subd. 4. Review.** Requires that the purpose of this endowment fund be reviewed in each biennial budget.

6 **Initial appointments.** Provides that section 15.0525, subdivision 2, applies to the initial appointment of board members to the Minnesota Families Foundation board.

7 **Transfer of money.** In paragraph (a), transfers $100 million from the tobacco settlement fund to the medical education and research costs endowment fund.

In paragraph (b), establishes the corpus of the local public health endowment fund, transferring a total of $260 million over three years from the tobacco settlement fund into the endowment: $100 million in FY 2001; $38.45 million in FY 2002; and $121.55 million in FY 2003.

8 **Appropriation.** In paragraph (a), appropriates monies from the tobacco settlement fund to the Minnesota families foundation (created in section 1): $253.35 million in FY 2000; $142.55 million in FY 2001; and $204.1 million in FY 2002.

In paragraph (b), requires the commissioner of finance to transfer these appropriations to the foundation when the foundation's board has established the account required in section 1, subdivision 6.

9 **Effective dates.** Makes sections 1, 2, and 6 immediately effective. The remaining sections of the bill are effective July 1, 1999.