

**Senate Research Committee
Minutes of the Meeting
April 6, 2015**

[These notes reflect discussion and debate at a meeting of a committee of the University of Minnesota Senate; none of the comments, conclusions or actions reported in these notes represent the views of, nor are they binding on, the Senate, the Administration or the Board of Regents.]

In these minutes: [Committee on Committees draft report; direct cost policy and procedure; Discovery Capital program; parental leaves and fringe benefits]

PRESENT: Maria Gini, chair; Daniel Habchi, LaDora Thompson, Bob Lewis, Frances Lawrenz, Carol Carrier (for Al Levine), Jayne Fulkerson, Michael Kyba, Bill Arnold, Scott McIvor, Nicole Victoria, Elizabeth Steinert, Hinh Ly, Lisa Johnston, Seung Ho Joo, Philip Zelazo, Tommy Vaughan, Brian Johnston, Philip Herold, Suzanne Paulson

REGRETS: Beth Stadler, James Orf, Brian Herman, Teresa Rose-Hellecant

ABSENT: Tucker LeBien, Lynn Zentner, Jeanette Gundel, Joel Waldfogel, Murat Can Kalem

GUESTS: Pamela Webb, associate vice president, Sponsored Projects Administration

Professor Gini welcomed the committee.

1. Committee on Committees draft report

The committee reviewed the Committee on Committees (ConC) draft report. Daniel Habchi said he agreed with the ConC's recommendation regarding orientation for new members. Gini said that although the report might seem to reflect a lack of documentation to the Senate, she preferred discussion rather than generate documents. Professor Kyba said he agreed, and there was no need to generate documents for the sake of documents.

2. Direct Cost Policy and procedure

Gini welcomed Pamela Webb, associate vice president, Research Administration, who presented information to the committee regarding direct cost policies and procedures. Webb directed the committee members' attention to a presentation, and said purpose of the policy and related procedures and appendices was to provide guidance to PIs and departmental and certified approvers on how to ensure that direct costs to sponsored projects are properly charged and documented to meet uniform guidance (UG) regulations.

Webb discussed why the policy was needed:

- Currently, the only official University guidance on charging direct costs to sponsored projects is found in a procedure under the *Charging of Facilities and Administrative/ Indirect Costs to Sponsored Projects Policy*
- The Uniform Guidance imposes an increased emphasis on documental internal controls (including policy)

- It is an opportunity to clarify federal (more strict) and non federal (less strict) requirements

Webb reviewed the timeline for the policy going into effect:

- The draft policy and related procedures and appendices will be reviewed by the following groups:
 - Certified Approvers Advisory Committee (March 24)
 - Council on Research Associate Deans (March 26)
 - Senate Research Committee (April 6)
 - Grants Management User Network Advisory Committee (April 14)
- The UG Steering Committee will submit the proposed policy and related procedures and appendices to be considered at the Policy Advisory Committee (PAC) on April 22
- If approved by PAC, it will be presented at the President's Policy Committee (PPC) on June 5
- If approved, it will be posted for a 30-day public comment period
- It will then go into effect July 2015

Webb noted that there had been nothing in writing about direct costs at policy level or sub awards and it was prudent to document it. Webb also said they were creating a new direct cost grid that will indicate types of costs and whether they can be charged. She emphasized none of this was new information; it was just a matter of pulling it all together so people had a resource.

To the committee's questions, Webb said a statement had been added in the indirect cost procedure about incentive payment. Incentive payments often come up in clinical trials, an example being if someone wanted to expedite enrollment in a trial. Webb emphasized the University does not and never has accepted such payments as it can be seen as coercive and this policy is now codified.

Suzanne Paulson, assistant controller, Controller's Office, discussed the A1-33 audit, saying the University contracts with an external auditor. The auditor follows the standards established by the federal government related to auditing and sampling, and Webb said the underlying principle was to present clearer information and guide people to the information they needed.

Gini thanked Webb and Paulson for the information.

2. Discovery Capital Program

Gini welcomed Jay Schrankler, executive director, Office of Technology Commercialization (OTC), and Russ Straate, associate director, OTC, who discussed the OTC's Discovery Capital Program. Schrankler provide background on the program, saying there had been pressure from the federal government to commercialize federally funded research. The University received a grant from the National Science Foundation (NSF) for a program that trains faculty, students, and researchers in the process of commercializing technology. The University also received a grant from the National Institute of Health (NIH) called the REACH (Research Evaluation and Commercialization Hub) program. Schrankler cited such grants as examples of how federal agencies are trying to push entrepreneurship in universities. Schrankler said OTC created a seed

fund program called Discovery Capital, the intent of which is to assist new companies being spun out of the university with some initial capital.

Straate provided background about the program:

- Problem: financing University start-ups is difficult
 - Lack of seed/early stage capital affects the most valuable technologies
- Solution: Discovery Capital seed funding program
 - Participate in the first round of invested money into the opportunity
 - Proof-of-Concept Funding: \$25K - \$50K prior to exiting the UMN
 - Seed Funding: Up to \$350K in matching investment
- Benefits
 - Shorten the time to commercialization and time to cash flow from the license agreement
 - Attracts stronger outside management-increasing probability of success and speed to market

Schrankler then referred to the Board of Regents Policy regarding the commercialization of intellectual property rights, and briefly reviewed some changes to the policy:

- Allows the University, through the Office of Investment & Banking, to invest cash in individual companies
 - Clarifies how returns from cash investments will be distributed
- Separate from license agreement returns
- Changes ability to participate on the company's board of directors

The committee asked about avoiding potential conflict of interests, and Straate said the University's conflict of interest group addressed them. He said OTC acts as an ombudsman bringing faculty through the process and helping put management plans in place. Straate added that in instances in which an invention comes along that might supersede an older invention, they are obligated to follow through with the newer one. *(Footnote: following the meeting, Rebecca Gerber, chief of staff, Office for Technology Commercialization, followed up with committee members via email regarding the Discovery Capital program, requesting input and/or concerns. There were no changes or concerns noted by committee members.)*

Committee members discussed terminology in the policy regarding the selling of stock; specifically, the use of the word "prudent" vs. the phrase "as soon as possible." Schrankler clarified it was intended to mean stock should be sold as soon as legally possible. The FCC rules state that an entity cannot put all stock into the market at once; it must be done incrementally. The committee also asked about proof of concept funding and how that worked. Straate said such requests did not involve an elaborate presentation because it was a smaller investment. The question was raised as to quality control and oversight being compromised for the sake of investors' profit margins. Schrankler said companies are a separate legal entity outside the University, and OTC manages the licenses as part of separating of interests. He emphasized that no one gets compensated based on royalties.

Gini thanked Schrankler and Straate for the discussion.

3. Parental leaves and fringe benefits

Gini revisited the committee's past discussions regarding the cost of maternity leave being included as part of the fringe benefits, as opposed to being paid by the unit. In these discussions, the committee felt it made sense that maternity leave be a part of fringe rates, and had wanted more information about costs and how much it would increase cost pools. Gini said despite repeated requests over the past year for information from Kathy Brown, vice president, OHR and Donna Saathoff, manager, OHR, to provide more information to the committee, there had been no response. Gini said that Saathoff finally agreed to attend this particular meeting but cancelled at the last minute, deferring the issue to the finance office. Gini said the committee should proceed nonetheless.

Gini said the policy differs among faculty and staff, as well as at different institutions. She emphasized that it should be the same policy for everyone and that women should not be discriminated against. It was noted that it might also be an issue for the Equity, Access, and Diversity Committee and/or other committees, and the possibility was raised of coordinating efforts. Gini said the problems were with the units, in that a department has to figure out how to pay for it. Professor Ly said the issue should be part of the campus climate initiative. Carol Carrier added that OHR would be able to provide information on the ins and outs of what currently exists, and information from financial representatives would be necessary too. Lisa Johnston noted it would be useful to have a document illustrating the issue with which to approach other committees. Gini said it would be good to draft a motion or statement, which the committee could then vote on. Paulson added a statement or motion could be sent to Budget and Finance and the Office of Human Resources, as they are the two entities that have responsibility to put something in motion.

Hearing no further business, Gini adjourned the meeting.

Mary Jo Pehl
University S