Minutes[*]

Senate Committee on Finance and Planning
Tuesday, November 6, 2012
2:15 – 4:15
238A Morrill Hall

Present: Will Durfee (chair), Gary Cohen, Dan Feeney, Susan Hupp, Jill Merriam, Fred Morrison, Paul Olin, Jahon Rafian, Gwen Rudney, Terry Roe, Michael Rollefson, Ann Sather, Arturo Schultz, S. Charles Schulz, Aks Zaheer

Absent: Catherine Fitch, Lincoln Kallsen, Kara Kersteter, Talha Khan, Ruth Lane, Russell Luepker, Richard Pfutzenreuter, Kyle Smyth, Thomas Stinson, Michael Volna, Pamela Wheelock

Guests: Brian Swanson (University Services), Assistant Vice President Suzanne Smith (Capital Planning and Project Management), Ian Ellis (Alternative Workplace Strategy Planner, Capital Planning and Project Management); Provost Karen Hanson; Rick Huebsch, Jay Schrankler (both Office for Technology Commercialization)

Other: none

[In these minutes: (1) space utilization update; (2) the compact process (with Provost Hanson); (3) update on technology commercialization revenues]

1. Space Utilization Update

Professor Durfee convened the meeting at 2:15 and welcomed Mr. Swanson to provide the Committee an update on space utilization.

Mr. Swanson recalled that the last time the Committee heard about space utilization was May of 2011, at which time the discussion focused on building demolition; before that, in January, 2011, the Committee discussed and endorsed principles of space utilization. Mr. Swanson distributed copies of material and spoke from it.

Mr. Swanson began by reviewing why space planning and management are important:

-- Space is a critical tool for supporting academic programs (it is supposed to support the mission).
-- Space is a major University expense (second after people).
-- Space is the most significant contributor to the University's carbon footprint (to reach the climate goals and achieve sustainability, space must be part of the discussion).

The current status of space. The University:

-- has more space than it can afford to operate, maintain and support, with limited options for new funding sources

[*] These minutes 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 minutes represents the views of, nor are they binding on, the Senate, the Administration, or the Board of Regents.

-- is attempting to operate and maintain the current inventory with insufficient resources, resulting in a lower overall space quality and a poor alignment with purpose (that is, it is using old buildings that were not built to support the current uses).
-- provides inadequate tools and incentives to maximize the efficient use of space or limit the addition of new space.
-- *has not adapted its work spaces to match how people work (the conversation needs to focus more on people).*

The University's Twin Cities campus space utilization principles are these:

a) Aligned: The University should provide the correct type, quality, and quantity of space required for *people and programs* to function effectively ("people and" has been added to the principle)
b) Sustainable: The University should not have more space than it can afford to operate, maintain, and support.
c) Managed: The University should provide tools and incentives for maximizing the efficiency and effectiveness of its space resources.

The Space Utilization Initiative (SUI) is about developing a comprehensive institutional space management strategy:

– Aligning space with the way people work
– Reducing the demand for "net-new" space
– Shrinking the inventory by removing high cost obsolete buildings and off-campus leases

The focus of the SUI started out as being primarily a cost-cutting exercise focused on primarily on "cost-pool" space (so it does not include parking ramps, for example). It is evolving to look more broadly at how space supports the work people are doing, with the goal of both supporting people and saving money. This is a loftier goal than the original charge to cut $10 million from space costs, per President Bruininks, although that remains a good goal, Mr. Swanson said.

Mr. Swanson provided data on space use on the Twin Cities campus (fall, 2011).

03 OFFICE SPACE	3,581,388 27%
02 LABORATORIES	2,426,313 18%
05 SPECIAL USE FACILITIES	1,559,919 12%
09 RESIDENTIAL	1,521,780 11%
07 SUPPORT FACILITIES	1,441,886 11%
06 GENERAL USE FACILITIES	970,838 7%
04 STUDY FACILITIES	697,403 5%
01 CLASSROOMS	554,717 4%
08 HEALTH CARE (HUMAN OR ANIMAL)	423,314 3%
00 UNUSED SPACE	315,557 2%
Grand Total (assignable square feet)	13,493,115

The University spends a significant amount of money on office space, Mr. Swanson observed. What they have heard from other industries is that most offices are empty 60% of the working day. So the

University spends a lot of money to heat, cool, and maintain space that is not used very much; as a result, they are looking closely at offices.

In terms of what has been accomplished thus far, Mr. Swanson reported that the realignment of the Office of Space Management with Capital Planning and Project Management was one step. Another has been decommissioning and demolition [GSF = Gross Square Feet]:

-- 275,000 GSF demolished & recycled
-- 31,000 GSF mothballed for adaptive reuse (Eddy Hall)
-- $1.25 million in annual operating cost saving
-- $ 31 million reduction in 10-year facilities needs

In the six-year capital plan, 16% of the funding sought in the proposed 2012-2018 legislative requests is for new facilities and 84% is for renewal/replacement/re-use of space. The 2013 annual capital improvement budget includes 22% for new supported space (Itasca, Biomedical Discovery District), 39% for new revenue-supported space (Ambulatory Care Clinic, housing at Morris), and 39% for renewal and replacement (HEAPR and Repair and Renovation funds). They would like to see more funding go to fixing up existing space rather than constructing net new space, Mr. Swanson said. [HEAPR = Higher Education Asset Preservation and Replacement, state-appropriated funds for facility maintenance.]

What's being done to keep moving forward? A continued focus on facility renewal, Mr. Swanson said. The University needs more funding to renew existing facilities in order to reduce the need to build more new buildings. University Services has requested more Repair and Replacement funds for FY15 and the proposed 2013 legislative capital request includes more funds for HEAPR. University Services is also working on new incentive funding models to encourage improved utilization of existing space. The Committee's endorsement in January 2011 has been helpful in making the case for more repair and replacement funding.

There will also be a continued focus on decommissioning space and reducing the amount of leased space, Mr. Swanson reported.

Decommission options:
-- Mothball
-- Demolish (some buildings have reached the end of their life and need to come down; the next round will be more difficult; they need to get them emptied first, but the VFW Cancer Research Center and Masonic Cancer Center are high on the list)

Criteria for Decommissioning:
-- Significant facility condition deficiencies
-- Cost to renovate near to or exceeds cost to replace
-- Current facility does not allow efficient space utilization
-- Not a major historical significance for University (demolition only)
-- Current building does not provide flexibility of use
-- High per square foot operating costs

There are other facilities that could be taken down, Mr. Swanson related, but it may be better for the University to fix some of them up and bring programs that are currently off campus back or to stop sending others off campus.

Mr. Swanson turned next to Work+, which he described as a structured effort to match space to the way people work. He noted that "how we work has changed [but] our approach to space has not." Aligning space with the way people work is a more useful effort than just cutting space. The University has been building office space largely the same way for the last 20 years but how people work has changed dramatically. The University tells students to make use of the whole campus, and they are good at doing so. One can see students working everywhere. Faculty and staff, however, are generally assigned a very static space that may or may not work well for what they are doing on any given day. The Minnesota Facilities Model (MFM) allocates space in a very structured way and people no longer use space the way they did when the model was created. "Work+ is the University of Minnesota's new Alternative Workplace Strategy Program. It is a way for the University to provide people with the flexibility, spaces, technology, and training they need to be productive when they are on campus. It helps units tackle space, technology, & organizational challenges" and is a three-way partnership with Human Resources, the Office of Information Technology, and Facilities Management. The idea is to "provide a variety of spaces, technology, and training needed to be productive—on one's own and as a team; apply the lessons learned from successful organizations to deal with space constraints; [and] make the best use of University resources -- environmentally and financially."

Work+ deals with changes in how and where work gets done and enables choice and flexibility—while using resources more effectively. Mr. Swanson observed that different generations approach space differently, and those who are now young are used to moving around; they don't see their future as first a cube, then an interior office, and finally an office with windows. Work+ is not a "work from home" program nor is it a license to do whatever one wants, Mr. Swanson emphasized; it is about the kind of space the University provides its employees when they are on campus. A decision to work from home or other such arrangements will still be the result of discussions between an employee and supervisor; Work+ does not change the University's work rules. Rather, Work+ is about the kind of individual and group space people have at their disposal while they are on campus. The goal is to replace inflexible, dedicated individual space with more choice and options for using a variety of collaborative space types. Mr. Swanson provided depictions of the multitude of arrangements of space and people that could be envisioned.

The Space Utilization Initiative has several characteristics, he concluded.

-- It requires a broad culture / attitude change about space use
-- It is not free. It will cost money to save money
-- It is not fast or easy (if we want to minimize chaos)
-- It is not anything new. Other organizations and institutions have successfully made these kinds of changes.
-- It is worth pursuing.

Professor Durfee asked what it means to say that the University has more space than it can afford. The University is paying for its space, so it is a question of choice. In what year will the system be broken? Will costs become impossible in five or ten years? Mr. Swanson said the system is unlikely to every collapse, but rather it is an issue of facility condition. The Facilities Condition Assessment suggests the University should spend about twice as much money per year as it does on renewing facilities, and in addition, people are in space that is not adequate for them—which could mean, for example, that a department could not recruit an outstanding faculty member because it has facilities that will not work for the person. That would not be seen as an overt failure of the system but it would harm the ability of the department to carry out its work. Mr. Ellis added that there will be bigger differences than those that now exist between state-of-the-art facilities such as STSS and obsolete facilities such as Fraser Hall; the gap will widen and it will take longer to refresh areas.

Professor Zaheer commended the presentation and the ideas. He asked how they would know when they had succeeded. What are the goals? What are the measures? To use less space? Increase productivity? A happier workforce? Mr. Swanson said the University has retained a consultant with experience building these kinds of programs for other organizations to assist in building a successful program at Minnesota. One of their charges is to assist in developing meaningful metrics and to identify what the relevant measures are in higher education. Many of the measures used in other organizations will not work for a university. They want to survey employees about what works and what does not, if technology supports their work, etc. They will be able to measure space changes but are trying to get to more qualitative measures about employees being more engaged and productive and departments more productive. (At General Mills, they learned, 80% of those who moved into a more flexible work environment said they would never go back to the old way of using space, and they were more productive.)

Will they work with units, Professor Hupp asked? And if so, how will they be defined? Colleges or departments? She said that colleges may have no idea how space is used at the department level; any work they do must be with the people who are using the space. The "best practice" is about 40-50 people in a "neighborhood," Mr. Swanson said, and they do not assume a top-down approach. The Office for Human Resources is serving as a pilot program with groups of about this size in both the Donhowe Building and the West Bank Office Building. There is nothing magic about how a "unit" is defined, Mr. Swanson told Professor Hupp; they will work with units to help them solve problems. There is no intention of imposing this program on people; the goal is to learn what people do and then design space to meet their needs. This works best with a bottom-up approach.

Professor Shultz said, apropos of the University having more space than it needs and reducing the amount, that in the Medical School the dean is emphasizing obtaining more grant funding and increasing NIH funding, which will require more space for research. If part of the University is planning on growth and more research, in order to increase its NIH ranking, how will it solve the problem of obtaining the space needed for its research? The campus has plenty of space, Mr. Swanson responded; the question is whether it is the right space and whether or not it is being used well. If the AHC schools want to increase their NIH funding, Professor Shultz said, there are people who will be glad to meet him to let him know what they are looking for.

Professor Durfee said that there could be new faculty members coming as researchers who need space for equipment and who might have a different view of the Work+ proposals (e.g., a faculty member may want an office in which to keep books). Mr. Swanson said they are piloting Work+ on the administrative side to get the model going, and will then begin to work with the academic side of the house. The University of Minnesota Rochester is doing some interesting work in this area with both academic and administrative space. A group of people with the Work+ effort will be going to visit this space in the near future.

Professor Cohen asked Mr. Swanson to talk about the effort to have integrated, rational space planning function in a large organization with decentralized management. His department is in renovated space; a lot of money was spent to make it pretty but with mixed practical results. Who is thinking about increased productivity and getting more bang for the buck for space renovation, about what will make renovation work better? (There are also problems such as door handles falling off.) Mr. Swanson said that Suzanne Smith is the University Architect and is reinvigorating that role. Part of the rationale for re-aligning space management with the University Architect's office was an effort to address the issues Professor Cohen has raised. Ms. Smith said she has not heard of the specific issue raised by Professor Cohen but that in any project there are different views on defining a successful outcome. Her unit works to ensure that the program's stated goals are met by the project —but door handles should not be falling off.

Professor Morrison said he wished to issue a caution about the consultation process. There will be a difference in dealing with administrative offices and academic and research offices. The dean can make decisions about administrative areas but probably cannot tell what a program is like on the academic side. They will have to drill down deeply to faculty and staff, and it may be that different programs will work differently within the same department. What might work for 25% of the space could be useless for the other 75%. There is no universal answer that an architect can provide.

Professor Hupp added that if changes are made, they will entail risk, because the changes will be what they THINK will work. Right now there is no accountability system for something that is done, to fix the problems that arise, and Work+ will go in a direction with even greater risk. That would be fine if there is more accountability as well, and there is follow-through, and if not, there will be many unhappy people.

In response to a question from Mr. Rollefson, Mr. Swanson reported that ultimately Eddy Hall will be remodeled for international and transfer student admissions; in the meantime, it has been decommissioned and is sitting vacant.

The next steps are an incentive funding model, Mr. Swanson said. There has not been a good mechanism to capture savings and they would like to be able to help units do so. They hope to create an incentive program with the pilot projects.

Professor Durfee asked if any of the new buildings coming will be part of the Work+ effort, such as the Ambulatory Care Clinic or new facilities in the Biomedical Discovery District. Mr. Swanson said that a clinic facility will be different; they are still at the pilot stage and before they roll out the initiative they want as many elements in place as possible. There are not many examples of this approach in higher education so they can't go to Michigan or Wisconsin to find out how it works.

Professor Durfee thanked Mr. Swanson for his report and invited him to return at periodic intervals to inform the Committee how the initiative is working.

<u>2. Discussion with Provost Hanson</u>

Professor Durfee welcomed the provost to talk about the compact process.

Provost Hanson recalled that she came to the University in the middle of last year, into what had already been set up. People viewed the compact process as an opportunity to tell her a great deal about their units, which was helpful, but this year she is trying to be more focused on significant goals and how they match with University priorities. The process does not look that different from what takes place at Indiana University, although the budget model makes it a little different. She has wondered about the use of the term "compact"; is it a bargain? She said it appeared to be a budget meeting to her. This year she would like to keep the meetings shorter and more focused on significant changes and institutional priorities. Does this Committee have something it would like to see pursued? At Indiana, they always had representation from the equivalent of this committee involved in the process.

Professor Durfee noted that last year the chair and vice chair of the Faculty Consultative Committee were invited to participate in compact sessions. That worked out well and they reported that the process was thorough and thoughtful. That is an important but delicate part of the process, Provost Hanson responded; those participating must be able to air issues frankly, so guests such as the FCC chair must be able to keep the discussions confidential. Faculty involvement must be take place without inhibiting the deans from saying what they need to.

What metrics does she have in mind to help lead the discussion, provide insight into the process, and the decisions to be made, Professor Roe asked. Will they be uniform or unit-specific? Some will be uniform, Dr. Hanson said, such as the extent to which they are they meeting their educational mission. But there are large differences across units in their public engagement responsibilities, for example, and in their research profiles. Professor Roe recalled that there was a committee that developed a scorecard across units, a subset of metrics that was fairly standard, such as completion rates, sources of funding, measures of scholarship, and so on. Provost Hanson said she is pursuing a project on metrics with the deans.

In some ways, the process seems like one where central administration has X amount of money and the colleges want to be sure they get their share, Professor Roe commented. Is that still part of the process? Motivationally, it probably is, Provost Hanson said, but there are different sources of revenue for each unit. The budget group divides the revenue based on requests from all units and it looks at all sources of revenue when trying to identify how to fund something.

Is a change in the compact process envisaged based on a change in the University's strategy as a whole, Professor Zaheer inquired? For example, greater emphasis on inter-departmental or inter-college initiatives, so the model would be changed to indicate that more such proposals are sought? How will she tweak the process to accommodate changes in direction that she and the president might seek? There are ways to accomplish changes within the process as it stands, Dr. Hanson said. Resources can be set aside to respond to priorities—that is a built-in part of the process. And different units apply for those funds, Professor Zaheer asked? Perhaps, Dr. Hanson said; with respect to research infrastructure, for example, it may not be a matter of applying but a case of the Office of the Vice President for Research providing a piece of equipment.

Professor Cohen said that from the dean's viewpoint, an important part of the budget process is downstream from the compact: When the cost-pool charges come in, they can fluctuate. Predictability is very important to deans. What role will her office play in setting cost-pool charges and ensuring that they are stable? The Committee has heard about the potential impact of the enterprise system upgrades; what will her role be in controlling the cost-pool charges?

That is part of the process she has not been through yet, Dr. Hanson said. There are certain items that have been raised as issues, and whether they should be in the cost pools, and if the cost pools are reasonable. Online education may come up as such an issue, in which case the academic side must be deeply involved. But they will never be able fully to meet the goal of predictability.

Mr. Rollefson noted that the president has decided to cut administrative costs and the support units have had to ante up money toward that goal. Will academic units be asked to do so as well? That has not been decided yet, the provost said. There are administrative costs on the academic side of the institution, Mr. Rollefson pointed out. The provost agreed and said they should be looked at to see if there can be savings the cost of academic services.

For colleges with undergraduate programs, they can look at graduation rates, Professor Durfee said, but they could also be asked when the last time they looked at their curriculum was. That could be useful to ask the deans. Provost Hanson agreed. There are a number of issues coming up in other fora with the deans as well. Professor Durfee said a dean may want the programs in the unit to revamp their curricula and may want to include changes in the budget; is that encouraged in compacts? That is more complicated than graduation rates.

Professor Feeney noted that there are risk profiles across the institution, such as for clinical enterprises, research programs, high-enrollment programs, and so on. How do they adjust for different risk profiles as they look at proposals? Is there a risk strata that they are put in? This one is likely to have an 80% return on investment, this one only 20%? How can proposals be stratified in the same way? Provost Hanson said they cannot all be stratified the same way. They need to look at the circumstances of each unit and not use a one-size-fits-all approach. The decisions depend on how crucial the issues are.

Professor Durfee observed that the Committee had just spoken with Mr. Swanson about space. Is space part of the discussions with academic units? It is, Provost Hanson said, and it is on their minds because of the cost-pool charges. There is a reward, through the cost-pool structure, to make efficient use of space; could there be rewards to try experiments? Some might work, some might now, and it would be a good idea to encourage them.

It could also be part of the compact process, or the review of a dean, to assess whether within a unit there is a sense of satisfaction, Professor Durfee said. Do faculty feel like they are in a college where they can succeed and do their research? Which belongs in which process? They can shift, the provost said; fundamentally, the process the University calls a compact is a budgetary process. There are other circumstances when they talk about faculty, such as space and support for research aspirations.

One perennial question has been about the proper order of the compacts, Professor Durfee said. The administrative units go first so that there are answers for academic units on what the cost-pool charges will be. Is that the right order? Provost Hanson said she has not been through the process here yet but that she is familiar with a different way of doing things, and not just presenting cost-pool charges to academic units. She said she did not know the answer but that there are other ways to order the process.

Professor Durfee thanked the provost for joining the meeting.

3. Update on Technology Commercialization Revenues

Professor Durfee next welcomed Messrs. Huebsch and Schrankler from the Office for Technology Commercialization (OTC) to the meeting to provide an update on revenues.

Mr. Schrankler distributed copies of a set of slides and began by noting a table of data on technology commercialization from FY2007 to FY2012.

-- Disclosures increased from 193 to 321, an all-time University high, which is a testament to changes in OTC making it easier to work for faculty.

-- New U.S. Patent Filings increased from 51 to 115, up dramatically in 2012 over 78 in FY2011; OTC obtained insights from CalTech on how to manage the process.

-- New Licenses were fairly stable, 77 in FY2007 and 71 in FY2012.

-- Start-Ups increased from 4 to 12; the University was not strong in creating start-ups, which is what the people in the state are looking for; the 12 in FY2012 is about right for the University if compared to the number at Michigan and MIT, for example.

-- Current Revenue Generating Agreements increased from 281 in FY2008 to 426 in FY2012; OTC works hard on these and does not want to license technology for nothing.

-- Glaxo Revenues (from Ziagen) increased from $65.2 million through FY2010 and has dropped to $45.7 million in FY2012, a reflection of the fact that international patents on Ziagen have expired.

-- Non-Glaxo Revenues increased from $8.5 million to $10.68 million in FY2012. When the University licenses an invention, it takes 5-10 years to generate revenue; of 133 universities reporting licensing revenue, only 16 generate more than $1 million.

-- Outgoing Material Transfer Agreements increased from 67 in FY2008 to 313 in FY2012, which reflect University faculty work with other institutions (OTC receives no compensation for these agreements, but they enable $0 collaboration while protecting University IP

Mr. Schrankler reported that total revenue for OTC, 1996-2012, was $645 million, of which $534 million came from Glaxo and $111 million from other licenses, etc. The estimated cost of OTC is $102 million over the 17 years, or about $6 million per year; so the estimated profit was about $543 million for the period. Professor Durfee inquired when the U.S. patents on Ziagen expire; at the end of 2013, Mr. Schrankler said, at which point the revenue essentially stops. But there are other potentially large deals pending that will, it is hoped, fill in a portion of that revenue gap.

Growing tech-transfer revenues is risk-oriented business that can take years, Mr. Schrankler said, and OTC needs to be supported to achieve the revenue. "Blockbusters" drive much of the revenue, but they are rare. What they deal with is very early-stage technology that often does not work or does not find a place in the market. They have grown the patent budget, but every time they do, OTC takes a risk, because it starts to spend money on something that they do not know will eventually be licensed.

Typically about 64% of patented inventions are licensed within eight years, and not all of those licenses result in products that generate revenue to the University.

Professor Roe asked what the University's potential revenues are. Mr. Schrankler said he did not know—it is similar to asking him how much the stock market will grow in the next five years. If one looks at universities that have a good licensing income, without a "home run," and it is about $20 million per year. Mr. Huebsch pointed out that every year two or three items drop out of the revenue stream and must be replaced by new licenses. Mr. Schrankler added that the patent on the Honeycrisp apple expired so that revenue stream has been lost. The Michigan revenue stream is about $12 million, and it is a larger research institution than Minnesota.

Does being a large metropolitan area with large firms offer an advantage, Professor Roe asked. It gives the University an advantage in sponsored research, Mr. Schrankler said, but not in licensing. Only a small number of companies license, and federal law requires universities to give the license to the company with the best chance of making a commercial success from the license.

How many disclosures are from non-Twin-Cities campuses, Professor Durfee inquired? Hormel is increasing, Mr. Schrankler said, and the NRRI at Duluth is the biggest source at that campus. Perhaps 30-40 of the disclosures come from outside the Twin Cities. They have received a couple of disclosures from Morris and Rochester and none from Crookston.

Mr. Schrankler reported that OTC provides over $1 million in value-added services to the University without charge, such as in-kind services, sponsored research support, compliance reporting, business relations (over 600 meetings last year), economic development support to the local ecosystem, inter-institutional agreements, material transfer agreements, and non-disclosure agreements.

Professor Durfee asked if OTC is self-supporting, overall. It is now, Mr. Schrankler said. And for the next five or six years if the directions continue? It will not be, Vice President Mulcahy said. The Glaxo dollars have been used to fund OTC; they are trying to figure out how to fund OTC once the Glaxo dollars disappear. They have worked with Vice President Pfutzenreuter on this because there will always be a deficit. It appears that the likely revenue stream (absent a "home run") will be a maximum of about $20 million per year, of which one-third comes to the central administration. That revenue stream is now at about $10 million, of which one-third comes to the central administration, so there is about $3.3 million available to fund OTC. But OTC costs about $8-9 million per year to operate, so even at $20 million in revenue every year the administration's one-third would not be enough to pay OTC costs. OTC has been beneficial to the University—and it has not had to pay for OTC for ten years. They did put away some money to bridge to the additional $4-5 million per year that will be needed. One could ask why OTC should be funded if it does not make money, Dr. Mulcahy said, and the answer is that the revenues provide a significant benefit to colleges and departments, there is a federal obligation to commercialize research, the faculty members benefit, and out of about 130 OTC offices around the country, it is one of 15 or 16 that make money.

And part of what OTC does is part of the mission of the modern land-grant university, Professor Roe commented. Dr. Mulcahy agreed and pointed out that there are legislative expectations as well. When he first came to the University, one thing he heard from CEOs was that the University does a lousy job with technology commercialization. That has improved a great deal and the University has to identify ways to sustain that improvement.

If OTC is not self-funding, then funds must come from a cost pool, Professor Durfee said. That is one way, Dr. Mulcahy responded. Northwestern University had a large one-time payment, about $700 million, from a drug discovery; it would be possible to use part of the money to create an endowment to pay OTC costs. Most of the discretionary funds the University has had to invest in faculty, research, etc. have come from the Glaxo funds, Dr. Mulcahy commented, so it also needs to identify how it will provide that support beyond OTC.

Mr. Schrankler touched briefly on MN-IP, Minnesota Innovation Partnerships, something that is getting a lot of national attention. Three universities have copied Minnesota's model—and Minnesota is helping Harvard with it. They took this approach because industry-sponsored research was not growing at the University at a sufficient rate (it should be 60-70% per year). They vetted the proposal with a number of groups, including this Committee.

Mr. Schrankler noted events.

• January 1, 2012 – Official Launch
– All template agreements and processes ready to go

• October 2012 – Status Update
– 20 MN-IP agreements signed – both options A and B
– 2 Master research agreements based on the MN-IP template
– 5 companies elected Option A (upfront fee, greater of $15,000 or 10%)
– Little/no negotiation required

• Developing momentum
– Faculty actively promoting MN-IP to potential research sponsors
– Companies are contacting OTC to learn more about the program
• Examples: 3M, Ecolab, Goodrich
– National recognition
• Numerous calls from other Universities, speaking engagements

Mr. Schrankler explained that there are two options for signing a license with the University. Option A is basically a pre-paid exclusive license to any resulting intellectual property for an upfront payment of 10% of the sponsored research contract. Option B is no upfront fees, the sponsor and the University agree to negotiate a royalty-bearing license once the intellectual property is developed. A one-page fact sheet with more details about the two options is available at
http://www.research.umn.edu/techcomm/documents/MNIP_factsheet.pdf

Has there been a growth in industry-sponsored research, Professor Durfee asked. There has, Mr. Schrankler said—and they could not have launched the effort at a worse time in the calendar year. It will take a couple of years to see the revenue stream increase. But one company increased its sponsored research from $150,000 to $1.5 million.

Mr. Schrankler reviewed some benchmarking data for OTC compared to other top technology-transfer offices; compared to Wisconsin, Columbia, and Stanford, Minnesota has the lowest operating budget but generates revenues similar to those institutions. He also reviewed the different revenue-splitting arrangements that exist at other institutions.

Professor Durfee said this has been a very good story; is there anything that makes OTC nervous? The budget, Mr. Schrankler replied. They have had great success on a comparatively small budget (vis-à-vis peer institutions). They are not asking for an increase but want to be sure that their operations are covered. They do not want to lay off people because that will damage their effectiveness—they are just hoping they can keep up with the flood of disclosures with the staff that they have.

Professor Durfee thanked Messrs. Huebsch and Schrankler for their report and adjourned the meeting at 4:15.

-- Gary Engstrand

University of Minnesota