



OUS RESEARCH COUNCIL
PORTLAND STATE UNIVERSITY, URBAN CENTER BUILDING, ROOM 710
THURSDAY, JUNE 7, 2007, 4:00 P.M. – 6:00 P.M.

1) CALL TO ORDER/ROLL CALL

Chair Rich Linton called to order the meeting of the OUS Research Council at 4:00 P.M. On roll call, the following members from the council answered present:

Kirby Dyess, Bill Feyerherm, John Cassady, Dan Dorsa, Gary Tallman, Wayne Embree, Ray Werner (telephone)

Absent: Nick Konidaris and David Woodall

Chancellor's Office staff present: Charles Triplett and Bruce Schafer

Other participants present: Scott Dawson, PSU; Arundee Pradhan, OHSU; Brian Wall, OSU; David Bellshaw, Isaacson, Miller; Deborah Hodson, Isaacson, Miller; Shauna Whidden, UO; Dee Metaj, OHSU; Mary Ellen McGillan, OSU (telephone)

2) DISCUSSION

a. SB853/SB582 Tax Credit Legislation – Marketing and Development Plans

Mary Ellen McGillan opened the discussion on university venture development funds. SB853 was created to help facilitate the commercialization of university research. The bill authorizes each university in the OUS and OHSU to establish a venture fund and solicit donations in exchange for tax credits up to 60% of the amount donated. The contributions are limited to a total of \$14 million and allocated at varying levels to the different public institutions. Tax credit for contributions are available to any entity that pays income tax in Oregon.

McGillan acknowledged Shauna Whidden and Dee Metaj for their contribution to the marketing and development plans. Whidden offered a brief history of the initial bill and subsequent changes in SB582. The initial bill – SB853 – suffered from interpretation problems and the implementation of the legislation was postponed pending an opinion from the Attorney General and Treasurer. SB582 contains cleanup language that will help clarify the interpretation issues. It is expected to pass during this legislative session.

The clean-up bill clarifies two pending issues: the housing of university venture funds and the payback process. Under the new legislation, universities will administer the venture fund at the institution or related foundation. Fund managers may take up to 3% annually to managing the fund. The principal is retained and invested to perpetuate and increase funds available for

expenditure. The payback provision cleanup allows flexibility on time to payback and the source of funds that can be used to payback. Universities may take the repayment out of the institution's share of technology transfer revenues, rather than the inventor's shares.

A new evergreen provision was added to SB582. When an institution pays back the tax credit, they automatically get new tax credits to issue. This system allows a perpetual cycle and provides incentives to spur commercialization efforts. The Attorney General has clarified that donors will receive an annual tax credit equal to 20% of the contribution, \$50,000, or a tax payer's total liability for the year, whichever is lowest.

Whidden indicated that there are still some unanswered questions related to donors giving to more than one institution. She suggested that these outstanding issues be addressed in the administrative rules review once SB582 is signed into law.

Kirby Dyess said that with exceptions of the evergreen component and the payback changes, the existing administrative rules should work well. She said that it's better to amend the rules than to redo the process.

Rich Linton said that the Research Council is primed to help with any amendments. Dyess asked Linton if amendments have been drafted in anticipation of the legislation passing. Linton answered "yes."

Dee Metaj directed everyone's attention to the draft brochure distributed in the meeting materials. The brochure is a generic introduction to the development fund. She added that it's imperative for each institution to develop individual marketing plans. While each institution has its own brand, the information needs to be consistent and accurate.

Kirby Dyess asked if consistency means the language of each brochure will be the same. She stressed that the description of the tax credit needs to be the same on every marketing piece. Metaj agreed and added that the information will be specific enough for financial advisors to clearly articulate the program to their clients. She added that OHSU, OSU, and UO will continue to work carefully with one another to insure a consistent message. McGillan said that the research institutions have mapped this out to help support other campuses. Bill Feyerherm said that PSU is currently doing some reshuffling but expects that they will become a fourth partner in the planning process.

Feyerherm asked if the lifetime limit mentioned in the previous legislation is still applicable. It isn't mentioned in any of the materials distributed today. Arundee Pradhan added that the carry over provision for tax credits also isn't mentioned in the brochure. Shauna Whidden responded that a summary fact sheet was in development. There will also be a FAQ to accompany the marketing materials.

Metaj suggested that legal counsel from the institutions do a first pass on the FAQ. Pradhan recommended that the technology transfer offices also weigh in. Linton agreed and suggested that Whidden bring the vetted FAQ back to the Research Council.

Metaj described a preliminary silent phase focused on identifying donors and securing donations before a combined press conference in October. They'll announce lead donors – if appropriate – at that time.

Bruce Schafer asked if large donors would be inclined to cap gifts at \$250K. Whidden replied that there is no limit to the roll over so large donors would be able to receive a \$50K credit annually until their donation was realized.

McGillan reminded everyone that at this early stage it's difficult to gauge potential donors. She said that we'll know more after implementation.

Kirby Dyess suggested that foundations begin taking reservations. This is an incredible opportunity. Metaj agreed but admitted that there are still issues to be addressed. The big questions are when the bill goes into effect. Once the bill is signed the administrative rules will have to be in place quickly.

Rich Linton said that the Research Council will have to endorse the amended policies and move it to the Board for approval. Dyess said that the policies could be adopted by the Board in an executive committee meeting to move more quickly. The suggested amendments shouldn't fundamentally change the rules.

Shauna Whidden asked Dyess about the process of calling an executive committee meeting. Dyess answered that she can propose the meeting and work with Ryan Hagemann and Henry Lorenzen to get it scheduled. It's important to not waste time between passage and implementation.

Linton asked Dyess about the normal Board process. During the regularly scheduled meeting, a policy change would be introduced during one meeting and adopted the next. Dyess said that small changes can be expected to move more quickly than new policy. She suggested reviewing the proposed changes before proposing the executive session idea.

Dee Metaj asked when universities can begin accepting gifts. Feyerherm reminded her that OHSU is not subject to OUS administrative rules. OUS institutions can not accept gifts until the amendments are adopted. Dyess pointed out that OHSU has separate administrative rules adopted by their Board.

Whidden asked for clarification. All OUS institutions are to hold off on fundraising until the administrative rules are amended. McGillan pointed out that there is a short window for calendar year end giving. If the campaign goes public in October, the window is even shorter. Rich Linton agreed and suggested that the Research Council review the amendments by email and act as expeditiously as possible.

Metaj pointed out that the fundraising period is January 2007 through December 2008. Institutions must raise their quota within the two year window. Arundee Pradhan asked if the fundraising period is identified in the legislation. Linton answered that the language on timelines is in the original administrative rules. It's tied to the reallocation of unused tax credits.

Pradhan asked if it was possible to extend the fundraising period to 2009. Dyess said that the time period was added to create a sense of urgency and to reuse rather than lose any unused credits.

Shauna Whidden said that Randy Geller has looked to the statute for interpretation on gifts to multiple institutions. It appears that every gift is subject to a tax credit certificate. If a donor has multiple credits, Randy interprets that the \$50K cap applies to all credits in a given year. A financial advisor must determine how the credits are applied.

Arundee Pradhan asked how universities should handle credits that are carried forward from year to year. Linton replied that universities should pay back on credits issued not on how a donor chooses to use them. Whidden recommended being very clear to possible donors. Pradhan agreed and suggested adding detail to the FAQ.

Rich Linton suggested a policy to address donors that don't want to donate to a specific university. Those donations should be distributed by the percentages outlined in the institutional allocation. Dyess suggested clarifying the policy in the administrative rules but agreed that it's in the spirit of the donation.

Bruce Schafer asked if donors would have to write multiple checks to comply with such a policy. McGillan speculated that they would because tax credits are issued by each institution individually. Schafer added that an allocation ratio should be added to the FAQ.

Linton asked the development team to draft recommendations for the various scenarios that have been discussed. He asked anyone for additional comment before moving to the next agenda item.

John Cassady suggested adding "Oregon" to the brochure. Gary Tallman suggested adding "Oregon University System" to clarify that the private institutions are excluded. Dyess opposed changing the name of the fund because of its tie to the legislation but agreed to adding clarification in the text of the brochure.

b. Deputy Chancellor for Graduate Education and Research – Draft Job Description and Search Update

Chair Linton turned to Scott Dawson, chair of the deputy chancellor search committee, for the next agenda item. Dawson introduced David Bellshaw and Deborah Hodson from the search firm Isaacson, Miller.

David Bellshaw directed everyone's attention to the search committee work plan. The committee hopes to have 15 candidates to discuss before whittling it down to 8. The next stage is the "airport interviews" designed to whittle down the pool to 3 or 4. All feedback on potential candidates will go through Chancellor Pernsteiner. The goal is to have finalist candidates identified by October.

Linton asked Bellshaw to identify a point in the timeline when the Research Council will get to interact in the process. He added that the council feels strongly about being engaged in the search.

Bellshaw said that the Chancellor would bring candidates before the Research Council in October. John Cassady asked if the Provosts' Council had made recommendations regarding the search. He shared his concern about the breadth of the position description.

Bellshaw agreed that some early candidates are skeptical. Oregon's investment in higher education isn't competitive nationally and the job description is daunting. It's likely that we won't find everything in one candidate. The search committee will present a diverse group of candidates.

Bill Feyerherm asked if potential candidates would self select out because the job description is too broad. Bellshaw shared his concern but added that candidates aren't given the full profile until a conversation is begun.

Cassady asked if the profile has been released to the public. Bellshaw answered that it had. Scott Dawson added that the Chancellor asked the search committee to respond to the draft profile.

Cassady expressed his concerns with the language of the profile and reminded the search committee members that many organizational changes have taken place since the vice presidents were asked for input into the position description.

Wayne Embree asked if the position is responsible for working in Salem to help rationalize resources across the system. He added that OUS institutions can not compete while working in silos. Dawson said that it would be one of many responsibilities.

Rich Linton pointed out that the loss of OUS academic affairs and the office of public affairs and business alliances created a need to back fill gaps in research and graduate education created by the system restructuring. He added that in the time between identifying the need for such a position and the actual recruitment, a lot of things have happened. The research council was formed and has taken on many of the same responsibilities that are identified in the position description. Linton asked how the research council and the deputy chancellor are expected to interact. What role does the deputy chancellor position play in light of the changes implemented during the last year?

Bellshaw reminded council members that the vice presidents of research were engaged early on in the recruitment process and added that the update today is intended to keep the council fully engaged in the process.

John Cassady said that he remains skeptical about how this position will support campuses. He asked for an example of a state system where this type of system/campus relationship is working well. Bellshaw admitted that at a system level, this type of position is difficult to find.

Bill Feyerherm said that he's increasingly pleased with campus collaboration. He asked what this position will bring to this collaboration. It would be helpful if this system-level position could help remove barriers to institutional collaboration.

Bellshaw noted that the Chancellor has not identified any seed capital for this position. The search committee has also run into salary issues in their preliminary search.

Cassady said that the depth of the profile makes it impossible for one individual to succeed. He noted that the research council has evolved to take a leadership role in some of the responsibilities listed in the profile. Cassady strongly cautioned against adding a layer of system bureaucracy to the research enterprise.

Dyess pointed out that the research council was created as a research advocate to the Board. Having someone in the Chancellor's Office will help to keep the advocacy effective.

Cassady stressed that the breadth of this position is staggering. Dyess offered the Board's Strategic Initiatives Committee as an example of part-time people implementing a major strategic plan. Cassady agreed that an advocate who understands Oregon research could help build support across the state.

Dan Dorsa noted that OHSU interacts with OUS via Lesley Hallick in the Provosts' Council and he with the Research Council. Dorsa agreed with Dyess, much of what has happened in Oregon is based on advocacy. There is currently no strategic plan for graduate education in Oregon. From an OHSU perspective, a state strategy would be helpful. Although some collaboration exists, someone to help coordinate collaboration would be a benefit.

Bruce Schafer noted the rewards of hiring the right person but asked about the risk of doing more harm than good. Is this person set up for failure? How might the position be tweaked to maximize the reward and minimize the risk?

Linton added that it's difficult to balance leading and facilitating. The profile uses action verbs like "develop" and "direct" which focuses more on leadership. He cautioned against developing new system-level bureaucracy.

Cassady asked Bellshaw what issues the Provosts' Council brought up regarding the position. Bellshaw replied that they were more optimistic but shared the feeling that the position was too large. The provosts viewed this person as a better connection to the Board and a strong advocate with the Board and legislature. He added that one provost saw this position as a leader in growing research and "identifying the next ONAMI."

Linton responded that "identifying the next ONAMI" is a gross oversimplification. He added that Oregon InC recently led a process for the same function and noted that these things are already happening without a deputy chancellor. Ideally, this person can help to inventory the various efforts and look for efficiencies of scale.

Bellshaw said that the search committee is going to look at models that may or may not match the council's expectations.

Dyess asked for input from private sector council members. Wayne Embree replied Oregon needs to begin supporting the research enterprise or the money will go somewhere else. The communication level in Oregon is good and he expects that graduate education will be enhanced by better support of the research enterprise.

Gary Tallman said that the profile is too broad. It paints a lovely picture of Oregon, highlights the success in research, but lacks any prioritization. It also gives a mixed message between leadership and collaboration.

Rich Linton thanked the search committee for updating the council and asked for continued updates throughout the process.

3) **ADJOURNMENT**

The meeting adjourned at 6:00.