

University Research Fighting Fund (HB 2582)

HB 2582 is bi-partisan legislative proposal intended to enable Oregon's public research universities to better compete at the national level for federal funds.

Problem Statement

Each year, the Federal government issues numerous significant grant opportunities that could contribute to Oregon's well-being. For example, the current administration has focused on directing competitive funds through the National Network for Manufacturing Innovation (NNMI), National Institute of Standards and Technology, Department of Energy, and the Economic Development Administration. Some of these grants can total \$70 million over multiple years involving multiple institutions. Many grants must be matched by funding from private industry, state, and other non-federal government sources.

While Oregon's public universities frequently compete as members of national teams for these federally-funded grants, they are handicapped by Oregon's biennial budget process. Without state commitments to leverage funding, the universities are limited in opportunities to play leading roles on proposals and cannot position the state's interests effectively to leverage significant federal funding back into the state, if awarded. In particular, the universities are not able to point to a meaningful commitment because of the lead time needed to build funding into state budgets.

Currently the Governor can -- and has -- submitted letters indicating support for a proposal, but there is not a specific fund or funding source that can be used to substantiate the claim that Oregon is in a position to provide any of the necessary matching funds.

The return-on-investment to Oregon for funding from federal sources is significant. Typically, federal grants carry a four-to-one ratio return on investment: A \$5 million state commitment from the state could result in a \$20 million commitment of federal funds and the jobs, technological advances, and secondary benefits that will accrue well into the future.

The University Research Fighting Fund

HB 2582 creates an initial \$20 million allocation in the 2017-19 biennium based on the 2013-15 biennium's "plus beginning balance." The March 2016 revenue forecast identified \$528.8 million in un-expended funds were carried over into the current biennium from the 2013-15 biennium.

The legislature already uses a portion of these funds to meet the requirement to dedicate one-percent of state general fund appropriations to the "rainy day fund." The remainder of the balance is carried forward and may be dedicated however the legislature may choose. The legislature certainly counted on these funds as being available for various purposes when it set general fund budgets during the 2015 legislative session, but it did not know the full extent of the carryover. Typically this fund increases following the close of the biennium as a result of state agency "fund sweeps" which recover unexpended funds.

HB 2582 would allocate \$20 million (3.8% of the total from the 2013-15 biennium) to the Higher Education Coordinating Commission (HECC) to be used during the 2017-19 biennium by universities

that demonstrate success in competing for qualified federal research funding. If no university proposals are successful in obtaining federal funds, the fund balance would carry over to the next biennium.

In the event that a university, or university consortium, is successful, the HECC would be authorized to allocate the fighting fund. To the extent that allocations are made during the 2017-19 biennium, the “plus beginning balance” from that biennium would be used to replenish the fighting fund for the 2019-21 biennium. Future allocations would be based on the existence of a “plus beginning balance” as determined in the first-quarter revenue forecast in the calendar year following the end of the biennium. The allocation would be in an amount necessary to attain the \$20 million balance. This proposal would not reduce the funding already made available to the rainy day fund. The HECC would provide a quarterly report to the legislature outlining the funds that have been pledged and allocated for university research proposals.

The fund would serve as a specific allocation set aside by the State of Oregon for the purpose of providing the necessary match in the event that a university proposal is successful at the federal level. The designated fund would increase the viability and credibility for Oregon’s public universities as they compete in the federal arena. It would also advance innovation and economic development in the state.

Table 1: History of the Oregon’s 1st Quarter “Plus Beginning Balance”

| Biennium | 1st Quarter Plus Beginning Balance | | 5% |
|-----------------|------------------------------------------------------|-----------------|----------------|
| 2007-09 | (3/10) | \$0.0 million | \$0.0 million |
| 2009-11 | (3/12) | \$0.0 million | \$0.0 million |
| 2011-13 | (3/14) | \$462.0 million | \$23.1 million |
| 2013-15 | (3/16) | \$528.8 million | \$26.4 million |

Source: Table B.1 first quarter revenue forecasts, 2010-2016

Questions and Answers

Who would control the fighting fund?

The allocation would be made to the HECC which would establish a process for procuring funding once Federal grants are confirmed.

How would the process work?

Universities would provide notification to the Governor and the HECC at the time they are applying for a qualifying federal grant, if they intend to seek access to the Fighting Fund if the grant is successful. This would enable the Governor to write letters in support of the grants and indicating the availability of state funding as match.

What grants would qualify?

Qualifying grants would include those that are competitively issued by a federal agency that provide a return on investment of greater than two-to-one on any state funds invested. Universities could reduce the state obligation – or supplement the return on investment -- through the use of matching funds provided by industry or philanthropy. Universities would need to demonstrate how each grant would contribute to economic development and commercialization of products or ideas; the solution of local, state, national or international problems; furthering innovation; or the creation or advancement of knowledge, information, and well-being.

What limitations would apply to the number of grants any university could seek?

Universities would be able to seek multiple grants. Grants would not qualify as a match for state Article XI-G bonds. No more than half the fund (\$10 million) would be available for capital construction. The HECC could create additional restrictions or requirements and would provide the legislature with a quarterly report regarding the use of the fund.

Is there a maximum or minimum grant?

No single grant could consume more than \$10 million (50% of the original allocation). No more than \$2 million of the fund may be used each biennium for grants of less than \$500K.

Which universities would be qualified to participate in the program?

| | |
|---------------------------------------|----------------------------|
| Oregon Health and Sciences University | University of Oregon |
| Portland State University | Oregon State University |
| Oregon Institute of Technology | Western Oregon University |
| Eastern Oregon University | Southern Oregon University |

Any of the above universities could partner with each other or with other universities in competing for federal grants.