TESTIMONY

TO: **Joint Committee on Ways & Means Transportation & Economic Development SubCommittee**
Senator Aaron Wood, Co-Chair
Representative David Gomberg, Co-Chair

FR: **Irem Tumer, Vice President for Research**
Oregon State University

DT: **March 22, 2023**

RE: **HB 5524, Oregon Business Development Department Budget - Centers of Innovation Excellence and the University Innovation Research Fund**

Co-chairs Woods and Gomberg and members of the Committee, my name is Irem Tumer. I serve as the Vice President for Research at Oregon State University. I am also a professor in the College of Engineering.

Thank you for the opportunity to testify in support of Centers of Innovation Excellence and the University Innovation Research Fund.

Over the past ~10 years, I have worked with Business Oregon on all things economic development. More recently, I served as a Member of the Futures Commission to develop Oregon's 10-year innovation plan, I am a member of the Oregon Innovation Council, appointed by the Governor, and currently serve as the Chair of the Senior Research Officers Council appointed by the presidents of Oregon universities, with the purpose of having our universities work together on research related activities.

Background:
I know many of you have already seen the Oregon Task Force on Semiconductor Competitiveness recommendations and heard from other leaders who spoke to the importance of increasing support for this industry sector.

Today, I would like to talk about two additive ways of ensuring Oregon's competitiveness in key industry sectors that offer the ability to leverage tens of millions in federal funds - Centers of Innovation Excellence (CIE's) and the University Innovation Research Fund (UIRF).

CIEs are a component of Oregon's 10-Year Innovation Plan through Business Oregon and are focused on technology commercialization and applied R&D that will support growth and development within targeted industry sectors. The Centers will be public-private partnerships

that concentrate their efforts on developing the funding, facilities, talent, and support services in industry sectors where Oregon has a competitive advantage.

The UIRF competitive grant fund of $10 million was created by the legislature in 2019 to provide matching funds that are required for federal research grant awards, following the loss of major federal grants to other states. This fund more specifically allows Oregon's public universities to compete at the national level for certain federal research funds aimed at economic innovation.

Optimizing Opportunities:

CIEs

There is increased interest toward investing in economic development through research and innovation at the federal level that creates opportunity for the state of Oregon. The federal government has been actively increasingly funding levels and providing new funds to increase our nation's competitiveness in key industry sectors to support our economy. A majority of these federally funded opportunities require a strong partnership between universities, community, industry, and the state and are focused on supporting an industry sector and/or local community.

As envisioned, CIEs highlight industry sector areas of importance to the federal government by showing a prioritized level of state investment and long-term commitment to the full sector.

An emerging example in action: Oregon State University recently led and received notice of an intent from the National Science Foundation's Technology, Partnerships, and Innovation Directorate to fund a $1M, two-year, semiconductor-focused, phase 1 planning grant. The intent of the planning grant is to (a) strengthen partnerships between universities, community, industry, and the state and (b) develop plans to convene, collaborate, and launch programs and targeted efforts that significant enhance this industry sector to position us collectively to go after the Phase 2, $160M, ten-year award, which will include as partners many of region's universities, colleges, industry, and professional organizations. The City of Hillsboro, recently received a semiconductor-focused, CIE planning grant from Business Oregon. If the full proposal is awarded in 2023, this CIE is designed to work with the NSF planning grant team and will highlight to the NSF that the semiconductor industry is a top priority in the state. Additionally, it will accelerate the planning effort necessary to be competitive and successful for the $160M Phase 2 award.

UIRF

Each year, the federal government issues numerous grant opportunities that could contribute to Oregon's innovation economy. Oregon's public universities frequently compete individually, collaboratively, or as members of national teams for significant federally-funded grants. While the universities are remarkably successful at winning federal research funding, certain

categories of large federal grants often require non-federal matching funds by the state that we are not well positioned to win in Oregon.

The UIRF, which is aimed specifically at projects that include an economic development connection, sends a strong signal to federal granting authorities that there is an immediate and dependable state commitment for a proposal's objectives, thus giving Oregon's proposals an advantage in the federal evaluation process. Additionally, the fund is designed to support grants that have a direct or potential impact to drive economic development across the state. The short-term benefit to the State is the ability to leverage funding. On average, the UIRF has already provided a 6:1 return, with the majority of the funds being spent within the State. The long-term benefits are dependent on each grant, but focus on improving the economic health of Oregon, including the number of jobs.

In the short time we had the UIRF available, the grants issued have been quite meaningful. Most recently, in September 2022, the UIRF was utilized in a significant way by the Oregon Mass Timber Coalition (a partnership between UO, OSU, Port of Portland and state agencies) to secure a $41.4 million Build Back Better grant awarded by the U.S. Economic Development Administration. The funding will assist in developing and expanding Oregon's emerging mass timber industry through university research involving the use of mass timber in housing; development of a factory by the Port of Portland to produce mass timber housing; and forest restoration projects in the Willamette National Forest. The $5 million allocation from the UIRF towards this proposal was essential in securing tens of millions invested in Oregon.

As part of the semiconductor package, SB 4 allocates $10 million to the UIRF. However, both recent utilization of fund and emerging federal opportunities demonstrate a justification for a total allocation of $20 million. As emerging example in action, the University of Oregon and Oregon State University recently co-led and received notice of an intent from the National Science Foundation's Technology, Partnerships, and Innovation Directorate to fund another $1M, two-year, mass-timber and affordable housing focused, Phase 1 planning grant. This planning award will provide an opportunity to compete for another Phase 2 $160M, ten-year award. The proposal for the Phase 1 opportunity largely leveraged the success of the $41.4 million Build Back Better grant awarded by the U.S. Economic Development Administration, which included a cost share from the state through UIRF. Demonstrated support from the state will be needed for Phase 2. Cost share using mechanisms such as the UIRF will help position our universities to be successful in attracting these Phase 2 $160M award.

Conclusion:
CIEs highlight industry sector areas of importance to Oregon and show a level of State investment and long-term commitment. UIRF provides matching support, when matches are required for award that specifically target economic development. Both not only increase the success rate of obtaining and significant leveraging federal funds, they also offer considerably enhanced ability to impact the economy in Oregon.