

5-13-2004

Report of the Council for Research on the Establishment of a Research Corporation

University of Rhode Island Faculty Senate

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Faculty Senate

Serial Number #03-04--38

TO: President Robert L. Carothers

FROM: Chairperson of the Faculty Senate

- 1. The attached BILL, titled Report of the Council for Research on the Establishment of a Research Corporation, is forwarded for your consideration.
2. The original and two copies for your use are included.
3. This BILL was adopted by vote of the Faculty Senate on May 13, 2004.
4. After considering this bill, will you please indicate your approval or disapproval. Return the original or forward it to the Board of Governors, completing the appropriate endorsement below.
5. In accordance with Section 10, paragraph 4 of the Senate's By-Laws, this bill will become effective June 3, 2004 three weeks after Senate approval, unless: (1) specific dates for implementation are written into the bill; (2) you return it disapproved; (3) you forward it to the Board of Governors for their approval; or (4) the University Faculty petitions for a referendum. If the bill is forwarded to the Board of Governors, it will not become effective until approved by the Board.

May 14, 2004 (date)

Judy K. Beckman
Chairperson of the Faculty Senate

ENDORSEMENT

TO: Chairperson of the Faculty Senate

FROM: President of the University

Returned.

- a. Approved __.
b. Approved subject to final approval by Board of Governors [checked] 2-26-07
c. Disapproved __.

5/27/04 (date)

Robert L. Carothers
President

UNIVERSITY OF RHODE ISLAND

FACULTY SENATE COUNCIL FOR RESEARCH

REPORT ON A PROPOSAL TO ESTABLISH URI RESEARCH CORPORATION

On May 3, 2004, the Council for Research reviewed a proposal to establish the URI Research Corporation submitted by Vice Provost Janett Trubatch. The Council for Research voted to approve the proposal for a research corporation and submits the proposal to the Faculty Senate for an endorsement.

URI Research Corporation

INTRODUCTION:

The following is an abbreviated business plan to evaluate the financial feasibility of the University of Rhode Island establishing a university connected research foundation to provide certain research administration services that are not presently available to the University or that could be provided more effectively by the proposed URI Research Corporation.

STRUCTURE:

The URI Research Corporation would be a State of Rhode Island Legislature-approved, state chartered not-for-profit corporation incorporated to meet the IRS Section 501(c)(3) criteria for a not-for-profit organization in support of an educational institution.

The URI Research Corporation would be chartered for the exclusive benefit of the University of Rhode Island and would be operated as an independent arms-length organization.

The URI Research Corporation would operate under the management oversight of a Board of Directors that would have University voting participation, but not a majority vote at the Board level nor at the Executive Committee level.

The Board composition, terms and limits, election process, officers and committee structure will be as prescribed by the Bylaws that will be approved by the Board of Directors.

The day-to-day operations will be managed by an Executive Director who may be a University employee, but who must be elected by the Board of Directors, and while serving as the chief operating officer of the Research Corporation, will report to and be responsible to the Chairman and Board of Directors for all Research Corporation affairs.

OPERATIONS:

The Research Corporation will be located on the Kingston campus of the University of Rhode Island in space provided by the University at no cost to the Research Corporation. The University will agree to provide all normal facility services such as utilities (including telephone), all computer and other on-line communications services, space security and safety services, and campus postal and delivery services. The University will provide such office furniture, equipment and appliances as are required

that are surplus to other current University needs. Additionally, the University will make available to the Research Corporation all appropriate University services and supplies on a cost-reimbursement basis (i.e., printing, office supplies, photography, equipment repair, software development, duplicating/copier services, office repair and space renovation, etc.). The University will also make personnel available on a part-time or full-time basis to perform the Research Corporation services as required (i.e., managers, accountants, computer operators, administrative and clerical, etc.). All personnel will be provided on a cost-reimbursable basis to include all charges for fringe benefit costs.

SERVICES:

The following sponsored research administration services are projected to be available to assist the University as needed upon initial establishment of the Research Corporation or within the first ninety (90) days of operations.

1. Sponsored research contracting with industrial/commercial entities that require terms and conditions not available to the University (i.e., prevailing law, alternative dispute resolution, etc.).
2. Special contract administration services for all Research Corporation awarded contracts such as:
 - a. Purchasing when University services will not support required delivery time or proprietary items
 - b. Sub-contracting
 - c. Special consulting or personal services agreements
 - d. Unique risk management coverage
3. Sponsored research contracting with government entities that may require any of the above special contract administration services that may not be available or may not be available in a timely manner from the University.
4. Short form agreements for testing and/or calibration services with minimal terms and conditions.
5. Short form sponsored research contracts for less than \$25,000 that provide for no exchange of intellectual property, define no litigation options, offer a single deliverable and are invoiced as a fixed price agreement.
6. Long-term or short-term research facility/space leases to provide the University with requested general research space or in support of a specific research contract when required.
7. Sponsored research contracts or educational and training agreements with foreign companies, governments or individuals where unique international provisions that are not available to the University apply (i.e., payment in foreign currency, international arbitration claims courts for dispute resolution).

Within the first six (6) months of operations the Research Corporation should be capable of providing the following additional services:

8. Creation of possible joint ventures, teaming agreements or consortium arrangements that may not be available to the University.

9. Development of community outreach contacts to identify possible opportunities to assist Rhode Island businesses and communities in the economic development of the entire state.

After the second year anniversary of the establishment of the Research Corporation, the following additional plans should be completed:

10. A viable Phase I plan to establish a small business incubator on or adjacent to campus: The plan should identify space, services to be provided, approved operating policies, staffing, support funding and screened community service providers. The incubator should be operating by the third year anniversary date. The initial targeted group for start-up companies would be faculty members and companies utilizing licensed University intellectual property.

Upon completion of Phase I, the following phases should be implemented:

11. A viable Phase II plan for the incubator program: The plan should outline the establishment of a student incubator program with an annual campus competition to identify some five or six student commercialization plans to consider as start-up companies. Additional services for the student-run companies would be made available on an equity interest basis.
12. A viable Phase III plan for the incubator program: The plan would provide space for "landing parties" for established out-of-state companies that are considering relocation or expansion into Rhode Island.

Longer-term services that could be provided by the Research Corporation include:

13. Developing models for industrial affiliate groups for group research undertakings.
14. Long-term facility leasing and real property acquisition.
15. Development of a University-related research park with industrial/commercial tenants.
16. Capability to establish wholly-owned not-for-profit or for-profit subsidiaries.
17. Establishment of community-engaged economic development forums (i.e., "angel" investment groups, economic development panels) to assist/facilitate area economic redirection and growth.

POLICIES:

All Research Corporation operations and services will be governed by approved and published policies covering subjects such as:

- cash management
- audit requirements
- risk management requirements
- purchasing guidelines
- investment policy
- contracting policy
- collection and bad debt policy
- dispute reconciliation options
- conflicts of interest policies
- financial reporting disclosure

INITIAL BUDGET:

Staffing:

Executive Director (University employee provided as collateral assignment)	\$n/c
Administrative Assistant (University employee provided as collateral assignment)	\$n/c
Services Coordinator and Financial Manager	\$55,000
Employee Benefits (38% of salary)	\$20,900
Total Staffing Costs	\$75,900

Contracted Services:

Annual audit, A-133 and tax preparation (minimal audit in year one)	\$2,500
Risk management fees to include liability, D&O, employee dishonesty bond, etc. (minimal coverage for contract liability in year one; will increase in out years)	\$25,000
Attorney of record retainer and document reviews (only new documents and reviews for changes in follow-on years)	\$5,000
Total Contracted Services:	\$32,500

Operations – Expenses:

Equipment and furnishings	\$2,500
Computer equipment, software and operating systems	\$2,500
Stationery	\$500
Office supplies	\$500
Postage and delivery services	\$100
Licenses, memberships and subscriptions	\$1,500
Board of Directors expenses and travel	\$4,000
Promotion and entertainment	\$500
Employee training	\$500
Employee travel	\$2,500
Miscellaneous	\$5,000
Total Operating Expenses:	\$20,000

Estimated total for first year of operation*:

\$128,500

*An estimation of the first five years of expenses is presented as Attachment 1.

FUNDING MODELS:

There are several funding models that could be adopted to provide the financial support for the proposed URI Research Corporation.

1. The most common model used by universities to provide the required operating funds is to authorize the retainage of part of the collected F&A revenue by the research corporation. The amount of the retainage is determined by the range of services performed by the research corporation. Current models range from 3% to 50%. New foundations typically start at the 15%-25% range to allow the new foundation to build up an operating revenue for the future stability of operations.

The proposed URI Research Corporation could operate on a 3%-5% retainage if all sponsored research funding was processed through the Research Corporation. However, in that all sponsored operations are not scheduled to be processed through the Research Corporation, then an appropriate share would have to be determined. As more activity is redirected through the Research Corporation the retainage rate could be reduced.

It should be noted that a number of universities keep the retainage rate artificially high to allow the accumulation of funds in the research corporation as these funds may be used more flexibly in support of requested university programs.

2. Some universities direct fund the cost of operations for their research foundation similar to the direct funding of the sponsored programs office, grant and contract accounting, etc.

3. A third funding model for consideration would be to allow the research corporation to retain an agreed upon amount from the indirect collected. All F&A revenues in excess of the agreed upon amount would pass to the university.

It should be noted that out-year gross research revenues should increase significantly as a result of the increased service and flexibility of research support operations provided by the Research Corporation. Additionally, out-year revenues from retained equity interests in new start-up business enterprises should begin to mature after the first five to seven years of operating the business incubator.

ACTIVATION PLAN:

The University has developed a Plan of Actions and Milestones to establish the Research Corporation that is viable and projects an activation date of July 1, 2004. In addition, the draft Charter, the draft Bylaws and a draft Master Operating Agreement have been completed and are consistent with the business plan and will support the proposed July 1, 2004, activation date.

CONCLUSION:

The establishment of a Research Corporation at the University of Rhode Island appears to be both desirable to provide the needed flexibility for the sponsored research activities at the University and, based on the foregoing analysis, appears to be financially viable.