Dear Colleagues,

Although the issues presented by the Stewarding Excellence @ Illinois Revenue Generation Project Report can be complex and controversial, at its center the report raises an important question: are there income-producing opportunities that are consistent with our core values and missions that would help sustain us as a premier research institution of higher learning? We think that there are and we thank the Project Team members for their exploration of this important question.

The Project Team urged the campus to take steps to promote and reward entrepreneurship and recommended that we carefully evaluate whether an institutional culture of risk aversion presents undue burdens to entrepreneurial activities. We agree with the overarching observation that the current fiscal circumstances present not only challenges, but also opportunities to transform how we pursue and fulfill our core land-grant missions of education, research and public engagement. We are encouraged by the dedication that we see across campus to fiscal responsibility and strategic planning. The results of those efforts can be seen in the replenishment of the campus’s essential cash reserves and the reduction of unit deficits by 23% in the past year. These efforts are a significant start and within this process there is room to identify income-producing activities that support our pursuit of excellence and fulfill our need to do so in fiscally responsible ways.

Summary:

Because of the breadth of the Team’s observations and recommendations, an exhaustive response is beyond the scope of this document. The following summary represents our response to some of the Team’s most significant recommendations.

- The commercialization of intellectual property is an important and appropriate activity that serves our land-grant missions of public outreach and economic development. We support and encourage campus and University efforts to improve our technology transfer performance and to assist faculty and staff engaged in these activities.
- Campus units have developed innovative revenue-generating activities that create new revenue streams and serve educational and outreach missions. To support those efforts, we will create a task force to examine ways that the campus can facilitate the development of innovative programs such as online educational offerings, professional development training and certification programs, and international educational partnerships.
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- Because it is critical that we demand a higher level of financial accountability from our campus units and that we assist them in developing strategic financial planning, we will seek recommendations from deans and budget officers on appropriate financial metrics and budgeting expectations for central funding request proposals. These financial guidelines and expectations will be set forth in Provost Communication #1, Budgeting Principles and Practices.
- We approach with caution the Project Team’s recommendation that the campus increase the overall size of its student body and will continue to evaluate the issues raised by this recommendation.
- While we endorse units’ efforts to increase their revenue base, we think it unwise to tie financial metrics based on instruction or other revenue generation activities directly into the academic evaluation system.

As a land-grant, Tier I research institution, we have a responsibility to pursue commercial development of intellectual property and appropriately pursue revenue generation:

The Project Team correctly explained the proper role of revenue generation in higher education when it stated the following:

The goals of our social and scholarly work are to maximize our public value as a source of ideas and learning. Our stakeholders are our students, our local community, the state, and the nation and its citizens. These are the constituencies we serve, and optimizing material resources is never more than a secondary means to these primary ends.

It is important to note that efforts to promote and support technology transfer are not pursued solely as a revenue source, but rather in service of our public engagement mission as a land-grant, Tier I research institution. Both the federal government and the State of Illinois have recognized that research universities are intellectual and economic engines for the country. In 1980, Congress passed the Bayh-Dole Act allowing universities to retain title to intellectual property created under federally-funded research and encouraging commercial collaborations through patent applications and licensing of intellectual property. In 2000, the State of Illinois passed Senate Resolution 296 which directs the use of resources for technology transfer efforts and encourages the expansion of those efforts.

Therefore, the Project Team appropriately focused on the revenue generating opportunities associated with the commercialization of intellectual property (IP). The Project Team noted the sustained growth in licensing royalties over the past three years and that the campus has already achieved its 2009 strategic goal of having 12 start-up companies by year 2013. Significantly, our campus performs at or above our peers’ average with respect to ratios of invention disclosures, licensing and options executed, and start-ups per each million dollars of federal funding received. Since 2001, the University’s Office of Technology Management (OTM) has received 1,816 invention disclosures from faculty on our campus resulting in the issuance of 384 United States patents. The depth and breadth of these technologies, impacting such areas as healthcare, engineering, software, energy, agriculture and the environment,
demonstrate the excellence of the basic science and translational research being conducted on our campus. As a university, we are dedicated to sustaining and increasing these successes.

The Project Team identified an applied research and development organization and proof-of-concept infrastructure as two possible avenues for the campus to increase revenue generation through transitioning intellectual property to commercial and other applied use. Both approaches would increase the impact of the scholarly work being conducted on campus. The Project Team correctly notes that although university investment will be necessary to launch an applied R&D structure, such an endeavor could present substantial revenue generating opportunities. A proof-of-concept infrastructure, providing bridge funding and business expertise, would assist university researchers demonstrate the commercial potential of intellectual property and thereby secure external funding. The Vice President for Technology and Economic Development (VPTED) is actively evaluating how that office may be able either to provide proof-of-concept support directly or to facilitate access to external sources.

Notably, VPTED has launched an effort to provide proof-of-concept bridge funding and will begin awarding a first series of grants in early 2011. Similarly, the Institute of Genomic Biology, in conjunction with OTM, is currently calling for proposals seeking bridge funding. VTPED, through OTM, is building an infrastructure to make this a sustainable and long-term endeavor for the University. As a part of this effort, those offices are looking for ways in which to increase the number of “Entrepreneurs-in-Residence”, business leaders and alums who volunteer their time and expertise to provide advice and interim management guidance to faculty and staff regarding the commercial development of research technologies. We support these efforts and have asked the Office of the Vice Chancellor for Research to partner fully with OTM in the exploration of ways in which we can increase our support of faculty in these areas.

Online, professional and international educational programs serve important outreach missions while providing new revenue streams:

The Project Team correctly noted that the campus “has responded in recent years with an extensive array of online courses and program development.” These include online educational offerings, professional development training and certification programs, and international educational partnerships. We commend units for their efforts and encourage others to explore similar activities. Accordingly, we will examine whether policies and practices should be implemented to facilitate the development and success of these programs. We will charge a task force to work with a representative group of individuals from academic units engaged in or developing such programs to evaluate the many issues that surround the creation and operation of new educational programs. These issues include, but are not limited to, such issues as:

- the appropriate review and approval process for the development of new programs; and
- how best to address admission, registration, records, student services and other processes for international, professional development, certificate programs and other distance learning programs; and
promoting greater understanding of the definitions and parameters of full cost-recovery programs versus self-supporting programs and the different, but related, state law limitations regarding the management of self-supporting funds.

The following offices will be represented on the task force: Office of the Registrar, Office of Undergraduate Admissions, Office of Student Financial Aid, Office of Continuing Education, the Office of International Student and Scholar Services, the Graduate College and the Office of Corporate Relations. The Office of the Provost will facilitate these conversations and will ensure that the appropriate consultation with campus and senate leadership occurs.

**We will take action to foster improved financial planning and enhanced financial accountability mechanisms for program proposals and funding requests:**

We agree with the Project Team that proposals for new activities should be supported by a plan that outlines either financial sustainability or a rationale for cross-subsidy based on our mission as a public, land-grant university. It is critical that we demand a higher level of financial accountability from our campus units and assist them in developing strategic financial plans. One way that we will accomplish this is to create financial metrics under which funding requests will be evaluated and decisions about support will be measured. Proposals that seek central funding will be required to show how they serve core institutional missions. Requests for ongoing support will be required to show a plan for becoming self-supporting within a specified reasonable time frame or to demonstrate why a longer or permanent subsidy is appropriate. Clear limitations on ongoing support will be established and followed. We will ask a group of deans and budget officers to make recommendations and draft a policy during the upcoming Spring Semester. These expectations will be set forth in Provost Communication Number One, Budgeting Principles and Practices.

**Research Professorships:**

The Project Team notes with approval initiatives by the College of Engineering and the School of Social Work to define clear career paths for research professorships and to encourage the greater use of these largely grant-funded positions. The University Statutes authorize non-tenure stream research professor appointments at the levels of assistant, associate and full professors. We support the efforts of Engineering and Social Work to look at issues concerning career paths for research professorships. We invite continued discussions regarding those proposals to ensure consistent practices and procedures and as well as opportunities for wider use of these positions elsewhere on campus.

**Revenue-generating recommendations that we approach with more caution or do not endorse.**

Other revenue-generating recommendations offered by the Project Team must be approached with more caution. One such recommendation is the suggestion that we increase our overall class size so that a larger number of out-of-state students, who pay higher tuition rates, may be admitted. The Project Team cites our peers’ median non-residential admission rate of
25 percent as an appropriate benchmark. We note that our current freshman class is comprised of 21 percent of students from outside the State of Illinois (including international students) and that the entire student body is currently approximately 15 percent non-residents. Class size can impact the dynamics of the learning environment as well as how students and others, including external reviewers, perceive the value of our educational offerings. Consequently, we believe that careful consideration should be given to possible adverse impacts of strategically growing the overall size of our student body.

The Project Team recommended that we adopt a system of “accountable tenure” that incorporates financial metrics into the evaluation of promotion and tenure. We understand and endorse the efforts of units to increase their revenue base, including encouraging faculty to pursue appropriate revenue-generating activities. Teaching responsibilities should be planned and distributed to ensure that student needs are met and that all faculty members contribute significantly to revenue generation through instruction. We think, however, it is unwise to tie financial metrics based on instruction, research productivity, or other revenue generation opportunities directly into the academic evaluation system.

In closing, we approach our current fiscal challenges and opportunities as a campus, aided by Stewarding Excellence’s robust consultative processes and our shared governance culture and structures. We are encouraged and energized by the collective and individual efforts that are sustaining and building upon the excellence of this great institution.

Sincerely,

Robert A. Easter
Chancellor and Provost (Interim)

Richard P. Wheeler
Vice Chancellor for Academic Affairs (Interim)