



COMMONWEALTH of VIRGINIA
STATE COUNCIL OF HIGHER EDUCATION FOR VIRGINIA
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Peter Blake
Director

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November 1, 2017

The Honorable Terence R. McAuliffe
Governor, Commonwealth of Virginia
Patrick Henry Building, 3rd Floor
Richmond, Virginia 23218

The Honorable Emmett W. Hanger, Jr.
Co-Chair, Senate Committee on Finance
P.O. Box 2
Mount Solon, VA 22843-0002

The Honorable Thomas K. Norment, Jr.
Co-Chair, Senate Committee on Finance
P.O. Box 6205
Williamsburg, VA 23188

The Honorable S. Chris Jones
Chair, House Committee on Appropriations
P.O. Box 5059
Suffolk, Virginia 23435

Re: Virginia Research Investment Committee

Dear Governor McAuliffe, Senator Hanger, Senator Norment and Delegate Jones:

As chair of the Virginia Research Investment Committee (VRIC or the Committee) and on behalf of its members, I write to update you on the Committee's work over the past year, per § 23.1-3132.E. Since my report to you last November, VRIC's activities have been concentrated on three fronts, and I am pleased to share with you our progress in these important areas.

1. Global Genomics and Bioinformatics Research Institute

Item 478.20 of Chapter 836 of the 2017 Acts of Assembly vests with VRIC responsibility to review and evaluate funding requests from public institutions of higher education for projects to staff and outfit the Global Genomics and Bioinformatics Research Institute (GGBRI), which is a collaborative public-private partnership between INOVA Health and the six public research universities. The item provides in FY2017 \$8 million from the general fund for "one-time incentive packages to attract high performing researchers with a history of commercialization" and \$20 million of the bond funds authorized in Item C-52.10 for "lab renovations and enhancements and / or research equipment" at the GGBRI for George Mason University, Old Dominion University, University of Virginia, Virginia Commonwealth University, Virginia Tech and the College of William and Mary, subject to conditions delimited in the budget item.

Governor McAuliffe
Senator Hanger
Senator Norment
Delegate Jones
November 1, 2017
Page 2

On May 24, 2017, the VRIC received presentations on the GGBRI project from leaders at INOVA Health, UVa and GMU, who made a strong case for the bonding authority for the capital project. The Committee unanimously approved the request, which is yielding a \$110 million, 201,000-sq-ft facility, 70 percent of which will be state-of-the-art research labs containing the latest, cutting-edge equipment to attract top researchers, as well as shareable equipment that will promote the types of collaboration envisioned by the Governor and the General Assembly. One presenter suggested that, while this project is not the next Silicon Valley, it very well could be the next Research Triangle Park. VRIC also endorsed the five areas of research focus described for the Institute – genetics and genomics; systems biology of disease; developmental biology; computational biology; and bio-engineering.

Because multiple VRIC members expressed concerns about whether enough research universities had signed-on to the partnership and thus were contributing matching funds, the GGBRI partners withdrew their request for a May 24 vote by the Committee on the budget item's \$8M in operating funds in FY2017. Members expressed their belief that the monies would be available in the second year of the biennium when more research universities might be willing – and might have the required matching funds – to join the GGBRI partnership.

In late August, staff at the Department of Planning and Budget transferred the bond monies to UVa, which became available to the university in early September. In mid-October I was notified by UVa staff that a Request for Applications had been issued to the other five public research universities to recruit research faculty to the GGBRI. The partner public institutions have not resubmitted to a request for the \$8M in general funds, so I cannot provide a timetable for VRIC's action on this matter.

2. Study to Assess the Commonwealth's Research Assets

Item 255.A.2 of Chapter 836 authorizes the State Council of Higher Education (SCHEV) to assist VRIC with contracting for an assessment of the research assets in the Commonwealth's universities, companies and federal facilities. The goals are to determine what Virginia's priority focus-areas should be in R&D that will lead to commercialization and job creation, and to offer recommendations on how the Commonwealth should best pursue these priority areas. The budget language does not set forth a timeline or deadline; VRIC made clear from the outset that the final report and recommendations should be available in time to inform the 2018 General Assembly and the incoming gubernatorial administration.

Based on information gleaned from a Request for Information (RFI) issued in April and informed by input from VRIC members, SCHEV issued a Request for Proposals (RFP) for the asset-assessment study in late May. With oversight by SCHEV's procurement specialist, an evaluation team of staff from SCHEV, the Finance Secretariat, the Senate Finance Committee and the House Appropriations Committee reviewed the 12 resultant proposals and negotiated a contract with the highest-scoring bidder, TEconomy Partners, LLC. This contract is in effect from August 22, 2017, until March 31, 2018, at a cost of \$199,298. Per Item 255.A.2, these monies are being paid from the Virginia Research Investment Fund (VRIF).

Governor McAuliffe
Senator Hanger
Senator Norment
Delegate Jones
November 1, 2017
Page 3

TEconomy Partners is conducting the study in four phases, the activities and timing of which were prescribed in the RFP. The first phase, which ended on October 6th, involved preliminary environmental scans and gap analyses to catalog and begin to assess Virginia's research assets and strengths; the deadline ensured opportunity for the Center for Innovative Technology (CIT) to use the initial findings in its update to the Commonwealth Research and Technology Strategic Roadmap and the FY2018 guidelines for the Commonwealth Research Commercialization Fund grant competition. The second phase, which ends on November 3rd, involves more in-depth analyses, interviews and site visits to confirm, contextualize and strengthen the initial findings and to begin to hone in on the research foci that portend to be most promising for future licensing, patents, start-ups and jobs; the deadline ensures VRIC's ability to employ these results in its review of public institutions' proposals for grants in the first round of competition for awards from the Virginia Research Investment Fund (see below). The third phase, to be completed by January 5th in order to inform the 2018 General Assembly and the incoming Governor, will involve development of recommendations regarding research foci and strategies for pursuing them. The fourth phase will involve the consultant assisting VRIC with communicating the recommendations and strategies to relevant stakeholders and constituents.

Because the results of Phase I were only preliminary, I will not replicate them here in detail. But I will note that the consultant's initial analysis found a substantial base of innovation and R&D activity in Virginia – \$11.1 billion in total research expenditures across all sectors in 2015. On a per-\$1B-in-GDP basis, our \$1.4B in university research is about average nationally; our \$5.2B in federal intramural labs and federal R&D centers is above-average nationally; and our \$4.5B in industry research is below-average nationally. More important were the findings that: (i) while the federal labs look good, expenditures there are difficult to translate into commercialization, entrepreneurship and jobs; and (ii) connections between our universities' research strengths and our private companies' strengths are unclear at best and infrequent or non-existent at worst. Some good news was that the two research fields in which VRIC is targeting the first round of VRIF grants – cybersecurity and the biosciences – appeared to the consultants to be strong foci in Virginia research.

VRIC will receive the consultant's report on Phase II at our meeting on November 7th, during which we also will receive a presentation from CIT staff on their update of the R&T Strategic Roadmap. Those materials, as well as the materials from Phase I of the study and all other Committee resources, will be or are available on the VRIC webpage at: <http://www.schev.edu/index/institutional/grants/va-research-investment-fund/vric-meetings>.

3. Virginia Research Investment Fund (VRIF) Grant Competition, Round 1

Over the past year, VRIC has made much progress, as described below, on appropriate policies and procedures for a valid, effective and secure grant-competition process through which the Committee will make awards from the Virginia Research Investment Fund (VRIF) created in 2016. I am pleased to report that we fully expect and intend to award the first round of grants before the end of the calendar year.

Governor McAuliffe
Senator Hanger
Senator Norment
Delegate Jones
November 1, 2017
Page 4

In accordance with § 23.1-3133, SCHEV and VRIC collaborated to issue on May 26th the first VRIF Call for Proposals. A week earlier the Committee reviewed a draft developed over the prior six months by an ad hoc committee of the Council; it approved the final document on May 24th. The Call for Proposals solicited applications from the public higher-ed institutions that involve applied-research projects (no researcher recruitments) near or in commercialization and focused in either cybersecurity or the biosciences, especially neuroscience topics. The solicitation signaled the Committee's intention to award about \$4 million from the Fund's \$12 million balance, in addition to any bond funds associated with successful requests; it set no minimum or maximum award amounts and allowed no more than two proposals per public university as lead applicant, thereby encouraging collaboration between institutions.

Public universities submitted 10 VRIF applications, totaling almost \$11.5 million in requests, which SCHEV staff reviewed for completeness and adherence to the guidelines before forwarding to a panel of scientific experts, industry leaders and venture capitalists as provided for in statute. These reviewers performed their initial assessments and scoring prior to a meeting on October 10th to discuss the proposals as a group. The reviewers then spent two more weeks on their final assessments and scores, which were submitted to SCHEV staff for compilation. Within the next week, staff will forward to VRIC members the proposals that the reviewers evaluated favorably, again as provided for in statute.

Regarding VRIC's role in the review process, members advised staff at our August 24th meeting that they were not in favor of signing non-disclosure agreements because they wished to reserve the ability to discuss proposals with non-member colleagues. Staff communicated this information to the applicants and, at our meeting on October 9th, advised the Committee that no applicants had opted to submit redacted versions of their proposals. The Committee will revisit this matter prior to the next solicitation of proposals.

The Committee will meet, and enter closed session, on December 11 to discuss the final set of proposals and decide which (if any) to fund in this first round. VRIC and/or Governor McAuliffe will announce the awards thereafter.

I conclude by thanking you again for your vision in creating the VRIF; for your trust in we who constitute the VRIC; and for your support as we individually and collectively strive to reward that trust by fulfilling that innovative vision.

Please contact me at any time with questions or requests for updates or other information.

Sincerely,

Peter Blake
Chair, Virginia Research Investment Committee

Cc: Heywood Fralin, Chair, State Council of Higher Education for Virginia
Members, Virginia Research Investment Committee