

SUPPORT OREGON'S INNOVATION ECONOMY THE UNIVERSITY VENTURE DEVELOPMENT FUND (HB 4072)

Background: Since 2007, the University Venture Development Fund (UVDF) has helped to convert the research conducted at Oregon's public universities into new businesses while providing student experiential education. Over the last eight years universities have raised nearly \$8 million from private sources to transfer new technologies developed at university labs into commercially viable products and startup companies. It is an important tool for moving innovations out of the lab and into the economy.

The tax credits also generate new state income tax revenues due to increased employment. New companies supported by the tax credit have created approximately 270 high wage jobs that generate \$1.45 million in annual tax revenues to Oregon. Total revenues generated over the last five years are estimated at \$4.35 million. This figure will continue to grow and is currently equivalent to the value of the revenues foregone by the state due to the tax credit.

The UVDF tax credit is unique among all state tax credits because, in addition to generating new income taxes, universities repay the state treasury with revenues generated by successful companies. This feature has resulted in \$582,000 being returned to the state.

How the UVDF works: The UVDF provides a tax credit for donors who support the commercialization of promising university discoveries and campus-based entrepreneurial education. Private donors give to university-controlled funds aimed at promoting innovation, translational research, and incubating start-up companies. At each participating university, this fund creates jobs, stimulates the economy, and makes local communities stronger. The UVDF provides that 20 percent of the licensing revenue received by the universities from firms that received UVDF funding will be returned to Oregon's Treasury, in order to regenerate the tax credits to continue the program.

Since the program was established in 2007, Oregon's public universities have raised nearly \$8 million, resulting in the use of \$4.8 million in tax credits. Universities have returned \$582,000 reducing the revenue impact of the tax credit to \$4.2 million. When the legislature established the program in 2007, it authorized tax expenditures up to \$8.4 million.

The Request for the 2016 Session: Oregon's public universities are requesting the legislature to:

1. Extend the same tax credit amount (\$8.4 million) authorized by the legislature in 2007 for another six years to 2022. (This amount is half that requested during the 2015 legislative session.)
 - This will enable the universities to make use of the remaining \$4.2 million to raise an additional \$7 million.
2. Enable donors to use a flexible schedule to claim the credit in 1-3 years, rather than requiring them to divvy the credit equally over three years.

- When taxpayers contribute to the UVDF, they don't know whether they will benefit from the credit over the next three years. This enables them to claim the entire credit during the first year.
 - This action does not increase the state's total exposure beyond the \$8.4 million limitation. It simply accelerates the time available to individuals to claim the credit.
3. Distribute the credit among the universities participating in the program based on their previous use of the tax credit, the amount of tax credits repaid, and remaining tax credits available:

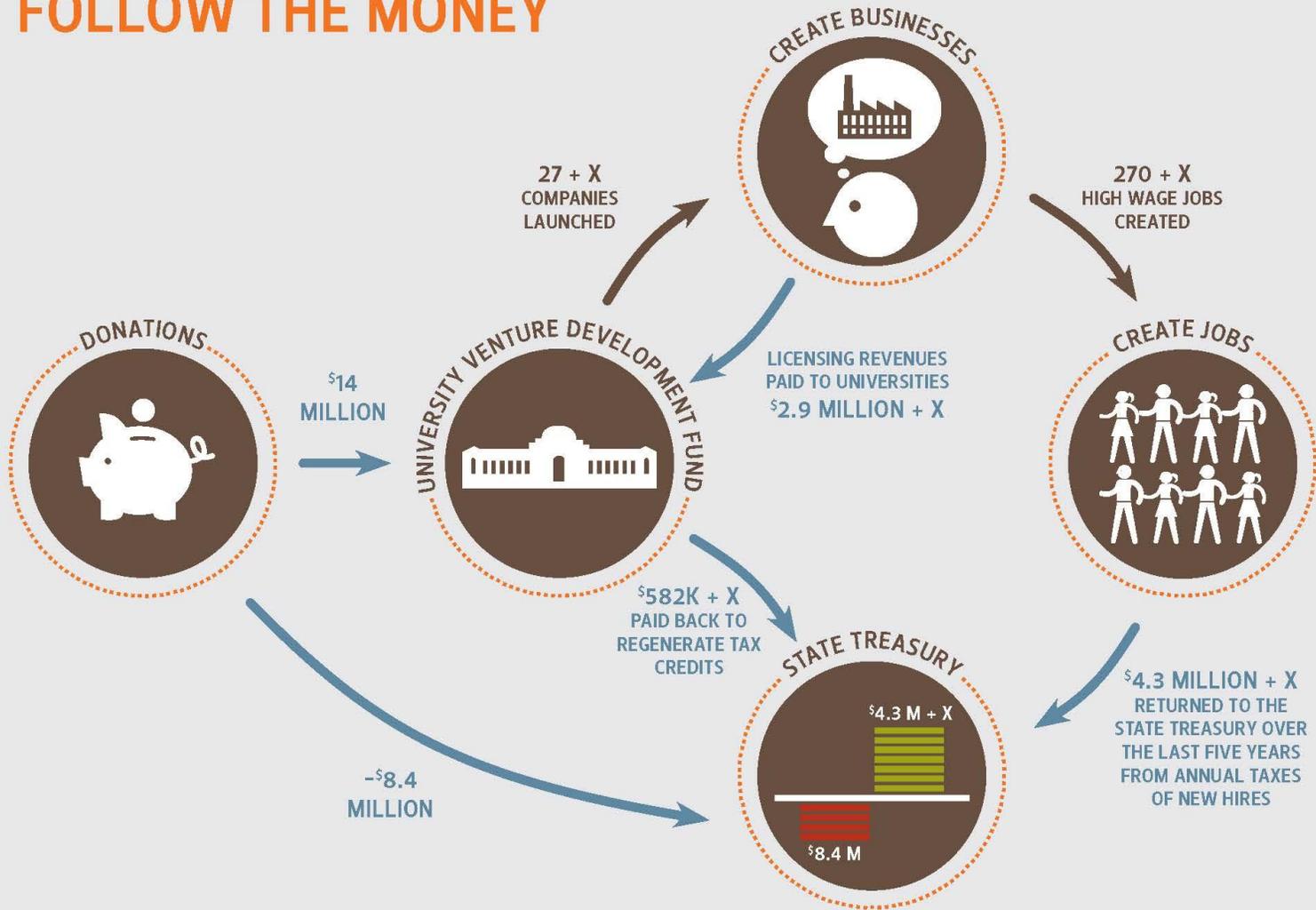
University	Tax Credits Granted through 2015	Tax Credit Allocation 2016-2021	Total Tax Credit Authorization
OSU	\$ 3,210,000	\$ 737,717	\$ 3,947,717
OHSU	\$ 283,649	\$ 740,121	\$ 1,023,770
PSU	\$ 528,000	\$ 747,840	\$ 1,275,840
UO	\$ 813,529	\$ 1,309,141	\$ 2,122,670
TRUs*	\$ 15,000	\$ 15,002	\$ 30,002
Total**	\$ 4,850,179	\$ 3,549,821	\$ 8,400,000
<i>**Each TRU is allocated \$7,500 in tax credit authority</i>			
<i>*Tax credits totaling \$581,547 were regenerated through the payback/regeneration provision</i>			

- Upon agreement between any two university presidents, universities may transfer tax credit authority to ensure that universities can fully use the credit.
- Repayments by each university are regenerated and credited to that university's tax credit amount.

Proof that UVDF works:

- The UVDF has helped launch 27 companies.
- These companies have created approximately 270 high wage jobs that have returned an estimated \$1.45 million in annual taxes to Oregon, for a total of \$4.35 million in revenues over the last five years.
- Every year the UVDF remains available, Oregon universities will directly support the launch of new startups, and help many more become successful through university and community-based accelerators.
- Over 750 students have received training on real-world case studies with support from the UVDF.
- At least seven new entrepreneurial programs, supporting real world educational experiences have been supported and/or established with funding from the UVDF.
- 54 projects have been provided proof-of-concept funding resulting in at least 30 products and services currently in commercial development.

UNIVERSITY VENTURE DEVELOPMENT FUND:
FOLLOW THE MONEY



UNIVERSITY VENTURE DEVELOPMENT FUND:

INCOME TAX REVENUES RESULTING FROM UVDF

