



Agricultural Utilization Research Institute (AURI)

AURI provides research and technical services to support agricultural commodity utilization, but it needs to do a better job measuring and reporting the impact of its work.

Key Facts and Findings:

- In 1989, the Legislature created the Agricultural Utilization Research Institute (AURI) as a nonprofit corporation to support Minnesota's agricultural economy.
- In addition to conducting its own research, AURI provides technical services and some financial assistance to businesses and individuals who want to develop new uses and markets for the state's agricultural commodities.
- We estimated that AURI assisted 349 clients working on 420 projects between 2011 and 2015.
- AURI does not require clients who request only staff assistance—rather than staff and financial assistance—to complete an application justifying the request, even when the amount of staff resources is significant.
- AURI prioritizes work with clients over conducting its own research, even though its research might have wider impact.
- Although AURI does not sufficiently measure and report its performance, stakeholders—such as representatives of commodity councils and other organizations interested in AURI—had mostly favorable opinions about the institute and its work.
- For each year of the 2015-2016 biennium, the Legislature appropriated over \$3.6 million to AURI, which was more than 80 percent of the institute's fiscal year 2015 revenue.
- AURI collects little revenue from fees for its services. In addition, it does not have a clear rationale for the fees it charges and does not charge them consistently.
- AURI resources devoted to “support services”—such as strategic planning, accounting, board operations, human resources, and communications—accounted for over 30 percent of expenditures and over 50 percent of staff time in 2015.
- AURI's board of directors has not always complied with certain requirements of the state's Open Meeting Law.
- The Legislature designates the types of organizations that must be represented on AURI's nine-member board, which may limit the board's ability to follow nonprofit best practices for appointing board members.

Key Recommendations:

- AURI should require more formal justification for projects that need significant staff resources.
- AURI should more consistently and comprehensively measure the impact of its work.
- AURI should develop a policy for charging for its services and apply the policy consistently.
- AURI's board should comply with the state Open Meeting Law.
- The Legislature should expand AURI's board and allow it to choose the additional members.

Report Summary

The Legislature created the Agricultural Utilization Research Institute (AURI), a nonprofit corporation, as part of an effort to address economic hardship in the state's rural areas in the 1980s.¹ The institute's purpose is to promote new uses and expanded markets for the state's agricultural commodities.

AURI staff perform a range of activities to fulfill this purpose. For example, staff provide research and technical assistance to individuals and businesses to help them develop new products. In some cases, AURI also provides financial assistance to these clients. In addition, AURI conducts or manages research projects that may reach wider audiences or identify potential uses and markets for commodities. Finally, staff teach classes, facilitate forums (such as the Minnesota Renewable Energy Roundtable), and perform other activities. We estimated that AURI assisted 349 clients on 420 projects between 2011 and 2015. Each year, AURI staff completed more than 100 client projects, research projects, and other activities.

AURI is governed by a nine-member board of directors and employs 24 full-time staff. The institute's headquarters are in Crookston, and additional offices are in Marshall, Waseca, and St. Paul. All offices are on or near a university campus or research center. AURI's Crookston, Marshall, and Waseca locations include laboratory facilities.

The State of Minnesota provides most of AURI's funding.

AURI's annual revenue ranged from approximately \$3.6 million to \$4.7 million between 2011 and 2015. State appropriations provided at least two-thirds of AURI's revenue each year, accounting for 82 percent of the institute's fiscal year 2015 revenue.

Other sources of revenue include Minnesota agricultural commodity research and

promotion councils and growers associations. They have paid AURI for technical-advisor services and helped finance research projects managed by AURI. For example, the Minnesota Corn Research and Promotion Council funded feeding trials conducted by University of Minnesota researchers as part of an AURI project exploring the effects of using ethanol byproducts in feed for dairy steers.

AURI has also received grants from federal agencies, Minnesota foundations, and others. To a lesser extent, AURI earns money from royalties and fees for services.

AURI has limited its ability to generate revenue from fees and is inconsistent in the fees it charges.

Most of AURI's clients are Minnesota businesses or entrepreneurs that receive free services from the institute. The institute charges for services provided to out-of-state clients that do not use Minnesota agricultural commodities, but it seldom provides such services. AURI has charged fees to a small number of organizations. For example, in addition to being compensated by some commodity research and promotion councils and growers associations to act as a technical advisor, AURI charged a fee to provide team-facilitation and other services to a multistate group interested in heating with biomass.

However, the institute does not have written guidelines for its fees, and the fees it has charged vary significantly without a clear rationale. AURI billed for staff time on research projects at rates ranging from a "discounted rate" of \$45 per hour to \$150 per hour, and provided some hours of staff time at no charge. AURI charged an out-of-state company \$250 an hour for its services. Finally, a letter from AURI in support of a client's project used a rate of \$135 per hour to value the in-kind commitment of senior scientist staff time.

To improve consistency, we think AURI should develop a fee policy, including established rates and circumstances under which services will be provided free or at reduced rates. AURI should also consider

¹ *Laws of Minnesota* 1987, chapter 386, art. 2; and *Laws of Minnesota* 1989, chapter 350, art. 7, sec. 1.

expanding the types of clients that will be charged fees.

AURI resources spent on support services increased between 2011 and 2015.

Measured in both staff time and dollars, AURI increased its resources devoted to support services between 2011 and 2015. Support services, such as strategic planning, board operations, finance, human resources, and applying for grants, consumed approximately 50 percent of AURI staff time in 2015, up from 46 percent in 2011. Staff time spent on client projects was also higher in 2015 than in prior years, but time AURI spent on its own research projects fell over 40 percent.

In addition, while AURI's expenditures were higher in 2015 than in 2011, expenditures on support services and operations increased while other spending declined. Expenditures on client projects, research projects, and other direct services accounted for most of AURI's spending each year between 2011 and 2015, but were lower in 2015 than in prior years.

AURI approves client and research projects through processes that consider a range of perspectives.

AURI's process for approving client projects involves staff with scientific and business expertise, as well as knowledge in specific areas such as food products or renewable energy. Before approving projects, AURI considers factors such as technical and economic feasibility and the potential benefit to state commodities.

AURI's process for developing and approving its research projects begins with interviews with representatives from a range of agricultural interests to identify research that might address issues or trends.

Once projects are approved, AURI does not have a formal process for prioritizing them.

AURI's project-approval processes determine whether staff proceed with a project, but they do not establish priorities

among projects. As a general rule, AURI prioritizes client projects over research projects that might reach a wider audience.

Staff said informal and *ad hoc* priority setting occurs among approved projects, but the institute does not have a formal process for prioritizing them. It is unclear if this approach results in the best use of the institute's resources.

AURI does not require clients who request only staff assistance to complete an application justifying the request.

Clients must provide documentation of a project's merits only when they need funding from AURI. These clients must provide, for example, a market analysis for their product or idea and an estimate of commodity impact. This level of information is not required of clients who need only staff assistance, even when a significant amount of assistance is required. Because AURI seldom provides financial assistance to clients, most clients do not need to provide much formal information before receiving services. AURI should require more thorough documentation of projects' potential impact before approving ones that are expected to use significant resources.

The methods AURI has used to measure its performance are too limited.

AURI has measured its performance using client-satisfaction surveys and a one-time, client-impact survey. These surveys do not yield sufficient information about the institute's work.

AURI should develop its capacity to measure its outcomes, although this may be challenging given the variety of its work and timing of assistance AURI provides. For example, years may elapse between AURI testing the feasibility of a client's idea for a new product and introduction of the product into the marketplace. Nevertheless, AURI should consider investing in project management software to improve its ability to track and report outcomes. In addition, AURI should

regularly collect more meaningful information from current and former clients and improve its report to the Legislature to provide a more complete picture of the institute's activities and performance.

We contacted AURI stakeholders and analyzed project data for insight into AURI's performance. Stakeholders' comments and project data reflected well on AURI's performance.

State law and AURI's bylaws may limit the ability of AURI's board of directors to follow best practices for appointing board members.

State law specifies the types of organizations that must have representatives on AURI's nine-member board: the Senate and House of Representatives agriculture finance committees (two seats), agricultural commodity promotion councils (three seats), statewide farm organizations (two seats), and agribusiness (two seats).

Best practices for appointing board members encourage boards to select members with a range of perspectives and skills and a commitment to the organization's best interests. But AURI's board has no input as to its legislative members, and its influence over filling other seats is constrained. AURI's interpretation

of state law is that qualifying organizations may nominate individuals to represent them; the board selects from among the nominees.

This process may result in a strong board, and most board members in Fall 2015 thought the board's makeup was fairly good. In fact, we believe board members have shown a commitment to the organization. For example, in the last half of 2015, the board clarified the institute's mission statement, hired a new executive director, and approved a revised strategic plan.

However, minutes from some past board meetings reveal significant conflict among board members, including some related to the process for appointing members. To help avoid future conflicts on this issue, we recommend that the Legislature expand the size of AURI's board and allow the board to choose members to fill the new seats.

AURI's board has not complied with all requirements of the state's Open Meeting Law.

Specifically, the board did not record all closed meetings and topics discussed did not stay within those allowed by the law. AURI should ensure that its internal documents correctly reflect the Open Meeting Law and board members should conduct meetings in compliance with the law.

Summary of Agency Response

In a letter dated May 13, 2016, Agricultural Utilization Research Institute (AURI) Executive Director Shannon Schlecht said that AURI "fundamentally agrees with the [report's] findings and recommendations," noting that "Several OLA recommendations support changes already initiated by AURI, while other recommendations provide beneficial ideas for future implementation." For example, he said in Fall 2015 a team of staff began revising project processes, including developing "an enhanced system" to collect information about project outcomes at a project's conclusion. Addressing the report's recommendations to the Legislature, Mr. Schlecht indicated that AURI would welcome clarification about the Open Meeting Law and noted that the institute's board of directors approved a resolution in 2014 that is consistent with the recommendation to increase the board's size by adding "at-large" members.

The full evaluation report, *Agricultural Utilization Research Institute (AURI)*, is available at 651-296-4708 or: www.auditor.leg.state.mn.us/ped/2016/AURI.htm