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**Agricultural Utilization Research Institute**

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**AT A GLANCE**

The Agricultural Utilization Research Institute (AURI) helps create a thriving economic environment by developing new business opportunities in Minnesota. Clients served between state fiscal years 2011 and 2017 reported direct impacts resulting from AURI assistance. Using an input-output model of these results to assess the direct, indirect, and induced effects on the state’s economy, a U of M study reports annually recurring impacts of increased gross sales:

- 935 jobs created or retained;
- \$141.8 million in increased economic activity.

Further, direct capital investment in new plants or equipment resulted in:

- \$168.8 million of total economic contribution;
- 1,010 jobs; and
- \$68 million in labor income.

Results above reflect the full economic impact of AURI-assisted projects between state FY 2011 and 2017, based on a 2018 study conducted by the University of Minnesota Extension’s Center for Community Vitality.

**PURPOSE**

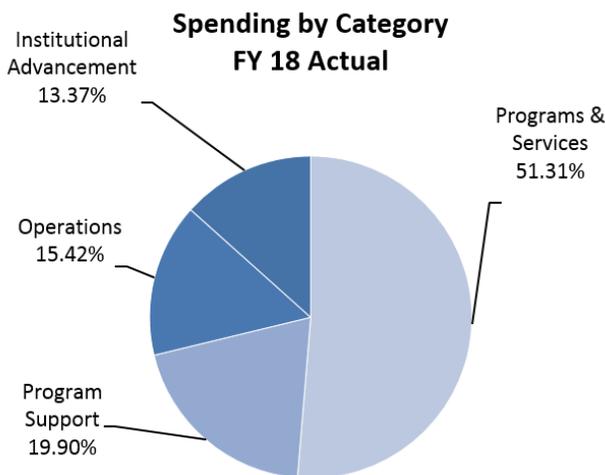
The purpose and mission of the Agricultural Utilization Research Institute (AURI) is to foster long-term economic benefit for Minnesota through value-added agricultural products. It accomplishes this by offering a unique mix of research and development, hands-on scientific assistance, and innovation networks.

AURI helps Minnesota businesses and entrepreneurs identify and develop new markets for agricultural commodities and byproducts. This, in turn, strengthens Minnesota’s agriculture industry and economy.

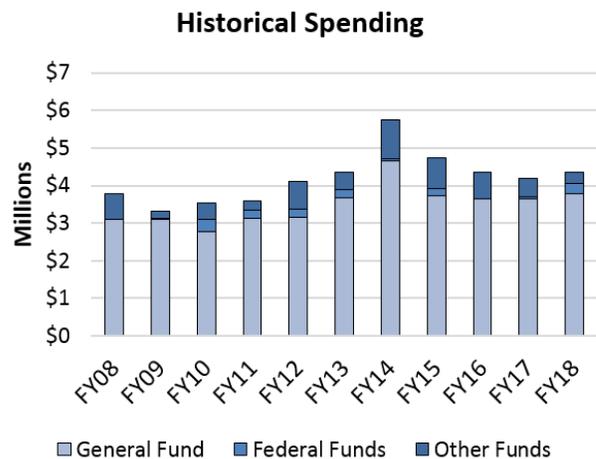
AURI significantly contributes to this statewide outcome:

- **A thriving economy that encourages business growth and employment opportunities**

**BUDGET**



Source: AURI Microsoft GP Accounting System



Source: AURI Microsoft GP Accounting System and Annual Audited Financial Statements

Past funding came from three general sources:

- 1) Minnesota’s General Fund
- 2) Federal funds such as U.S. Department of Agriculture and U.S. Department of Energy grants.
- 3) Other funds including matching project funds from commodity research and promotion councils, grants from Minnesota initiative foundations and an Xcel Energy Renewable Development Fund grant in FY08.

AURI utilizes its funding to provide Minnesota agricultural producers, entrepreneurs and agribusinesses with the following resources and services:

- **Applied research and development** identifies opportunities for innovation and commercialization in collaboration with commodity organizations, higher education institutions, federal agencies, and research organizations. Public-domain research spurs innovation in new uses and value-added agriculture.
- **Innovation networks** convenes events for a variety of groups, including industry leaders, academics and project management staff. This program offers access to extensive knowledge and insight into Minnesota’s agricultural industry, commercialization and state resources for business development. Innovation networks provide participants with techniques for managing innovation and supporting entrepreneurship, while considering the dynamics and challenges faced by rural communities.
- **Hands-on scientific assistance** gives entrepreneurs and small- to medium-sized businesses access to laboratories and scientific expertise, critical aspects of product and process development that may otherwise be prohibitively expensive.
- **Commercialization services** help entrepreneurs prepare their product or service for market consumption. This includes economic or feasibility assessments and providing counsel on how to best formulate product mixes for scaling up production size.

### STRATEGIES

AURI utilizes five primary strategies to spur innovation and grow Minnesota’s economy when working with entrepreneurs and agricultural processors. Strategies proven effective to successfully bring new and enhanced agricultural products and processes to market and to support organizational goals include:

- **Generate ideas for new agricultural innovations for the marketplace.** AURI utilizes applied research and development to grow the economy and create new jobs.
- **Select the best ideas for agricultural innovation.** AURI works with small businesses, entrepreneurs, stakeholders, industry thought leaders, and other research leaders to select ideas most likely to succeed in the marketplace.
- **Connect the best ideas to the marketplace.** Staff assist small businesses and entrepreneurs with the hands-on scientific assistance and leverage resource networks to bring an idea to reality.
- **Innovation network building.** AURI events connect interested parties to build synergy and capacity for innovation.
- **Conducting public initiative research.** AURI conducts multiple public domain research projects per year to further spur innovation.

### RESULTS

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Results	Percent of clients who agreed that “AURI’s programs and services have been vital to growing my business.”	74%	84%	2015; 2018
Results	Percent of clients who agreed that “Because of your work with AURI, your business is more successful.”	77%	79%	2015; 2018
Results	Percent of affected clients agreed “AURI connected you to valuable resources/organizations”	76%	79%	2015; 2018
Quality	Percent of affected clients who agreed that “AURI improved your product/process significantly.”	73%	73%	2015; 2018
Quality	Percent of clients who agreed that “AURI significantly helped in addressing business needs.”	81%	89%	2015; 2018

M.S. 116V.01 provides the legal authority for AURI.

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base FY20 FY21		Governor's Recommendation FY20 FY21	
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**Expenditures by Fund**

1000 - General	3,643	3,643	3,793	3,793	3,793	3,793	3,897	3,900
<b>Total</b>	<b>3,643</b>	<b>3,643</b>	<b>3,793</b>	<b>3,793</b>	<b>3,793</b>	<b>3,793</b>	<b>3,897</b>	<b>3,900</b>
Biennial Change				300		0		211
Biennial % Change				4		0		3
Governor's Change from Base								211
Governor's % Change from Base								3

**Expenditures by Program**

Ag Utilization Research Institute	3,643	3,643	3,793	3,793	3,793	3,793	3,897	3,900
<b>Total</b>	<b>3,643</b>	<b>3,643</b>	<b>3,793</b>	<b>3,793</b>	<b>3,793</b>	<b>3,793</b>	<b>3,897</b>	<b>3,900</b>

**Expenditures by Category**

Grants, Aids and Subsidies	3,643	3,643	3,793	3,793	3,793	3,793	3,897	3,900
<b>Total</b>	<b>3,643</b>	<b>3,643</b>	<b>3,793</b>	<b>3,793</b>	<b>3,793</b>	<b>3,793</b>	<b>3,897</b>	<b>3,900</b>

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base FY20 FY21		Governor's Recommendation FY20 FY21	
<b>1000 - General</b>								
Direct Appropriation	3,643	3,643	3,793	3,793	3,793	3,793	3,897	3,900
<b>Expenditures</b>	<b>3,643</b>	<b>3,643</b>	<b>3,793</b>	<b>3,793</b>	<b>3,793</b>	<b>3,793</b>	<b>3,897</b>	<b>3,900</b>
Biennial Change in Expenditures				300		0		211
Biennial % Change in Expenditures				4		0		3
Governor's Change from Base								211
Governor's % Change from Base								3

(Dollars in Thousands)

	FY19	FY20	FY21	Biennium 2020-21
<b>Direct</b>				
<b>Fund: 1000 - General</b>				
FY2019 Appropriations	3,793	3,793	3,793	7,586
Forecast Base	3,793	3,793	3,793	7,586
Change Items				
Operating Adjustment		104	107	211
<b>Total Governor's Recommendations</b>	<b>3,793</b>	<b>3,897</b>	<b>3,900</b>	<b>7,797</b>

# Agricultural Utilization Research Institute

## FY 2020-21 Biennial Budget Change Item

### Change Item Title: Operating Adjustment

Fiscal Impact (\$000s)	FY 2020	FY 2021	FY 2022	FY 2023
General Fund				
Expenditures	104	107	107	107
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	104	107	107	107
<b>FTEs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### Recommendation:

The Governor recommends additional funding of \$211,000 in the FY 2020-2021 biennium to maintain the current level of service delivery at the Agricultural Utilization Research Institute (AURI).

### Rationale/Background:

Each year, the cost of doing business rises—employer-paid health care contributions, FICA and Medicare, along with other salary and compensation-related costs increase. Other operating costs, like rent and lease, fuel and utilities, and IT and legal services also grow. This cost growth puts pressure on agency operating budgets that remain flat from year to year.

Without being able to provide increases to staff wages annually, AURI is subject to staff turn-over which leaves the organization vulnerable. Retaining current talent at AURI will allow the organization to provide its services to the agriculture industry.

### Proposal:

The Governor recommends increasing agency operating budgets to maintain the delivery of current services. For the AURI, this funding will cover known employee compensation growth.

### Equity and Inclusion:

AURI serves a variety of communities in Minnesota and equally protects all citizens of the state, providing services for all people of the State of Minnesota without discrimination.

### Results:

This proposal will allow AURI to continue to provide current levels of service and information to the public.

Type of Measure	Name of Measure	Previous	Current
Quantity	Jobs created/retained	N/A	537
Quantity	Annual gross sales revenue generated	N/A	\$73.9 mil.
Quality	Private capital investment	N/A	\$89.3 mil.
Results	Minnesota agriculture commodities utilized	N/A	323,451 tons/yr.