

# Table of Contents

## Agricultural Utilization Research Institute

Agency Profile.....	1
Expenditures Overview.....	3
Financing by Fund.....	4
Change Item: Operating Adjustment.....	5

<http://www.auri.org/>

**AT A GLANCE**

AURI helps create a thriving economic environment by creating new business opportunities in Minnesota. Clients assisted between state fiscal years 2011 and 2016 reported the following impacts from AURI programs and services:

- Created over 225 new jobs and retained an additional 225 jobs
- Over \$73 million of capital investment in new plants or equipment in Minnesota
- Increased gross sales revenue for client businesses by \$53 million annually
- 244,380 tons of agricultural commodities utilized annually in value-added products

The reported impacts are from a survey of all AURI-assisted projects between state FY 2011 and 2016, with a 38 percent response rate.

**PURPOSE**

The 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.

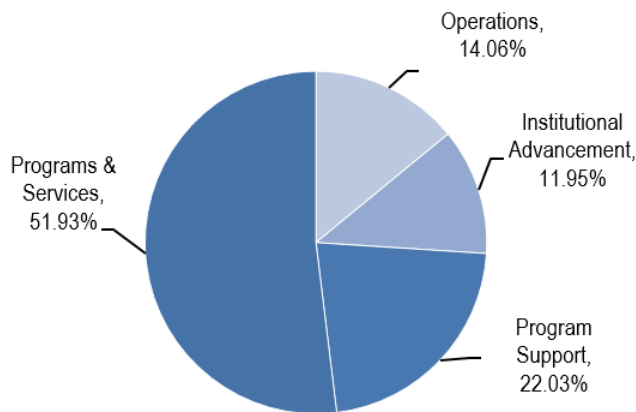
AURI helps Minnesota businesses and entrepreneurs identify and develop new markets for agricultural commodities and byproducts. This, in turn, strengthens Minnesota’s agriculture industry and economy.

AURI plays a significant role in these statewide outcomes:

- **Building a thriving economy in Minnesota that encourages business growth and employment opportunities**
- **Sustainable options for energy and food production**

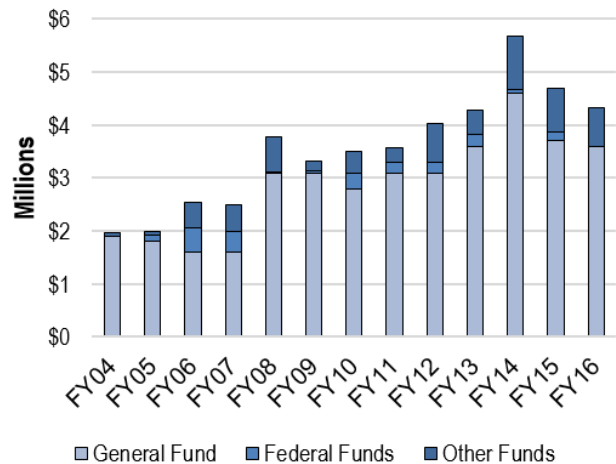
**BUDGET**

**Spending by Area  
FY 16 Actual**



Source: AURI Microsoft GP Accounting System

**Historical Spending**



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 Department of Energy grants
- 3) Other funds including matching project funds from commodity research and promotion councils, grants from Minnesota’s initiative foundations, and an Xcel Energy grant.

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

- **Applied research and development** to identify opportunities for innovation and commercialization in collaboration with commodity organizations, higher education institutions, federal agencies and research organizations.
- **Innovation networks** comprised of industry leaders, academics and project management staff. This combination offers extensive knowledge of Minnesota’s agricultural industry, commercialization, available state resources for business development, techniques for managing innovation and supporting entrepreneurship, and the dynamics and challenges faced by Minnesota’s rural communities.
- **Hands-on scientific assistance** to give entrepreneurs and small-to-medium-sized businesses access to laboratories and scientists, important aspects of product and process development that would otherwise be prohibitively expensive for smaller businesses. AURI’s unique scientific assistance assets include:
  - a. Meat Lab, Marshall
  - b. Analytical Chemistry Lab, Marshall
  - c. Bioproducts Lab, Marshall
  - d. Microbiology Lab, Crookston
  - e. Coproducts Lab, Waseca
- **Commercialization services** to help entrepreneurs prepare their product or service for mass-market consumption. This often includes economic or feasibility assessments and providing counsel on how to best formulate product mixes for scaling up production size.

## STRATEGIES

AURI utilizes three primary strategies to spur innovation and grow Minnesota’s economy when working with entrepreneurs and agricultural processors. These strategies have been refined over time and proven successful for bringing new and enhanced products and processes to market. Specifically, we use the following strategies to meet our goals.

- **Generate ideas for new agricultural innovations for the marketplace** in order to grow the economy and create new jobs. This is accomplished through applied research and development as well as innovation networking.
- **Select the best ideas for agricultural innovation.** AURI works with small businesses, entrepreneurs, stakeholders, industry thought leaders, and other research leaders to select the ideas that are 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 resource networks that are essential to bringing an idea to reality.

## RESULTS

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Results	% of clients who reported “AURI’s programs and services have been vital to growing my business.”	70%	74%	2011 & 2015
Results	% of clients who reported “Because of your work with AURI, your business is more successful.”	52%	77%	2010 & 2015
Results	% of clients agreed “AURI connected you to valuable resources/organizations”	79%	76%	2012 & 2015
Quality	% of clients who reported “AURI improved your product/process significantly.”	50%	73%	2010 & 2015
Quality	% of clients who reported “AURI significantly helped in addressing business concerns.”	67%	81%	2010 & 2015

---

M.S. 116V.01 (<https://www.revisor.mn.gov/statutes/?id=116V.01>) provides the legal authority for AURI.

**Expenditures By Fund**

	Actual	Actual	Actual	Estimate	Forecasted Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
1000 - General	2,643	3,643	3,643	3,643	3,643	3,643	3,823	3,803
2000 - Restrict Misc Special Revenue	1,000	0	0	0	0	0	0	0
<b>Total</b>	<b>3,643</b>	<b>3,643</b>	<b>3,643</b>	<b>3,643</b>	<b>3,643</b>	<b>3,643</b>	<b>3,823</b>	<b>3,803</b>
<i>Biennial Change</i>				0		0		340
<i>Biennial % Change</i>				0		0		5
<i>Governor's Change from Base</i>								340
<i>Governor's % Change from Base</i>								5

**Expenditures by Program**

Program: Ag Utilization Research Institute	3,643	3,643	3,643	3,643	3,643	3,643	3,823	3,803
<b>Total</b>	<b>3,643</b>	<b>3,643</b>	<b>3,643</b>	<b>3,643</b>	<b>3,643</b>	<b>3,643</b>	<b>3,823</b>	<b>3,803</b>

**Expenditures by Category**

Grants, Aids and Subsidies	3,643	3,643	3,643	3,643	3,643	3,643	3,823	3,803
<b>Total</b>	<b>3,643</b>	<b>3,643</b>	<b>3,643</b>	<b>3,643</b>	<b>3,643</b>	<b>3,643</b>	<b>3,823</b>	<b>3,803</b>

**1000 - General**

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Direct Appropriation	2,643	3,643	3,643	3,643	3,643	3,643	3,823	3,803
<b>Expenditures</b>	<b>2,643</b>	<b>3,643</b>	<b>3,643</b>	<b>3,643</b>	<b>3,643</b>	<b>3,643</b>	<b>3,823</b>	<b>3,803</b>
<i>Biennial Change in Expenditures</i>				1,000		0		340
<i>Biennial % Change in Expenditures</i>				16		0		5
<i>Gov's Exp Change from Base</i>								340
<i>Gov's Exp % Change from Base</i>								5

**2000 - Restrict Misc Special Revenue**

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Net Transfers	1,000	0	0	0	0	0	0	0
<b>Expenditures</b>	<b>1,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>Biennial Change in Expenditures</i>				(1,000)				
<i>Biennial % Change in Expenditures</i>				(100)				

# Agriculture Utilization Research Institute

## FY18-19 Biennial Budget Change Item

### Change Item Title: Operating Adjustment

Fiscal Impact (\$000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	180	160	100	110
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	180	160	100	110
<b>FTEs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### Recommendation:

The Governor recommends \$340,000 in FY 2018-19 and \$210,000 in FY 2020-21 from the general fund for critical operating needs. Of this request, \$170,000 is requested for compensation increases to maintain current service levels and \$170,000 for information technology upgrades. The organization's general fund base appropriation is \$7.286 million in FY 2018-19; the request in FY 2018-19 represents a 4.7% increase over that base.

### Rationale/Background:

AURI's greatest asset is its staff. The organization works hard to attract top talent to its greater Minnesota locations; however, due to rising compensation and operating costs, the negative result has been three-fold. First, AURI delayed the hiring of project and technical staff, which led to existing staff taking on additional duties. Secondly, AURI filled organizational resource needs through temporary and part-time staff, which hampers institutional knowledge and long-term relationship development. Thirdly, AURI will now need to expend a portion of its reserves to maintain competitive salaries and meet rising health insurance costs. This leaves AURI in a vulnerable position.

An Office of the Legislative Auditor analysis demonstrates AURI's need for IT upgrades. The report stated "AURI does not have a database that facilitates managing, tracking, and reporting projects' progress and outcomes." With improved information systems, AURI can better track and report organizational impacts, more efficiently communicate and share information with AURI's satellite locations, better protect sensitive data with a higher level of security, and improve transparency. The legislature required AURI to establish or maintain facilities around the state, and a well-functioning IT system is essential to daily operations for an organization with multiple locations.

### Proposal:

This proposal addresses essential organizational operating needs and provides sufficient resources to serve Minnesota's agricultural industry.

The requested budget change will fund the following items during the FY 2018-19 biennium:

- \$170,000 for information technology (IT) upgrades: Hardware and software information technology upgrades across AURI's Crookston, Marshall and Waseca facilities will create greater operating efficiencies and stronger capabilities to report the value of AURI's services to the legislature.
- \$170,000 for a cost of living adjustment, rising benefit costs, and merit increases: Cost of living adjustment and merit-based increases of 1.4 percent and benefit cost increases of 1%, so they won't further stress the organization's reserves. These funds will also result in AURI remaining competitive in its benefits offerings, reducing staff turnover and increasing the quality of new staff candidates

**Results:**

This proposal is intended to allow agencies to continue to provide current levels of service and information to the public.

**Statutory Change(s):**

N.A.