

March 5, 2014

TO: Senate Committee on Universities and Technical Colleges, Room 400 SE

**FROM: Tom Still, president, Wisconsin Technology Council; secretary-treasurer,
Wisconsin Security Research Consortium**

RE: Senate Bill 578/Assembly Bill 729

Committee Chairperson Harsdorf and committee members:

Thank you for allowing me to speak today on this important bill.

My name is Tom Still and I am president of the Wisconsin Technology Council, as well as a member of the board of directors for the Wisconsin Security Research Consortium.

I will give you a bit of history about who we are, and then discuss why we strongly support this legislation.

The Wisconsin Technology Council was formed in 2001 to serve as the science and technology advisers to the governor and the Legislature, a role we continue to play in addition to our hands'-on work with investors, entrepreneurs and the startup economy.

The Wisconsin Security Research Consortium was formally created in 2007 to enhance Wisconsin's position to attract and retain R&D grants and contracts from federal agencies and private sub-contractors for the purpose of conducting

sensitive or classified academic research and related development work. This research will contribute to the health, safety and security of citizens of the United States, regardless of where they live, but it will leverage assets, talents and technologies available in Wisconsin.

Both organizations support Senate Bill 578 as well as Assembly Bill 729, which has passed the Assembly 99-0.

Almost from the outset, the Security Research Consortium was focused on the need for greater cybersecurity research. We recognized in 2007 there was an emerging threat to national security and our nation's economic well-being. We also knew there was an opportunity to help through research that could be conducted in Wisconsin, if the process for doing so was clarified.

This bill helps lay out a procedure by which UW System campuses, through their faculty members who are researchers, may pursue opportunities to conduct classified research. In the process, it will help Wisconsin's economy by attracting work that currently "flies over" the state, and create more high-paying jobs.

Here's some background: In the bad old days of the Cold War, people worried about missile silos in the Soviet Union.

In the emerging world of cyber-warfare, the biggest threats may come from nests of sophisticated computer hackers in Shanghai, Pyongyang or Damascus.

Enhancing cybersecurity to protect against threats from abroad, as well as close to home, is a national priority that touches just about everyone in our digital age. The risks can range from breaches of department store credit card data to attacks on America's lifelines – including its energy grid, its water supply, its health-care institutions and its financial institutions.

It is estimated that the U.S. economy loses billions of dollars each year to foreign and domestic competitors who target flourishing industries and technologies. Much of that occurs through cyber-attacks.

Researchers at the UW-Madison can help. There are a number of programs on the UW-Madison campus and elsewhere in the UW System that align with federal needs, especially in computer science and electrical engineering.

Assembly Bill 729 addresses removes obstacles currently faced by UW researchers. Currently the university misses opportunities for grants and contracts. On the other hand, Johns Hopkins University in Baltimore, Md., is the nation's No. 1 research university in terms of its annual budget, simply because it has made the conscious decision to establish a system to attract, maintain, and protect research.

This bill would be good for the university in other ways:

- ✓ It would expand the ability of the state's Research and Development universities to attract classified research at a time when federal research dollars are either stagnant or declining.

- ✓ It expands the ability of federal private contractors, both within and outside Wisconsin, to form R&D partnerships with state campuses to help meet classified research and development needs.
- ✓ It furthers the growth of a cyber-security industry in Wisconsin by providing training and internships for students who are now forced to go outside Wisconsin to pursue such careers. That's vital in a state with a large health care and financial services base."

Before closing, I want to address one question we've heard: What are the potential sources of classified research? Who can ask that it be done?

By definition, the only source of classified research – meaning primarily secret or top secret – is the federal government itself, through agencies such as the Departments of Defense, Homeland Security and Energy, or through private contractors and/or sub-contractors specifically cleared to conduct such work in a secure environment. Those private contractors only conduct such research at the behest of the federal government on very tight, specific "need-to-know" conditions.

I would like commend lawmakers in both houses for their bipartisan approach to addressing this vital issue — and I urge the committee to move swiftly in passage of this proposal.

Thank you.

The University of Wisconsin-Madison welcomes any opportunity to improve on our research performance. While UW-Madison, by most measures, remains one of the world's top-performing research institutions, we understand the need to continue to improve our game and seek new avenues of support.

The proposed legislation helps accomplish this goal. At present, UW-Madison researchers can and do conduct classified research under the auspices of entities that have the infrastructure to support such activities. These include national laboratories, private companies, and private university affiliated labs such as the Hopkins Applied Physics Laboratory. The proposed legislation will make it easier for those who wish to engage in such research by providing a policy path through the UW System. This could well bolster our research portfolio and help foster new economic development in our state. By enabling the Board of Regents to accept grants and contracts funding such work, researchers can more seamlessly perform those kinds of research activities. The advent of the Wisconsin Security Research Consortium is another development that will afford those with an interest in pursuing classified research the opportunity to do so as it begins to put in place the required infrastructure.

That the legislation is crafted to protect the legitimate educational interests of our students, including their ability to publish, is important. We are, first of all, an educational institution with responsibilities to our students and their academic needs. The measure also provides for administrative oversight in consultation with the faculty, which will help us ensure that any activity in this area is consistent with established policies and procedures.



*Representing UW-Madison Faculty.
Strengthening Wisconsin.*

PROFS Statement on Legislation Designed to Encourage Classified Research in the UW System (AB 729/SB 578)

PROFS, the Public Representation Organization of the Faculty Senate, represents the UW-Madison faculty. PROFS is linked to the shared governance structure at UW-Madison, with the elected University Committee serving as the PROFS Board of Directors. PROFS is a non-profit organization funded through voluntary contributions from UW-Madison faculty, and is not a union.

PROFS appreciates and supports legislative efforts to create laws and infrastructure designed to bring more federal research money into the state. While UW-Madison is already a national leader in research, consistently ranking among the top universities in attracting federal funds, it certainly makes sense to make sure we are well-positioned for future success. In addition, some faculty have expressed an interest in pursuing classified research at the university. These are some of the reasons that PROFS supports AB 729/SB 578.

PROFS also supports AB 729/SB 578 because the legislation maintains the faculty's essential role in governance of the university. The legislation states: "The conditions for accepting the contracts and conducting the research are established pursuant to a process approved by the chancellor, in consultation with the faculty, of the institution at which the research is to be conducted."

The UW-Madison faculty remain strongly committed to academic freedom and preserving the shared governance structure at the university. The faculty are also strongly committed to graduate education and will be vigilant in protecting students' rights to publish and advance their scholarship. If this legislation is approved, we will continue to work with graduate students and academic staff to ensure that the processes of conducting research and creating intellectual property continue to meet the highest standards, as the people of Wisconsin have come to expect.



Committee Chairperson Harsdorf and committee members,

Thank you for allowing me to speak today on this very important piece of legislation.

My name is Steve Lyons and I am the President of the Wisconsin Growth Capital Coalition. I will give a brief history of who we are, and then discuss why we strongly support this legislation.

The Wisconsin Growth Capital Coalition was formally created in 2013 to promote, support, and facilitate economic growth by enhancing the availability of early stage capital in Wisconsin.

The WGCC is a group of early stage investors, emerging companies and service professionals who work with the state's high-growth economy. The coalition's goal is to see the adoption of legislative initiatives that help this sector, help the economy and create jobs in Wisconsin.

The WGCC supports Assembly Bill 729 and we ask that final language passed includes the language that is included in this bipartisan legislation introduced by Representatives Kuglitsch, and Kahl.

The reasons for our support are many.

The current policy is **Outdated and antiquated**

"If it cannot be published, you can't do it here." Whether it's classified research, proprietary research or restricted research, the current climate for conducting important research through University of Wisconsin faculty is out of step with the times. This is particularly true for research around defense and homeland security issues.



Research is being done – but unfortunately not in Wisconsin

Johns Hopkins University is the No. 1 R&D University in the nation, due in large part to its emphasis on classified research. Such research pays directly in federal grants and contracting opportunities and indirectly through corporate spinoffs, faculty recruitment and other economic benefits over time. Virginia, Colorado, Michigan are among many states that benefit from research allowed through their faculty.

Such research need not violate the principle of academic freedom

University of Wisconsin researchers depend on financial and infrastructure support from federal, state and private sector sponsors. Sponsored research is critical to fulfilling the university's mission to acquire knowledge and disseminate it widely. In order to protect the ability of UW faculty, staff and students to support its mission, the university must enact specific policies and procedures that will ensure compliance with university procedures, publication restrictions and the requirements of research sponsors themselves. This legislation calls for an updated policy.

Cybersecurity is a national, bipartisan priority for government and the private sector

“Economic espionage” costs the United States billions of dollars a year, according to the FBI. If there is an area of the federal budget that is less likely to be cut than others, it’s cybersecurity.

A revised approach would be good for the university in more ways than one...

- It expands the ability of the state’s R&D universities to attract classified research at a time when over sources of competitive federal research dollars are stagnant or declining.



- It expands the ability of federal private contractors, both within and outside Wisconsin, to form R&D partnerships with state campuses to help meet classified research and development needs.
- It furthers the growth of a cyber-security industry in Wisconsin and providing training and internship/job opportunities for students who are now forced to go outside Wisconsin to pursue such careers.

Cyber security is a serious concern with investors, including those who are members of the WI Growth Capital Coalition

Over the past 12 months, huge infusions of cash have gone to a wide array of technology security vendors: Companies such as Cylance, \$15 million; FireEye, \$50 million; Endgame, \$23 million; AnchorFree, \$50 million; Bit9, \$35 million; Bromium, \$27 million; CipherCloud, \$30 million; Nok Nok Labs, \$15 million; PerspecSys, \$12 million; Veracode \$30 million. Wisconsin can build and attract those kinds of companies.

The WGCC believes it is a balanced approach

This legislation allows for the UW to approve or deny research. The research is classified and does not have to be published unless the researcher wishes to make it so.

I want to commend Representatives Kuglitsch and Kahl for their bipartisan approach to this serious issue-and I urge the committee to support this legislation.

Thank you.