

Keystone Innovation Grants

Program Guidelines | October 2006

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Section I – General

A. Introduction

The Department of Community and Economic Development has a mission to provide focused economic opportunity and growth throughout the Commonwealth. Through proactive investments in targeted growth areas we can renew Pennsylvania. These investments will require and foster collaboration between Pennsylvania's Institutions of Higher Education, communities surrounding those institutions, and businesses seeking the resources those institutions can provide. In April 2004 the Commonwealth set out to reward this type of collaboration by creating the Keystone Innovation Zone program. Keystone Innovation Zones are designed to improve and encourage Pennsylvania's research and development efforts, technology commercialization and entrepreneurship programs.

The Keystone Innovation Zone program is intended to renew and focus our commitment to creating new technologies and new entrepreneurs – using our world class colleges and universities to deliver economic development opportunities throughout the Commonwealth. In recent years Pennsylvania's innovation measures including patents and new company formation have trailed those of other states – the Keystone Innovation Zone program is looking to use improvement in those measures as a benchmark of success.

The Keystone Innovation Grant program is a companion program to the creation of the Keystone Innovation Zones. The Keystone Innovation Grants are designed to provide seed capital for entrepreneurs, working at or with participating colleges and universities, to bring their ideas into the marketplace.

Oversight of the Keystone Innovation Zone program will be provided by the Department of Community and Economic Development and will align with the other entrepreneurial, workforce, and technology development programs, including the Ben Franklin Technology Development Authority, that are administered within the Department.

B. Overview

Since the inception of the Keystone Innovation Zone program (April 2004) nineteen zones have been certified and are operating to redefine the entrepreneurial environment within their regions. Each Keystone Innovation Zone (KIZ) is a geographically designated zone of opportunity and innovation designed to harness resources made available through KIZ Partnerships. The KIZ program is focused on leveraging or targeting the resources provided by the Commonwealth as well as providing a pool of tax credits totaling \$25 million annually. In order to spur the development of new businesses in the Commonwealth the Keystone Innovation Grant program was created and will provide \$10 million in grant funding over the next few years to participating colleges and universities.

1. **Keystone Innovation Grants – Use of Funds**

Keystone Innovation Grants are designed to assist institutions of higher education – colleges and universities- that are members of the Keystone Innovation Zone Partnerships improve their performance in transferring technology from their institutions to the marketplace. The technology areas of focus will be the same as those adopted by the KIZ Partnership as their priority areas. For more information on colleges and universities participating in an approved KIZ see: <http://www.newpa.com/programDetail.aspx?id=56>.

The following guidelines provide descriptions of eligible uses of these funds.

Keystone Innovation Grants will be awarded to successful college or university applicants to be used for the following purposes:

- a. To provide seed capital in the form of grants or loans for faculty and students to perform proof of concept efforts including business plan analysis, marketing analysis, prototyping, patent research and filing, intellectual property, licensing and royalty agreements and other uses to be approved by the Department upon request.
- b. To provide seed capital in the forms of grants or loans for Keystone Innovation Zone companies that are licensing/ transferring technology from a college or university participating in a KIZ.
 - Loans, rather than grants, should be considered especially if they are used to assist companies with the purchase of machinery or equipment for their project.
- c. To provide capital to support additional incubator services dedicated to companies created from the transfer of technology from universities or for companies, especially KIZ Companies, collaborating directly with KIZ participating colleges and universities. It is preferred that these services include business planning, education, networking and other services rather than the direct funding of staff.
- d. To hire staff in a technology transfer office or to create a shared resource to provide technology transfer assistance. (Note: Applicants intending to use a Keystone Innovation Grant solely for this purpose must be able to demonstrate a sustainable funding source after the initial grant year). Funds may be used to support interns at partnering institutions of higher education provided the KIZ coordinator has approved the job description and the duties assigned are directly in line with the activities of the KIZ. A copy of the job description must be on file in the office of the KIZ Coordinator.
- e. Grant funds may not be used to:
 - Support general administrative overhead at participating colleges and universities.
 - Fund travel outside of the country.
 - Perform building construction or renovation.
 - Planned long-term (beyond grant-year) support of staff salaries.
 - Support non-KIZ companies with either financial assistance or to support internships at non-KIZ companies.

C. Program Eligibility

1. Colleges and Universities that are currently participating in a Keystone Innovation Zone Partnership may submit an application to the Department of Community and Economic Development to receive a Keystone Innovation Grant. Each grant may not exceed \$250,000 and must be matched by the applicant, with a total lifetime award of \$750,000. To be eligible each applicant must provide:
 - a. The college or university name, proposed grant manager (can be the KIZ coordinator or other non-college or university individual), and the contact information for the proposed grant manager.
 - b. A preference will be given to applications submitted by a consortium of colleges and universities that are involved in a KIZ Partnership.
 - c. The KIZ Partnership of which the applicant(s) is a member.
 - d. A written proposal that states at a minimum all of the following:

- i. A description of the existing technology transfer approach being taken at the university. This should include where appropriate:
 - Number of dedicated full-time equivalent employees (FTE's) dedicated to this function.
 - The level of success in patent filings, awards, licensing agreements, royalties received, products commercialized, new companies created, in the most recently recorded calendar or academic year. Any other measure that the college or university is currently collecting related to technology transfer that they deem appropriate to provide.
- ii. The technology transfer activities to be undertaken. The activities may include the addition of personnel who are directly related in transferring technology to the local businesses.
- iii. The quantifiable goals and objectives to be achieved.
- iv. How the activities, goals and objectives will integrate with the strategic plan adopted for the KIZ. It is desired that a review team be created with members of the KIZ Partnership that will provide guidance and oversight as to the eventual reward of grants to specific projects.
- v. The role of the applicant and other members of the KIZ partnership.
- e. Identification of a dollar-to-dollar match, which may be in kind if the Department determines that the proposed match can be readily identified and tracked, and which is directly related to the stated goals and objectives. As the eligible activities defined under this program are intended to be new activities to enhance technology transfer it is expected that match funds will be a new commitment of resources by the college or university that are the result of that schools contribution to the Keystone Innovation Zone Partnership.
- f. KIZ Coordinator review including: verification of KIZ Partnership status, applications alignment with goals and objectives of the KIZ, and agreement that application meets the KIZ's targeted industry sectors.

Section II – The Application Process

A. General

1. The application for a Keystone Innovation Grant shall be submitted to the Department of Community and Economic Development utilizing the Single Application form plus any additional background materials required by these parameters or requested by DCED staff. **Application deadline is December 15, 2006.**
2. The Single Application can be printed and or completed online (preferable) by accessing www.newPA.com and typing Single Application into the search mechanism.
3. Copies of the Single Application kit may be obtained by contacting the DCED Customer Service center at 800-379-7448 or 717-787-3405 or emailing ra-dced@state.pa.us.

4. Applications are submitted to:

Department of Community and Economic Development
Technology Investment Office
400 North Street, 4th Floor
Commonwealth Keystone Building
Harrisburg, PA 17120-0225

5. Program Inquiries should be directed to:

Technology Investment Office
717-787-4147

B. Narrative

Each Single Application should also include a detailed narrative of no more than ten pages. The narrative should include:

1. A description of the existing technology transfer approach being taken at the universities. This should include where appropriate:
 - a. Number of dedicated full-time equivalent employees (FTE's) dedicated to this function.
 - b. The level of success in patent filings, awards, licensing agreements, royalties received, products commercialized, new companies created, in the most recently recorded calendar or academic year. Any other measure that the college or university is currently collecting related to technology transfer that they deem appropriate to provide.
2. The technology transfer activities to be undertaken. The activities may include the addition of personnel who are directly related in transferring technology to the local businesses.
3. The quantifiable goals and objectives to be achieved.
4. How the activities, goals and objectives will integrate with the strategic plan adopted for the KIZ. It is desired that a review team be created with members of the KIZ Partnership that will provide guidance and oversight as to the eventual reward of grants to specific projects.
5. The role of the applicant and other members of the KIZ partnership.
6. Documentation of KIZ Coordinator review and sign-off on the application.

C. Budget

1. Define the specific use of state funds; expected match sources and their uses, and sustainability plan for the activities described under the narrative section.
2. Detailed budget of the use of grant funds. Matching funds committed to the Innovation Grant – one to one match is required. Cash match may include private sector funds, federal awards, foundations, other non-profits, etc. At least 50% of the minimum cash match must be from non-state sources. In kind match is acceptable as long as the Department determines that the proposed match can be readily identified and tracked, and which is directly related to the stated goals and objectives.
3. A description for how the grants funds will be administered if the eventual use is a revolving loan pool or other funding that will provide for the return of funds by a successful project.

D. Approval Process

1. **Receipt.** Upon receipt of the application and required supporting material the Technology Investment Office will review the application.
2. **Review.** The Technology Investment Office will review the application and determine whether it meets the required parameters outlined in these guidelines. Higher priority will be given to applications which contain or address the following:
 - a. A project that demonstrated broad collaboration within their KIZ partnership and with other Keystone Innovation Zone colleges and universities.
 - b. A project involving a colleges or university currently lacking capacity to facilitate the transfer of technology.
 - c. A project with strong cash match.
 - d. A plan for sustainability of the program beyond the receipt of the Keystone Innovation Grant.
3. **Approval.** The Technology Investment Office will approve the applications.
4. **Notification.** Technology Investment Office will notify the successful applicants.
 - a. The applicant must certify that it will comply with the Commonwealth's non-discrimination policy.
 - b. The applicant and its principals must be current in payment of all state and local taxes unless they have entered into a workout agreement satisfactory to the respective taxing authority and are fully in compliance with the terms thereof.

E. Grant Allocations/Reimbursement Procedures and Requirements

1. Following review and notification of approval of the application, DCED will forward a grant agreement to the applicant for signature. A grant shall not be finalized until all issues and requirements have been resolved to the satisfaction of DCED staff.
2. Once the grant has been fully executed by the applicant and the Commonwealth, the applicant may request payment in advance. Specific invoicing procedures will be provided with the contract.
3. Payments typically require at least six weeks to process from the submission date to DCED.

F. Penalties for Noncompliance

1. The Department shall impose a penalty upon a recipient of a grant for any of the following:
 - a. If the recipient fails to use the grant for the technology transfer activities specified in the application or otherwise approved by the Department prior to the expenditure of grant funds.
 - b. If the recipient's membership in the Keystone Innovation Zone Partnership is terminated voluntarily or involuntarily.
2. The Department may waive the penalty if the Department determines that the failure was due to circumstances outside the control of the grant recipient.
3. A penalty imposed under this paragraph shall be equal to the full amount of the grant received plus an additional amount of up to 10% of the amount of the grant received. The penalty shall be payable in one lump sum or in installments, with or without interest, as the department deems appropriate.

Section III – Reporting Requirements

- A. Following the disbursements of funds, staff will monitor the use of the grants through the submission of semi-annual reports by the applicant in partnership with the KIZ Coordinator. These reports may include, but are not limited to, the following information:
 - 1. Progress narrative toward reaching the project milestones/goals.
 - 2. Number of projects provided technology transfer services to.
 - 3. Number of patents, applications, licenses, disclosures directly related to the Keystone Innovation Grant
 - 4. Budget reconciliation/Use of KIZ grant funds for the quarter.
- B. A semi-annual report template will be provided.
- C. Contracts, documents and other information relevant to the project, as may be requested.
- D. The grant agreement will require additional conditions with which the applicant must comply. These include: a project audit, competitive bidding requirements, the maintaining of records, etc.
- E. Keystone Innovation Grants utilized for the purposes of making loans should be reported in detail to include: name of recipient, amount and terms of the loan, repayments made, use of the loan and its impacts for job creation and leverage of additional funding.

Appendix I – Definitions

1. **Institution of Higher Education:** A public or private institution within this Commonwealth authorized by the Department of Education to grant an Associates Degree or higher degree. The term includes branch or satellite campuses of the institution.
2. **Keystone Innovation Zone:** An approved clearly defined contiguous geographical area comprised of portions of one or more political subdivisions.
3. **Keystone Innovation Zone Company:** A for-profit business entity which is all of the following:
 - Located within a Keystone Innovation Zone;
 - Has been in operation for less than eight years; and
 - Falls within one of the targeted industry segments adopted by the Keystone Innovation Zone Partnership in its strategic plan.
4. **Keystone Innovation Zone Coordinator:** An employee of a non-profit organization which is all of the following:
 - Not an institution of higher education;
 - Chosen by a Keystone Innovation Zone Partnership and agreed to by the Department to administer the activities of a Keystone Innovation Zone.
5. **Keystone Innovation Zone Partnership:** Any association or group which is all of the following:
 - Comprised of at least one institution of higher education and a combination of private businesses, business support organization, commercial lending institutions, venture capital companies, angel investor networks or foundation.
 - Formed for the creation and administration of a Keystone Innovation Zone.
6. **“KIZ”:** Keystone Innovation Zone
7. **“KIZ Company”:** Keystone Innovation Zone Company
8. **“KIZ Coordinator”:** A Keystone Innovation Zone Coordinator
9. **“KIZ Partnership”:** A Keystone Innovation Zone Partnership