

Keystone Innovation Grants

Program Guidelines | February 2008

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Section I – General

A. Introduction

The mission of the Department of Community and Economic Development (DCED) is to provide focused economic opportunity and growth throughout the Commonwealth. Through proactive investments in targeted growth areas we can continue to spur Pennsylvania's economy. These investments will require and foster collaboration between Pennsylvania's Institutions of Higher Education (IHEs), academic medical centers, communities surrounding those institutions and businesses seeking the resources those institutions can provide. In April 2004 the Commonwealth set out to catalyze these collaborations by creating the Keystone Innovation Zone (KIZ) program. KIZs are designed to improve and encourage Pennsylvania's research and development efforts, technology commercialization and entrepreneurship programs.

The KIZ program focuses Pennsylvania's commitment to creating new technologies and entrepreneurs – using our IHEs to deliver economic development opportunities throughout the Commonwealth. The continuing success of the KIZ program leverages research at partnering KIZ-participating IHEs and companies for sustainable regional and state economic development.

The Keystone Innovation Grant Program is a companion program to the creation of the KIZs. Keystone Innovation Grants provide funding to encourage technology transfer and commercialization of intellectual property between Pennsylvania's KIZ-participating IHEs and technology-oriented businesses and entrepreneurs.*

DCED oversees the Keystone Innovation Grant Program, which aligns with the other entrepreneurial, workforce and technology development programs administered within DCED, including the Ben Franklin Technology Development Authority, and other state government departments.

**See Appendix I for Program Definitions*

B. Overview

Since the inception of the KIZ program (April 2004), twenty-nine KIZ zones have been certified as of October 25, 2007 and are operating to enhance the entrepreneurial environment within their regions. Each 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 and 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 to provide \$10 million in total grant funding, including \$3.5 million for FY 2008-2009, to participating Pennsylvania IHEs.

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

Keystone Innovation Grants are designed to assist Pennsylvania IHEs, that are members of the Keystone Innovation Zone Partnerships, improve their performance in transferring technology to the marketplace. The areas of focus will be the same as the priority areas adopted by the KIZ Partnership.

Keystone Innovation Grants will be awarded to an IHE that is located in Pennsylvania, a KIZ related institution and legally authorized to grant degrees in the Commonwealth (<http://www.pdehighered.state.pa.us/higher/lib/higher/OperatingInstitutions.pdf>). Note: Eligible applicants exclude theological seminaries, institutions functioning through the authority of partner degree-granting

institutions, and specialized associate degree-granting institutions (private licensed schools offering specialized associate or occupational degrees, not academic associate degrees). The Pennsylvania Department of Higher Education will provide continuing updates to this document. Keystone Innovation Grants are to be used for the following purposes:

1. 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.
2. 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.
3. 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 IHEs. It is preferred that these services include business planning, education, networking and other services rather than the direct funding of staff.
4. 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.
5. 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

KIZ-participating IHEs, with a letter of support from the KIZ Coordinator, may submit to DCED an application to be eligible 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. Each applicant must provide the following:

1. The applicant's name and address.
2. The name of the KIZ Partnership of which the applicant(s) is a member.
3. A written proposal addresses all of the following:
 - a. A description of the existing technology transfer approach being taken at the IHE. This should include where appropriate:

- Number of dedicated full-time equivalent employees (FTEs) 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 Pennsylvania IHE is currently collecting related to technology transfer deemed appropriate to provide.
- b. 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.
 - c. The quantifiable goals, objectives and milestones to be achieved.
 - d. How the activities, goals, objectives and milestones will integrate with the strategic plan adopted by the KIZ. It is desired that a review team be created with KIZ Partnership members to provide guidance and oversight regarding the award of grants to specific projects.
 - e. The role of the applicant and other members of the KIZ Partnership.
4. Identification of a dollar-to-dollar match, which may be in-kind if DCED determines that the proposed match can be readily identified and tracked, and which is directly related to the stated goals, objectives and milestones. 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 commitment of new resources by the IHE, resulting from the IHE's contribution to the KIZ Partnership.
 5. The KIZ Coordinator's review must include: verification of the KIZ Partnership status in the form of an approval/support letter, which indicates the application's alignment with the KIZ goals and objectives, and stipulation that the application meets the KIZ's targeted industry sectors.

*** See Appendix II for a list of approved KIZs & Coordinator Contact Information and Appendix III for a list of each KIZ's Target Industries. This information is continually updated and available at www.newPA.com/download.aspx?id=128.*

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 Friday, May 9, 2008.**
2. The Single Application can be printed and or completed online (preferable) by accessing www.newPA.com. Click on "Funding & Program Finder".
3. Copies of the Single Application 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 or proposal of **no more than ten pages**. Pages must be numbered. **Font should be 12 pt. (Times New Roman)**. To be eligible, the narrative should include:

1. A description of the IHE's existing technology transfer approach. 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 milestones, quantifiable goals and objectives to be achieved including successful project implementation.
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 the KIZ Coordinator's review, verification of the KIZ Partnership status in the form of an approval/support letter, and stipulation that the application meets the KIZ's targeted industry sectors.

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 grant funds will be administered.

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 demonstrates broad collaboration within their KIZ partnership and with other Keystone Innovation Zone IHEs.
 - 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.** DCED will approve all 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. When 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.

DCED reserves the right to amend these guidelines without further notice.

Section III – Reporting Requirements

- A. All grant recipients will be required to provide semi-annual reports quantifying the progress toward accomplishing approved deliverables (reporting is due via e-mail bi-annually on or before January 10th and July 10th). Following the disbursements of funds, staff will monitor the use of the grants through the submission of semi-annual reports by the applicant. When a project becomes inactive (i.e. contract expires or is terminated), reporting shall continue for 3 years from the contract expiration date. The reports may include, but are not limited to, the following information:
1. Progress narrative toward reaching the project milestones/goals.
 2. Budget reconciliation/Use of Keystone Innovation Grant funds for the reporting period.
- B. A semi-annual reporting template will be provided to the grant recipient. All reports should be submitted directly to DCED’s Technology Investment Office. The report template will include Keystone Innovation Grant impacts in the following measures:
- Increased Employment
 - Businesses Assisted
 - Leverage of Additional Funding—Private and Public
 - New Company Formation
 - Development and Introduction of New Products
 - Expanded Research, Development, Testing and Evaluation
 - Intellectual Property and Licensing
 - Increased Revenues
 - Increased Productivity
 - Graduates and Job Placement
 - Seed Capital Awards
 - Technology Development
 - Internships
 - Other Anecdotal Impacts
 - Creation of Technology Transfer Office or Infrastructure
- 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

- A. **Keystone Innovation Zone (KIZ):** An approved geographical area by the Department of Community and Economic Development comprised of portions of one or more political subdivisions.
- B. **Keystone Innovation Zone Company (KIZ Company):** A for-profit business entity which is all of the following:
 - 1. Located within a Keystone Innovation Zone;
 - 2. Has been in operation for less than eight years; and
 - 3. Falls within one of the targeted industry sectors adopted by the Keystone Innovation Zone Partnership in its strategic plan.
- C. **Keystone Innovation Zone Coordinator (KIZ Coordinator):** An employee of a non-profit organization which is all of the following:
 - 1. Not an institution of higher education;
 - 2. Chosen by a Keystone Innovation Zone Partnership and agreed to by the Department to administer the activities of a Keystone Innovation Zone.
- D. **Keystone Innovation Zone Partnership (KIZ Partnership):** Any association or group which is all of the following:
 - 1. Comprised of at least one institution of higher education and a combination of private businesses, business support organizations, commercial lending institutions, venture capital companies, angel investor networks or foundations.
 - 2. Formed for the creation and administration of a Keystone Innovation Zone.
- E. **Targeted industries or focus areas of technology:** A select group of industries within a KIZ expected to lead economic development in the 21st century for the region and the Commonwealth. Please see *Pennsylvania's Global Competitiveness Report* and *Appendix III*.
- F. **Pennsylvania Institution of Higher Education (IHE):** A higher education institution located in Pennsylvania and legally authorized to grant degrees in the Commonwealth (<http://www.pdehighered.state.pa.us/higher/lib/higher/OperatingInstitutions.pdf>). Note: Eligible applicants exclude theological seminaries, institutions functioning through the authority of partner degree-granting institutions, and specialized associate degree-granting institutions (private licensed schools offering specialized associate or occupational degrees, not academic associate degrees). The Pennsylvania Department of Higher Education will provide continuing updates to this document. The term includes branch or satellite campuses of the institution.

Appendix II – KIZ Coordinator Contact Information*

KIZ Name	KIZ Coordinator	Phone	E-mail
Beaver County KIZ	Doug Campbell	724.847.6440	doug.campbell@bc-coop.org
BioLaunch611+ KIZ	Karen Hanson	215.780.1532	khanson@pco.edu
Bucks County Biotechnology KIZ	Michael Campbell	215.589.6329	MCampbell@ihvr.org
Chester County KIZ	Marybeth DiVincenzo	610.458.5700 x228	mdivincenzo@cceconomicdevelopment.com
Delaware County KIZ	E. Jean Krack	610.499.7534	jean.krack@crozer.org
Erie KIZ	Perry Wood	814.451.1172	perry.wood@technwpa.org
Fayette-Washington KIZ	Sue Quinn	724.437.7913	sueq@faypenn.org
Greater Johnstown KIZ	Amy Noon	814.535.8675	anoon@jari.com
Greater Oakland KIZ	Kathryn L. Connor	412.268.4884	anoon@jari.com
Greater Reading KIZ	Michael Slusser	610.376.6766	msslusser@greaterreadingchamber.org
Greater Susquehanna KIZ	Diane Langley	570.245.0096	diane@gskiz.org
Harrisburg Market KIZ	Brian Reilly	717.213.5046	breilly@hbgrc.org
Huntingdon County KIZ	Lorenn Schoupe-Wright	814.641.6690	schoupl@juniata.edu
I-99 Innovation Corridor KIZ	Stephen Jay McKnight	814.944.6113	stevem@abcdcorp.org
Indiana County KIZ	Byron G. Stauffer, Jr.	724.465.3870	byronjr@ceo.co.indiana.pa.us
Lackawanna County KIZ	Chris Haran	570.341.8099	charan@greatvalleyalliance.com
Luzerne County KIZ	Ken Okrepkie	570.408.9810	kokrepkie@greatvalleyalliance.com
Navy Yard KIZ	Mark Seltzer	215.218.2847	mseltzer@pidc-pa.org
Northwest Lancaster City KIZ	Lisa Riggs	717.394.0783	lisariggs@comcast.net
Northwest PA KIZ	Erin Chorney	814.677.4800	erinc@nwcommission.org
Pittsburgh Central KIZ	William Generett Jr., J.D.	412.281.0102	wgenerett@pckiz.org
Pocono Mountains KIZ	Brad Klein	570.422.7920	bklein@po-box.esu.edu
Southside Bethlehem KIZ	Stephen Melnick	610.266.7535	smelnick@lehighvalley.org
Tri-County KIZ	John Weible	814.371.1506	jweible@ncentral.com
University City KIZ	Hugo FitzGerald	215.966.6220	hfitzgerald@uckiz.com
Waynesburg KIZ	Donald Chappel	724.852.2965	dchappel@evergreenepark.com
Westmoreland KIZ	Donna Bates	724.830.3604	dbates@egcw.org
Williamsport/Lycoming KIZ	Katie Bell	570.329.3200 x8083	katieb@imcpa.com
York KIZ	Aeman Bashir	717.846.8310	abashir@ycedc.org

* KIZ Coordinator Contact Information as of November 26, 2007

Appendix III – KIZ Target Industries*

Keystone Innovation Zones	Back Office/ Finance/ Shared Services	Life Sciences	Adv./Div. Mfg., Materials, Plastics & Nanotech.	Comm., Info. Tech. & New Media	AG/Food Process./ Food Sciences	Opto / Microelectronics	Homeland Security	Environ. Tech.
611 Corridor		✓	✓	✓				
Beaver County		✓						
Bucks County		✓	✓	✓				
Chester County		✓		✓				
Delaware County		✓	✓	✓			✓	
Erie		✓	✓	✓			✓	
Fayette/Washington				✓			✓	✓
Greater Johnstown		✓	✓	✓				✓
Greater Oakland		✓	✓	✓				
Greater Reading	✓		✓		✓			
Greater Susquehanna		✓	✓	✓				
Harrisburg Market		✓	✓	✓				
Huntingdon County		✓		✓				
I-99 Innovation Corridor		✓	✓	✓				
Indiana		✓	✓	✓			✓	✓
Lackawanna County	✓	✓	✓	✓				
Luzerne County	✓	✓	✓	✓				
Navy Yard		✓	✓	✓				
Northwest Lancaster City		✓		✓	✓			
Northwest PA		✓	✓	✓				✓
Pittsburgh Central		✓	✓	✓				
Pocono Mountains		✓	✓	✓			✓	
Southside Bethlehem City		✓	✓			✓		
Tri-County			✓	✓				
University City (Phila.)		✓	✓					
Waynesburg			✓	✓			✓	✓
Westmoreland		✓	✓	✓				
Williamsport / Lycoming			✓					
York County		✓	✓	✓	✓			

* KIZ Target Industries information as of November 26, 2007