

Keystone Innovation Starter Kits

Program Guidelines | October 2009

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Table of Contents

Section I	General	1
A.	Introduction	1
B.	Overview	1
C.	Use of Funds	2
D.	Program Eligibility	3
Section II	The Application Process	3
A.	General	3
B.	Narrative	4
C.	Budget	5
D.	Approval Process	6
E.	Post-Approval Process	6
F.	Penalties for Noncompliance	7
Section III	Reporting Requirements	8
Appendix I	Definitions	9
Appendix II	KIZ Coordinator Contact Information	10
Appendix III	KIZ Core Target Industries	11

Section I – General

A. Introduction

The Department of Community and Economic Development's (DCED) mission is to provide focused economic opportunity and growth throughout the Commonwealth. Through proactive investments in targeted growth areas, DCED can continue to spur Pennsylvania's economy. These investments will require and foster collaboration between Pennsylvania's Institutions of Higher Education (IHE), 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 world class colleges and universities to deliver economic development opportunities throughout the Commonwealth. The continuing success of the KIZ program leverages research at partnering KIZ - participating IHEs, academic medical centers, research institutions and companies for sustainable regional and state economic development.

The Keystone Innovation Starter Kit (KISK) program is a companion program to the creation of the KIZs. KISKs provide funds to Pennsylvania academic medical centers, research institutions and KIZ-participating IHEs for recruitment of top faculty researchers. The program provides funding for these researchers to “build out” labs and staff, equipment, acquisition and to leverage their research in the areas of nanotechnology and energy only.*

Oversight of the KISK program is provided by DCED and aligns with the other entrepreneurial, workforce, and technology development programs that are administered within DCED, including the Ben Franklin Technology Development Authority.

* *See Appendix I for Program Definitions*

B. Overview

The primary purpose of the KISK is to recruit new, top-level research faculty to Pennsylvania. The recruitment of these faculty members will facilitate focused research in key KIZ industry cluster areas and motivate students to work with these faculty members to further nanotechnology and energy research through potential spin-outs of the technology to businesses in the KIZ, if appropriate. Funding will be awarded to successful applicants for the KISK program contingent upon the Ben Franklin Technology Development Authority (BFTDA) appropriation from the General Assembly, and BFTDA Board approval of KISK grant funding. (See Frequently Asked Questions for total funding of the KISK program, <http://www.newpa.com/find-and-apply-for-funding/funding-and-program-finder/funding-detail/index.aspx?progId=121>).

Three groups are eligible to apply for KISK funding:

1. IHEs that are participating in KIZs. Preference will be given to this group.
2. Academic Medical Centers
3. Non-Profit Research Institutions

C. Use of Funds

KISKS will assist academic medical centers, non-profit research institutions and KIZ-participating IHEs in recruiting the best faculty in crucial advanced technology knowledge areas in nanotechnology and energy. This will result in education of the most talented undergraduate and graduate students, attracting greater research dollars, facilitating the technology transfer process whereby creative and scholarly works may be put to commercial application, creating more spin-out companies, and ultimately, more high-paying jobs to position Pennsylvania prominently in today's high tech economy. The allocated investment (see Frequently Asked Questions for total funding) in the KISK Program will attract new faculty researchers and bring additional support positions to the Commonwealth. Each IHE, academic medical center or non-profit research institution is required to match the Commonwealth funds on a \$1 to \$1 cash basis. By directing new research faculty hires into nanotechnology and energy areas of interest to the KIZ-related cluster of companies, the intellectual resources of the academic medical centers, non-profit research institutions and IHEs align more closely with the technical needs of the emerging nanotechnology and energy cluster. The nanotechnology and energy areas of focus will be the same as those adopted by the KIZ Partnership as their priority areas.

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

KISKS will be used for the following purposes when tied to the hiring of the new research faculty member (research faculty member hired up to 1 year after the awarding of the KISK Grant):

1. Provide funding for recruitment of new research faculty members that contribute directly to the enhancement of targeted industries by:
 - a. Developing and/or teaching courses that are directly related to the targeted nanotechnology and energy areas.
 - b. Advising undergraduate students in their relevant course of study.
 - c. Supervising thesis work of M.S. students.
 - d. Serving as dissertation advisor to Ph.D. students conducting research in targeted industry areas.
 - e. Patenting and licensing of intellectual property.
 - f. Assisting early stage companies for commercialization of intellectual property.
2. KISK funds may also be used for one or more of the following purposes as part of a package to recruit new faculty members in targeted nanotechnology and energy areas:
 - a. Purchase of design, development and testing equipment (e.g., workstations, peripherals, electronic test and prototyping equipment), as designated by the newly recruited research faculty member.
 - b. Tuition and/or stipends for M.S. and/or Ph.D. students directly supervised by the newly recruited research faculty member.
 - c. Renovation of research laboratories and related facilities, as designated by the newly recruited research faculty member.
 - d. Licensing of key technologies for design, development verification, testing and related activities.
3. Grant funds may not be used to:
 - a. Fund the payment of academic year based salaries.
 - b. Fund travel outside of the country.
 - c. Support general administrative overhead or indirect costs at participating IHEs, academic medical centers and non-profit research institutions.
 - d. Planned long-term (beyond grant-year) support of staff salaries.

D. Program Eligibility

Three groups are eligible to apply for KISK funding:

1. Pennsylvania IHEs that are participating in KIZs. Preference will be given to this group.
2. Academic Medical Centers
3. Non-Profit Research Institutions

These institutions may submit an application to DCED to receive a KISK grant. The total dollar amount limit per grant can be found in the Frequently Asked Questions. Each grant request must be matched by the applicant on a cash \$1 to \$1 basis. **Each institution may submit only one application or grant request during this funding cycle.**

Allocation of KISK grant funds toward the applicable direct support of hiring new research faculty will be considered only for research faculty who have been hired up to 1 year after the KISK official award date. Written proof must be submitted that a new faculty/employee has been hired within the 1 year after the KISK official award date or funds will not be allocated. Funds not used after the 1 year from the KISK official award date will be returned to DCED. **The deadline for DCED receipt of applications can be found in the Frequently Asked Questions.**

Please refer to Section II.B – Narrative, for specifics pertaining to the KISK grant proposal. The narrative with each Single Application should be **no more than ten pages. Pages must be numbered. Font should be 12 pt. and set to Times New Roman.**

Section II – The Application Process

A. General

1. The application for a KISK shall be submitted to DCED utilizing the Single Application plus any additional background materials required by these parameters or requested by DCED staff. Application deadline and commitment date expectations can be found in the Frequently Asked Questions, contingent upon BFTDA appropriation from the General Assembly and BFTDA approval of KISK funding.
2. The Single Application must be completed online by accessing www.newPA.com. Click on “Funding Incentives & Apply for Funding” then click on “Single Application for Assistance”.
3. Applications must be submitted to DCED from a KIZ-Participating IHE with a letter of support by the KIZ Coordinator.** Applications from academic medical institutions, their affiliates, and non-profit research institutions should be submitted directly online to DCED.

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

4. The application signature page must be submitted in hard copy to:

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

5. Please reference the WEB ID number on any documents with the signature page.
6. Program Inquiries should be directed to:

Technology Investment Office (TIO)
717-787-4147

7. All inquiries related to completion and submission of a Single Application, including technical difficulties with the website, shall be directed to the DCED Customer Service Center at 1-800-379-7448, 717-787-3405, or ra-dced@state.pa.us.

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. and set to Times New Roman.** To be eligible, each applicant must address the most applicable of the following in the narrative/proposal:

1. The name of the IHE, academic medical center, or non-profit research institution proposed grant manager (can be the KIZ coordinator or other non-college or university individual) and the contact information for the proposed grant manager.
2. The KIZ Partnership of which the applicant(s) is a member (if any).
3. The quantifiable goals and objectives to be achieved.***
4. A description/listing of the existing IHE courses and the level currently offered in the nanotechnology and energy focus area to which KISK proceeds are to be applied. This should include where appropriate:
 - a. Number of dedicated full-time equivalent employees (FTE's) dedicated to this area.
 - b. The level of success in papers published, talks/presentations given, 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 IHE is currently collecting related to the nanotechnology and energy focus area(s) that they deem appropriate to provide.
5. A description of the nanotechnology and energy related specialty area of the faculty member being sought, or if specific faculty has already been identified, a recent academic curriculum vitae (CV) should be attached as an appendix to the application.
6. How the addition of the particular faculty member will impact the IHE, academic medical center or non-profit research institution in terms of its ability to garner other research grant awards. Discuss the dollar amount of research grant awards previously received in the nanotechnology and energy area in which the faculty member will be joining.
7. Benchmark the institution's 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 and discuss any anticipated increases in these areas that may be due to the addition of the specific faculty member.

8. Discuss the current student enrollment in the related degree area(s) the faculty member is impacting and any anticipated increases in this enrollment due to the addition of the new faculty member.
9. Discuss the success of the students in related degree areas (e.g. matriculation and/or employment in chosen field and/or start-up ventures).
10. Description of new curricula, degrees, courses developed or other certifications that are directly related to the target nanotechnology and energy areas in the KIZ.
11. If known, provide a description of how the faculty will support students through advising (e.g. undergraduate, Masters or Ph.D. level thesis or dissertation, or graduate level research) and topic areas/descriptions of such study and/or research.
12. If known, provide a detailed description of “build-out” costs related to lab equipment, staff equipment, testing equipment, prototype equipment, lab renovations, and related facilities renovations.
13. If known, describe how funds are to be used to support a summer stipend for the faculty member, please provide a description of what work will be conducted in the related nanotechnology and energy area during the period of support.
14. If known, describe how funds will be applied to technology licensing efforts, please provide a brief, non-proprietary description of the type of technology being licensed and its potential application areas.
15. Outline and discuss any other measure that the IHE, academic medical center or non-profit research institution believes will be impacted by the addition of the particular faculty member.
16. Identification of a \$1 to \$1 cash match which is directly related to the stated goals and objectives. As the eligible activities defined under this program are intended to be activities to enhance technology focus areas, it is expected that match funds will be a new commitment of resources by the IHE, academic medical center or non-profit research institution.
17. If the institution is participating in a KIZ, the Coordinator’s review must include: verification of KIZ Partnership status in the form of an approval/support letter which indicates the application’s alignment with goals and objectives of the KIZ, and agreement that the application meets the KIZ’s targeted nanotechnology and energy sectors.
18. Special consideration will be given to applications submitted by an IHE, academic medical center or non-profit research institution that propose to have the hired faculty member work with other institutions of higher education within their designated zone, for example, teaching, conducting collaborative research and mentoring companies.

**** In the narrative descriptions, please use quantifiable measures where applicable. These will be used as a basis for future reporting to DCED relative to this grant.*

C. Budget

1. Define the specific use of KISK 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 KISK grant – \$1 to \$1 cash match is required. Cash match may include funds from the private sector, federal awards, foundations, other non-profits, etc. All of the cash match must be from non-state sources.

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 a plan for sustainability of the program beyond the receipt of the KISK grant.
3. **Approval** - DCED will approve funding of the applications contingent upon BFTDA appropriation from the General Assembly and the BFTDA Board approval of KISK funding.
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. Post-Approval Process

1. Following review and notification of approval of the KISK application, TIO staff will issue a funding commitment letter to the applicant, which must be signed and returned to DCED as instructed in the commitment letter.
2. Following receipt of the signed commitment letter, TIO staff will initiate a grant contract agreement between BFTDA and the applicant. This agreement will include the scope of work, budget, and match as approved within the KISK application and will be subject to any conditions or contingencies dictated by the TIO staff. The grant contract agreement will detail additional requirements with which the applicant must comply, including but not limited to: competitive bidding and subcontracting requirements, project audit or financial grant closeout report, maintenance of records, and investment of grant funds in an interest bearing account.
3. The contract agreement will not be executed until all of the following have been resolved to the satisfaction of TIO staff:
 - a. The applicant must have a valid SAP vendor number and profile on record with Pennsylvania's Central Vendor Management Unit (CVMU), which matches the address used on the application. Applicants can create a new profile in this system or add a new location to an existing profile by registering online at <https://www.vendorregistration.state.pa.us/cvmu/paper/GranteeRegistration.aspx>.
 - b. The applicant must be in compliance with DCED's Audits and Compliance Division relative to the submission of audits and/or financial grant closeout reports on any previous contracts with DCED, regardless of the program or funding source.
 - c. The applicant must be current in payment of all state and local taxes unless it has entered into an agreement satisfactory to the respective taxing authority and is fully in compliance with the terms thereof.
 - d. The applicant must certify to BFTDA that it will not discriminate against any employee or against any applicant for employment because of race, religion, color, handicap, national origin, age, or sex.

4. Once a contract agreement is executed, DCED will make payments to the grantee through the Pennsylvania Electronic Payment Program (PEPP). Within 10 days following execution of the grant contract, the grantee must submit or must have already submitted a PEPP Enrollment Form. This form is available online at http://www.oit.state.pa.us/bfm/lib/bfm/ACH_Enrollment_Form_05-2007.pdf.
5. 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.
6. Payments typically require at least six weeks to process from the submission date to DCED.
7. TIO staff will monitor the project to ensure that the grantee fulfills the conditions of the grant, including obtaining the stated match. Upon request and as required by the grant contract agreement, the grantee must furnish TIO staff with all data, reports, contracts, documents, and other information relevant to the project.

F. Penalties for Noncompliance

1. The Department shall impose a penalty upon a recipient of a grant for any of the following:
 - a. If it is determined that the application contained material misrepresentations or funds were used for activities not permitted under the terms of the grant, the contract will be considered in default and DCED will demand immediate repayment. In addition, the matter may be referred to the appropriate authorities for criminal investigation.
 - b. If the recipient's membership in the KIZ Partnership (if applicable) is terminated voluntarily or involuntarily.
2. DCED may waive the penalty if it 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. The penalty shall be payable in one lump sum or in installments, with or without interest, as DCED deems appropriate.

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 10 and July 10). 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. Narrative of progress toward reaching the project milestones/goals.
 2. Dollar amount of any grant awards due to the recruitment of new research faculty.
 3. Budget reconciliation/use of KISK grant funds for the reporting period.
 4. Name and CV of Faculty member hired.
- B. An electronic semi-annual reporting survey template will be provided to the grant recipient by TIO staff. All reports must be submitted directly to DCED's Technology Investment Office (TIO) via e-mail (ra-techninvestment@state.pa.us) using the template provided. The template will include KISK 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
 - Publications
 - Technology Development
 - Internships
 - Other Anecdotal Impacts
 - Description of Equipment Acquisition and Lab Build-Out
- C. Contracts, documents and other information relevant to the project may be requested.
- D. The Grant Agreement will require additional conditions with which the applicant must comply. These include but are not limited to: a close out report or a project audit, competitive bidding requirements, the maintaining of records.

Appendix I – Definitions

- A. **Academic Medical Center:** A hospital or other medical center and its affiliates that combines patient care, research, and teaching.
- B. **Institution of Higher Education:** A higher education institution located in Pennsylvania and legally authorized to grant degrees in the Commonwealth (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.
- C. **Keystone Innovation Zone:** A geographical area approved by DCED comprised of portions of one or more political subdivisions.
- D. **Keystone Innovation Zone Company:** A for-profit business entity which is all of the following:
1. Located within a KIZ;
 2. Has been in operation for less than eight years; and
 3. Falls within one of the targeted industry segments adopted by the KIZ Partnership in its strategic plan.
- E. **Keystone Innovation Zone Coordinator:** A non-profit organization which is all of the following:
1. Not an Institution of Higher Education;
 2. Chosen by a KIZ Partnership, with DCED approval, to administer the activities of a KIZ.
- F. **Keystone Innovation Zone 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 KIZ.
- G. **Targeted industries or focus areas of technology:** A select group of industries within KIZs expected to lead economic development in the 21st century for the region and the Commonwealth. Please see Appendix III and Pennsylvania's Global Competitiveness Report.
- H. **“New Research Faculty Member”:** A research faculty member at the KISK applicant Institution that has been hired up to 1 year after the awarding of the KISK grant.

Appendix II – KIZ Coordinator Contact Information*

KIZ Name	KIZ Coordinator	Phone	E-mail
Beaver County KIZ	Doug Campbell	724.847.6440	doug@starting-gate.com
BioLaunch611+ KIZ	Karen Hanson	215.780.1532	khanson@salus.edu
Bucks County Biotechnology KIZ	Ethan J. Byler	215.589.6426	ethan.byler@ihvr.org
Chester County KIZ	Erika Crawford	610.458.5700 x262	ecrawford@cceconomicdevelopment.com
Delaware County KIZ	John Dixon	610.499.7534	john.dixon@crozer.org
Erie KIZ	Perry Wood	814.451.1172	perry.wood@technwpa.org
Fayette-Washington KIZ	Joe Podolinski	724.437.7913	joep@faypenn.org
Greater Johnstown KIZ	Amy Noon	814.535.8675	anoon@jari.com
Greater Oakland KIZ	Justin Driscoll	412.918.4281	jdriscoll@pghtech.org
Greater Reading KIZ	Jennifer T. Leinbach	610.376.6766 x102	jleinbach@greaterreadingchamber.org
Greater Susquehanna KIZ	Kelly O'Brien-Gavin	570.245.0096	kelly@asetolar.com
Harrisburg Market KIZ	Linda Goldstein	717.213.5031	lgoldstein@hbgrc.org
Huntingdon County KIZ	Amy Sheaffer	814.641.6690	sheaffa@juniata.edu
I-99 Innovation Corridor KIZ	David Wise	814.234.1829	dwise@cbicc.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	Robert Watts	570.341.8099	rwatts@greatvalleyalliance.com
Navy Yard KIZ	Alice Cathcart	215.496.8157	acathcart@pidc-pa.org
Northwest Lancaster City KIZ	Ramon Escudero	717.397.3531	rescudero@lcci.com
Northwest PA KIZ	Sue Smith	814.677.4800	susans@nwcommission.org
Pittsburgh Central KIZ	William Generett Jr., J.D.	412.281.0102	wgenerett@pckiz.org
Pocono Mountains KIZ	Mary Frances Postupack	570.422.7920	mpostupack@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	Kristen Fitch	215.966.6156	kfitch@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 September 1, 2009

Appendix III – KIZ Core 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 March 26, 2009