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South Carolina Centers of Economic Excellence SmartState Program program guidelines

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**South Carolina Centers of Economic Excellence
SmartState Program**

PROGRAM GUIDELINES

**Effective Date:
November 7, 2011**

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I. Introduction and Purpose

During the 2002 legislative session, the S.C. General Assembly passed the South Carolina Research Centers of Economic Excellence Act. With an allocation of \$30 million in lottery funds, to be matched on a dollar-for-dollar basis with non-state funds, the General Assembly established a program to award to the State's three research universities, through a competitive application process, funds to endow professorships and facilitate establishment of research centers in research areas that will eventually lead to enhanced economic opportunities for the State's citizens. The General Assembly viewed this program as an incentive program to be used to raise capital from the private sector to support, in particular, the recruitment and maintenance of leading scientists and engineers whose work will ultimately promote the growth and expansion of knowledge-based industries and the creation of more and better paying employment opportunities for the people of South Carolina.

The Act creates a Centers of Economic Excellence Matching Endowment, which is to be funded annually by appropriations from the South Carolina Education Lottery Account in an aggregate amount not to exceed \$200,000,000 by 2010. This endowment fund is to be managed by the State Treasurer with interest earnings of the endowment remaining in the fund. The Act also establishes a Centers of Economic Excellence Review Board (Review Board), consisting of twelve members. Three members each are appointed by the Governor, by the President Pro Tempore of the Senate, and by the Speaker of the House of Representatives respectively. The presidents of the three research universities are ex-officio nonvoting members of the Review Board. The Commission on Higher Education provides staff assistance to the Review Board. The Review Board is responsible for awarding matching funds, for oversight and operation of the fund, and for various accountability requirements established in statute for the program.

In March 2011, the Review Board formally changed the program brand to the SmartState Program. The formal name of the program remains the South Carolina Centers of Economic Excellence Program.

II. Eligible Institutions

Senior research institutions eligible to submit proposals for funds under this program include Clemson University, the Medical University of South Carolina, and the University of South Carolina-Columbia. The senior research institutions may submit individual proposals, or collaborative proposals with each other, and/or in conjunction with other South Carolina higher education institutions. Specific partnering activities with other research universities and higher education institutions, with businesses, or with the community are strongly encouraged. Cooperative proposals are strongly encouraged. However, for each proposal, one of the three senior research universities must serve as the singular fiscal agent for the proposal and award.

III. Eligible Professors

A. National Search

The Act stipulates that the endowed professorships should be used “to recruit and maintain leading scientists and engineers at the senior research universities of South Carolina.” It is the Review Board’s expectation that the successful application will be constructed around an individual who is acknowledged as a scholar of distinction by national and/or international measures. It is also the Review Board’s expectation that the professor’s most substantial contributions to the field in question lie ahead in his/her future scholarly work. The professor must have a track record for and the capacity to create new knowledge at the cutting edge of his or her discipline. The Review Board also recognizes that in addition to direct contributions carried out through the professional efforts of the endowed professorship recipient, other indirect contributions are expected to be accomplished through the education, training, and scholarly output of students, especially graduate students, and other faculty members or partners working in conjunction with the endowed professorship recipient.

In all but the most extreme circumstances, a SmartState Endowed Chair candidate may not be an individual based in South Carolina, which is defined herein as an individual who has been employed full-time by a South Carolina-based organization (including all public or private institutions of higher education and any South Carolina state or municipal agency) or who otherwise has claimed South Carolina as his or her primary residence within 12 months of the formal commencement of the national and/or international search for the SmartState Endowed Chair in question. A hiring institution may identify an extraordinary internal candidate or South Carolina-based candidate only after conducting a national and/or international search. Such a candidate must fulfill the requirements as presented in Sections III-A and III-B as well as the Center proposal approved by the Review Board. The hiring institution must obtain special permission from the Review Board in order to hire such a candidate. To obtain such special permission, the hiring institution president must submit a letter which includes a detailed argument for an exception to be made, and which must also include the candidate’s curriculum vitae and three non-South Carolina institutional administrative or corporate executive recommendations as to the candidate’s qualifications.

Except under very unusual circumstances, which must be documented to the Review Board’s satisfaction, the endowed professorships will be awarded only to new full-time faculty at the respective hiring institution. To obtain permission for a SmartState Endowed Chair not to be a full-time faculty member (that is, hired to work less than nine months per calendar year) at the respective hiring institution, the hiring institution president must submit a letter which includes a detailed argument for an exception to be made, the candidate’s curriculum vitae, and administrative or executive recommendations from all of the candidate’s other current or known future employers.

B. Standards of Appointment

Institutions must ensure that appointments to endowed professorships enacted under the program described herein must meet the standards listed below of national or international eminence. An individual's national/international reputation as an eminent scholar within their field must be evidenced by criteria such as:

- An outstanding record of research substantiated by publications, licenses, and/or patents;
- A record of prominent leadership roles on such entities as editorial boards, advisory boards, and professional associations;
- A record of successful grants and awards and/or the potential to provide sustainable funding for the research program; and
- A record of external research that has the potential to make substantive contributions to the State's economic development, provide solutions for community, health, business, or education problems, and lead to the creation of well-paying jobs and enhanced economic opportunities for the people of South Carolina.

C. Letter of Appointment

At the time the appointment is made, the institution shall send a Letter of Appointment to the endowed professorship recipient that delineates the commitments and ongoing contributions to be expected. The Letter will stipulate the resources available as well as the degree of control over the same that the professor will have to accomplish the specified goals. The Letter will also inform the recipient of the high standards expected of the holder of the endowed professorship, and it will also denote how attainment of these goals is to be evaluated through periodic reviews.

A copy of the Letter of Appointment (in both paper and electronic formats), including signatures of the endowed professorship recipient and the chief executive officer of the higher education institution, must be forwarded to the chair of the Centers of Economic Excellence Review Board (c/o Commission on Higher Education, 1333 Main Street, Suite 200, Columbia, SC 29201) no later than ninety (90) days following the appointment of the recipient. The recipient's curriculum vitae must be submitted along with the Letter of Appointment.

D. Conflict of Interest

PRINCIPAL INVESTIGATORS AND ENDOWED PROFESSORS

Each institution must maintain a written and enforced conflict of interest and financial disclosure policy for each SmartState Endowed Professorship and SmartState Principal Investigator. Such a policy must require each SmartState Endowed Chair and SmartState principal investigator to disclose all conflicts of interest and significant financial interests, including that of the endowed professor's and principal investigator's spouse and dependent children, that would reasonably appear to be directly and significantly affected by the research or education activities funded or proposed for funding by the Review Board, or in entities whose financial interests would reasonably appear to be directly and significantly affected by such activities. Such a policy must designate one or more persons to review financial disclosures in

order to determine whether an actual or potential conflict of interest exists, and to determine what conditions or restrictions, if any, should be imposed by the institution to manage, reduce, or eliminate such conflicts of interest. Such a policy must also provide that records of all conflicts of interest and financial disclosures and all actions taken to resolve actual or potential conflicts of interest be maintained for at least three years in the personnel file or other similar file the institution maintains on the individual. Should any actions be taken to resolve actual or potential conflicts, such records must be maintained for at least three years following the institution's determination of action.

The institution will maintain primary responsibility for collecting and reviewing financial disclosures and responding to actual or potential conflicts of interest. **The institution must provide the Review Board with verification signed by the institution president, no later than 90 days following the endowed chair's appointment and for a principal investigator no later than 90 days after the approval of a Center proposal for which the principal investigator is administratively responsible, that a conflict of interest and financial disclosure statement has been completed by the appointed endowed chair or principal investigator. Along with the signed verification, the institution must report all potential conflicts of interest and potential financial benefits from Review Board funded research or education activities to the Review Board. All subsequent potential conflicts of interest and financial benefits of the endowed chair or principal investigator from Review Board funded research or education activities must be reported to the Review Board promptly but no later than 90 days from the institution's determination that a potential conflict of interest or financial benefit of the endowed chair or principal investigator exists. Any actions taken by the institution to resolve actual or potential conflicts must be reported to the Review Board within 90 days of the institution's determination of action.**

REVIEW BOARD MEMBERS

Promptly upon learning of an actual or potential conflict of interest or significant financial interest, including that of the Review Board member's spouse and dependent children, that would reasonably appear to be directly and significantly affected by the research or education activities funded or proposed for funding by the Review Board, or in entities whose financial interests would reasonably appear to be directly and significantly affected by such activities, a Review Board member must disclose such information to the Review Board. The Review Board Executive Committee shall examine all Review Board member disclosures no later than 30 days following their submission and determine whether any disclosed conflicts of interest and significant financial interest require presentation to the Review Board at its subsequent meeting. Should any actions be taken to resolve actual or potential conflicts, such records must be maintained by Commission on Higher Education staff for at least three years following the Review Board's determination of action. [A conflict of interest form may be found on the FORMS link at www.endowedchairs.org .]

CONTRACTED ENTITIES

Promptly upon learning of an actual or potential conflict of interest or significant financial interest, all program-contracted entities, including but not limited to marketing agencies, accounting firms and other contracted information distribution and dissemination entities, must disclose all conflicts of interest and significant financial interests, including that of an individual employee's spouse and dependent children, that would reasonably appear to be

directly and significantly affected by the research or education activities funded or proposed for funding by the Review Board, or in entities whose financial interests would reasonably appear to be directly and significantly affected by such activities, must disclose such information to the Review Board. The Review Board Executive Committee shall examine all such disclosures no later than 30 days following their submission and determine whether any disclosed conflicts of interest and significant financial interest require presentation to the Review Board at its subsequent meeting. Should any actions be taken to resolve actual or potential conflicts, such records must be maintained by Commission on Higher Education staff for at least three years following the Review Board's determination of action. All program-contracted entities must also maintain and submit two weeks prior to each Review Board meeting a list of all new contract agreements and business enterprises with the state's three senior research institutions, Center proposal collaborators, Center non-state match donors, and other private or public program stakeholders (citizens, corporations, organizations, foundations, state agencies, and federal agencies). This list will be furnished to the Review Board at its quarterly meetings. [A conflict of interest form may be found on the FORMS link at www.endowedchairs.org .]

E. Standards of Performance

The following standards of performance are illustrative of those expected of all recipients of endowed professorships established under this Act:

- Continuing record of scholarly and creative endeavors;
- Leadership in and across academic units and collaborations with scholars within as well as external to one's own university and with the private sector;
- Pursuit of activities that enhance the reputation of the university;
- Generation of additional private, governmental, foundation and other external grants and funds;
- Innovative leadership and mentoring of students and other faculty;
- Attraction of high quality students; and
- Evidence of the ability to promote and develop "enhanced economic opportunities in knowledge-based industries for all South Carolinians" and generate "well-paying jobs" through linkages to South Carolina industries and development of related licenses and patents.

F. Other Terms of the Appointment

It is understood that the appointment is subject to the laws of the State of South Carolina and the policies and regulations of the home institution. In consortial or collaborative proposals with more than one endowed chair, each proposed chair must have a designated home institution, and a singular institution must be designated as the fiscal agent for the proposal and award.

Whenever acknowledgement of support is noted in publications or other venues, the SC Centers of Economic Excellence program must be acknowledged.

IV. Eligible Disciplines/Fields

In the South Carolina Research Centers of Economic Excellence Act, the South Carolina General Assembly found that “endowed professorships should be used to recruit and maintain leading scientists and engineers at the senior research universities of South Carolina for the purposes of developing and leveraging the research capabilities of the universities for the creation of well-paying jobs and enhanced economic opportunities in knowledge-based industries.” More specifically, Section 2-75-90 (B) of the Act states that matching funds “may be used only in the areas of Engineering, Nanotechnology, Biomedical Sciences, Energy Sciences, Environmental Sciences, Information and Management Sciences, and for other sciences and research that create well-paying jobs and enhanced economic opportunities for the people of South Carolina and that are approved by the Centers of Economic Excellence Review Board.”¹

V. Centers of Economic Excellence Defined

A Center of Economic Excellence is defined to include at least one endowed professorship for a faculty member who is recruited for that purpose. Additional endowed professorships dedicated to the same specified knowledge-based industry or field of commerce, or to a closely related one, may be sought. Thus, the creation of centers of economic excellence, while initially resting on the shoulders of one or more eminent scholars and researchers, will encompass and promote a critical mass of activity in the identified discipline/field that goes beyond any individual awarded an endowed professorship.

A Center of Economic Excellence must be supported by affiliated graduate programs. It may develop academic degree programs as part of the scope of its activities. These programs are required to seek approval at both institutional and Commission on Higher Education levels following customary procedures. However, should academic degree programs be developed, funding through the South Carolina Research Centers of Economic Excellence Act may only be used to support graduate programs and graduate students. Any new graduate degree programs or new research centers, bureaus, or institutes expected to be developed should typically be identified in the funding proposal.

In summary, the key elements of a Center of Economic Excellence are as follows:

- At least one world-class faculty member holding an endowed professorship, supported by a critical mass of additional senior faculty members;
- A research team consisting of junior faculty members, research faculty, and graduate students, especially doctoral students;

¹ Part 1B proviso in the Appropriations Act for FY06-07 clarified this section of the Act. Part 1B reads:

5A.18. (CHE: Research Universities Matching Resources) Notwithstanding the provisions of Sections 2-75-05(B)(4) and (6) and 2-75-50 of the 1976 Code, to meet the endowed professorships matching requirement of those provisions, a research university may use funds specifically provided for use in the areas of Engineering, Nanotechnology Biomedical Sciences, Energy Sciences, Environmental Sciences, Information and Management Sciences, and for other sciences and research that create well-paying jobs and enhanced economic opportunities for the people of South Carolina and that are approved by the Research Centers of Excellence Review Board that are derived from private or federal government sources, excluding state appropriations to the institution, tuition, or fees. The only federal dollars that may be used to meet the endowed professorships matching requirement are those federal dollars received after July 1, 2003.

- An appropriate research infrastructure, including space, equipment, and technical staff, and sustainable funding sources; and
- Strong ties to ongoing university research programs and objectives at the home institution or at other participating universities.

VI. Proposal Review and Awards Processes

The Review Board will award total funds at an equal amount to the appropriation by the General Assembly for the fiscal year plus any unencumbered funds that may be available (i.e., interest on lottery funds, projects not completed). Each year new proposals, as well as resubmitted proposals, will undergo the full review process.

The Review Board will oversee a three-stage review process for determining awards. First, the three research universities will work with the Review Board staff to nominate reviewers to conduct technical and scientific reviews of the proposals. The Review Board staff will select no fewer than five technical reviewers to review each proposal, and a minimum of three technical and scientific reviews must be received by the Review Board staff for each proposal. The Review Board staff will limit the number of university-nominated reviewers to two per proposal.

Second, the Review Board staff will contract with a minimum of five out-of-state expert reviewers—to include individuals with expertise in economic development as well as in appropriate scientific disciplines—who will serve on a site review team that will visit each of the research universities. The On-Site Review Team will interview relevant investigators and other university personnel regarding proposals and will have access to collected scientific and technical reviews as well as other materials germane to the proposed projects. The On-Site Review Team will evaluate the proposals using an approved set of metrics; each recommendation will include a detailed narrative, which will explain the On-Site Review Team’s recommendations.

Third, the On-Site Review Team will present its findings to the Review Board, which will make final decisions on awards. The On-Site Review Team will recommend an appropriate level of funding to achieve successfully the stated goals of each project. The Review Board will consider these recommendations in determining award amounts for each project.

VII. Eligible Matching Funds

Institutions have the option of obtaining dollar-for-dollar cash matches or in-kind matches. An *in-kind match* refers to the value of non-cash contributions provided by a third party. These contributions may be in the form of real property, equipment, supplies and other expendable property, and the value of goods and services directly benefiting and specifically identifiable to the project or program. If a good/service has been donated to an institution, the institution may claim the fair market value of the good/service as a ‘cash equivalent’ match. If a good/service has been sold/provided to the institution at a reduced rate, the institution may claim the reduced rate of the good/service as a ‘cash equivalent’ match. [See The Research University Infrastructure Act Cost Share Accounting Policy for specific guidelines on claiming in-kind matches.]

Only funds that have been committed to this program and derived from contributions or revenues from non-S.C. tax dollars² committed and raised after January 1, 2002, may be used as matching funds. Only in-kind contributions that have been committed to this program and derived from contributions or revenues from non-S.C. tax dollars committed and raised after July 1, 2002, may be used as matching funds. (The term “contributions” is defined to mean only such funds and in-kind contributions that are actually collected by a university’s Centers of Economic Excellence Fund [see Section VIII below] and verified by the respective institution in such a manner as deemed satisfactory to the Centers of Economic Excellence Review Board.)

Cash contributions, revenues, or other types of monetary funding used as matching funds may not be borrowed.

Institutionally affiliated 501(c)(3) organizations and component units may contribute matching donations, provided such funds do not derive from state appropriations, tuition, institutional revenue or fees. Matching donations from such entities must be accompanied by a letter from the entity’s chief financial officer, as well as the chief financial officer of the research institution, verifying that the funds have not derived from these sources.

Institutional auxiliary revenue may not be claimed as a non-state match, nor may any other institutional funds be claimed as a match if they result in (a) the creation of new student fees, (b) the continuation or increase of a related student fee, or (c) an increase in tuition. Institutional auxiliary revenue includes revenue from essentially self-supporting operations that exist to furnish a service to students, faculty, or staff, and that charge a fee that is directly related to, although not necessarily equal to, the cost of the service. Examples of auxiliary operations include residence halls, food services, student health services, intercollegiate athletics, and college stores.

An institution may also receive cash equivalent or in-kind contributions which it intends to liquidate and apply the resulting funds to Center endowments or Center startup costs. (Examples of such contributions include but are not limited to corporate stock, real estate, antiques, saleable infrastructure and equipment, etc.) The market value of such a contribution must be formally determined according to standard accounting principles within 30 days of receipt of the contribution, and, if valued at \$50,000 or above, reported to the Review Board via separate letter in the most subsequent non-state match report. If such a contribution is valued at less than \$50,000, the contribution must be included in the most subsequent non-state match report financial schedule with an indication that the item is a cash equivalent or in-kind contribution which the institution intends to liquidate and apply to Center endowments or Center startup costs. In reporting such a contribution in a non-state match report, an institution would list the current value as of the submission deadline date of the report.

All cash equivalent or in-kind contributions which an institution intends to liquidate and apply to Center endowments or Center startup costs must be cashed in within one year of receipt by the institution unless otherwise approved by the Review Board. The draw value (the amount against which an institution may draw state funds) of such a contribution is the residual value from the contribution’s sale (gross sale value minus all liquidation fees, including but not limited to advertising costs, brokerage commissions, auction commissions, attorney fees, realtor fees, etc.).

² S.C. 2-75-90 additionally prohibits the use of tuition and student fees as non-state matches.

Only federal funds that are infrastructure investments (i.e., equipment grant, construction grant) in direct support of a particular Center of Economic Excellence may be used as matching funds.³ Most federal awards made for the purpose of conducting specific scientific investigations are not eligible; however, individual budget items in scientific investigation grants that can be demonstrated to benefit directly and permanently a Center may be counted as matching funds. By statute (S.C. 2-75-90), only “federal dollars” received after July 1, 2003, may be used as matching funds. This date does not refer to the grant award date, but instead refers to the date federal funds are first available for use by the institution. The term “received” refers to grant award dates for all grants awarded after July 1, 2003. For grants awarded prior to July 1, 2003, the term “received” refers to the date of acquisition of an item for which a research institution becomes eligible to receive reimbursement via federal grant dollars.

At least \$4 million (\$2 million award matched by \$2 million) and possibly as much as \$10 million (up to \$5 million award matched by \$5 million) can be generated under this program. For an endowed professorship, all of the state match, plus no less than 30% of the raised, non-state matching funds, must go into an endowment. Until 30% of the non-state match total has been obtained in official pledges and/or cash contributions, no other State funds may be dispersed. In-kind matches may not account for more than 70% of the non-state match total.

VIII. Establishment of Research Centers Fund

Each senior research university, as a condition of participation in this program, shall establish its own Centers of Economic Excellence Fund. Each senior research institution’s Centers of Economic Excellence Fund shall operate as a depository for private funds or non-state tax dollars and the state’s matching contribution under this program. Each university, under the supervision and management of its governing board or its foundation, shall have the responsibility for the maintenance and investment of its own Centers of Economic Excellence Fund in a manner consistent with its duties as fiduciary for such funds. Each participating senior research institution may, in order to facilitate the establishment of two or more endowed professorships under this program, cause the funds held in trust for any particular endowed professorship to be held in a separate and segregated account upon the establishment and operation of the endowed chairs. Thereafter, the senior research institution’s Centers of Economic Excellence Fund shall continue to operate as a depository for private contributions and State matching funds associated with subsequently proposed endowments under this program.

For consortial proposals, each participating institution of higher education must establish an institutional fund as described above. The senior research institution designated as fiscal agent shall serve as the only institution authorized to draw or manage transfer of state funds. For collaborative centers, the fiscal agent institution may either (a) transfer state funds directly to,

³ The ability to use federal funds for non-state matches was first allowed under Proviso 5A.27 in Part 1B of the FY04 Appropriations Act, which reads:

5A.27. (CHE: Research Universities Matching Resources) Notwithstanding the provisions of Sections 2-75-05(B)(4) and (6) and 2-75-50 of the 1976 Code, to meet the endowed professorships matching requirement of those provisions, a research university may use funds from any source except state appropriations to the institution derived from taxes or fees imposed or authorized to be imposed by the General Assembly, or any other state appropriations derived from taxes or fees imposed or authorized to be imposed by the General Assembly.

and exclusively to, collaborative senior research institution partners for deposit in their own institutional Center of Economic Excellence Fund in accordance with the budget and funds disbursement schedule contained in the original or revised proposal approved by the Review Board, or (b) permit collaborative senior research institution partners to have state funds transferred directly for deposit in their own institutional Center Fund via the submission of a letter signed by the fiscal agent president authorizing the collaborative senior research institution to make such a drawdown request. In order for a collaborative senior research institution to receive state funds directly to its foundation, it must, if applicable, signify the specific foundation account into which these funds will be remitted, verified by signature of the foundation CEO.

All participating institutions of higher education shall be responsible for maintaining appropriate records and financial statements for presentation annually to an independent auditor. For consortial proposals, it is the responsibility of the institution serving as fiscal agent to compile, prepare, and submit the appropriate reporting and evaluation documents required under Section X below. For program audit purposes, the fiscal agent is also responsible for the veracity of all non-state matching funds being claimed by collaborating institutions.

IX. Conditions for the Transfer Of State Matching Funds

Prior to the transfer of State matching funds from the SC Centers of Economic Excellence Matching Endowment Fund to the Institutional Centers of Economic Excellence Fund, the Review Board shall find that the following requirements have also been satisfied:

- i. The proposing institution has in-hand the required institutional match, as stipulated by written confirmation from the president, along with a detailed schedule of the gifts received (including photocopies of cancelled checks or bank statement evidence for donations over \$50,000), and has assigned and/or deposited institutional matching funds (1:1 dollar match) in the institution's Center fund. Pledges of funds, cash gifts, in-kind contributions, and awards for appropriate grants must be in-hand within 18 months of the Centers of Economic Excellence award.⁴ Upon verification by the Review Board of official pledges and/or cash contributions of no less than 30% of the non-state match total that must go into the endowment, transfer of the state award to the University will be made in increments of not less than \$100,000 in exact amounts of the cash in-hand as certified by the institution. All awarded endowment funds must be drawn down within 78 months of the Center award date. The Review Board has the authority to extend this period if justified extenuating circumstances prevent meeting the five-year requirement.

⁴ For extension of pledge verification deadlines, see Section XI below.

The following chart summarizes due dates for institutional obligations, and presents a timeline for a Center awarded by the Review Board on June 1, 2003:

Center Award	Within 18 months of Center Award	Within 78 Months of Center Award
Date of Review Board Approval and Award (Usually Final Review Board Meeting of Fiscal Year)	Verification of <u>pledges</u> equaling the total amount of the award must be submitted to Review Board	All <u>pledges</u> must be received, and <u>State funds</u> equaling the total amount of the award must be drawn down, subject to verification of pledges received
Example:		
\$3 million Center Grant Awarded on June 1, 2003	Pledges totaling \$3 million <u>verified</u> by December 1, 2004	State funds totaling \$3 million drawn by December 1, 2009

- ii. The funds received and deposited in the institution’s Centers of Economic Excellence fund meet all eligibility requirements and the university provides a letter from the chief executive officer of the appropriate foundation that is managing the fund identifying the designated and restricted account for the center/professorship;
- iii. The presidents of all participating institutions have submitted a recommendation to the Review Board for the approval of the proposal and the proposal has been approved by the Review Board;
- iv. The president of the university has provided to the Review Board a copy of the endowed professor’s letter of appointment (if one has been hired);
- v. The president of the university has provided the completed Account Set Up and Matching Funds Certification document.

X. Reporting and Evaluation Requirements

Biannual Non-State Match Reports

On a biannual basis (February 1/August 1), the lead fiscal institution of each proposal must submit to the Review Board a report detailing received non-state match pledges, which consists of legal or financial data, including but not limited to, a transmittal or award letter from the non-state match source; internal accounting documentation of the institutional fiscal agent; or an inventory list, appraisal or other such information that demonstrates the value of a given pledge, and confirms that the pledge is from a non-state source.

The February/August reports must reflect end-of-calendar-year and end-of-fiscal-year totals, respectively. The institutions are encouraged to submit the February 1 match report as close to January 1 as possible so that staff may distribute updated program totals at the onset of the State legislative session.

Annual Evaluation

On an annual basis, the fiscal agent of each Center of Economic Excellence shall furnish to the Review Board an annual report based upon a template provided by CHE staff. This annual report template collects the following information for each Center:

- (a) a timeline of major developments/highlights;
- (b) a summary of proposed objectives along with a description of the assessment processes used to verify stated outcomes;
- (c) a summary of non-state partnerships which documents ongoing non-state partnerships and businesses that have started operations, relocated, or remained in South Carolina as the result of the Center;
- (d) a summary of significant research achievements including any significant publications;
- (e) a summary of academic degree programs developed or enhanced by the Center and the number of undergraduate and graduate students affected by Center activities;
- (f) a summary of economic development outcomes: commercial disclosures, patents, copyrights, inventions, product improvements, licenses, innovations, or other intellectual property/technology transfer details which have resulted directly or indirectly from the Center's research and/or collaborative efforts;
- (g) a summary of research and project collaboration; i.e., how the Center's activities are being shared with other state and non-state institutions through scholarly interaction and how these activities will positively impact the state economically; and
- (h) a summary of other relevant outcome data which demonstrates the effectiveness of the Center.

Each Center fiscal agent must also complete an Earnings & Expenditure form provided by CHE staff, which provides full disclosure of the financial activity of the Center. In addition to the submission of the Earnings & Expenditure form, the fiscal agent shall provide certification that the principal of the endowment has remained intact. This certification shall be signed by the president of the fiscal agent and the president of each collaborative institution and the appropriate official(s) of the financial institution in which endowment funds are deposited.

During the first three years of each Center, the annual report is expected to be developmental in nature. During years four and beyond, specific quantifiable achievements are expected to be documented. The annual report shall be submitted to the SmartState Review Board on September 1 of each year. Failure by an institution to submit all of its annual report data by the September 1 deadline will result in the suspension of the disbursement of all SmartState Program funds to the institution until that institution's annual report data have been properly submitted. On the day the materials are deemed late by CHE staff, it shall notify the SmartState Review Board Executive Committee of the lateness of such materials, at which point the suspension shall commence. Once CHE staff deems it has received all of the institution's annual report materials, it shall notify the SmartState Review Board Executive Committee, at which point the suspension will be lifted.

For a collaborative Center, a collaborating institution shall submit data for its portion of the annual report to the fiscal agent institution by August 15 of each year. On August 16, CHE

staff will request that each fiscal agent institution verify it has received all necessary data from collaborating partner institutions. Failure by a collaborating institution to submit all of its annual report data by the August 15 deadline will result in the suspension of the disbursement of all SmartState Program funds to the collaborating institution until that institution's annual report data have been properly submitted. On the day the materials are deemed late by CHE staff, it shall notify the SmartState Review Board Executive Committee of the lateness of such materials, at which point the suspension shall commence. Once CHE staff deems the fiscal agent institution has received all of the collaborating institution's annual report materials, it shall notify the SmartState Review Board Executive Committee, at which point the suspension will be lifted.

Five-year Summative Program Evaluation

Every five years, the Review Board shall conduct an evaluation of the entire South Carolina Centers of Economic Excellence program, using an external evaluation team to determine the effectiveness of the program in meeting its statutory goals and objectives.

While the specifics of the five-year review will be determined at a later date, likely outcomes data are listed below and should be collected by each Center from its inception:

- Number of graduate and undergraduate students involved in Center activities;
- Number of other faculty involved in Center activities;
- Number and kinds of collaborations resulting from activities with institutional as well as other partners;
- New knowledge/new technology generated as measured through refereed papers; conference papers, and technical reports;
- Technology transfer, as measured by numbers of new patents, licenses, copyrights, or businesses; and
- External funding generated, including private, foundation, government, and state dollars.

Additional outcomes data as appropriate to each proposal should be collected from the inception of each Center.

XI. Forfeiture of a Center Award

18-Month Pledge Verification Deadline

In the event that a fiscal lead institution fails to meet the 18-month pledge verification deadline for a Center of Economic Excellence (Section IX above), the fiscal lead institution may request a six-month pledge verification deadline extension from the Review Board. The institution must submit a formal letter to the Review Board Chairman prior to the expiration of the 18-month pledge verification deadline. This letter must provide written justification that clearly documents the reason(s) for the requested extension and explains the efforts that were made to meet the original 18-month pledge verification deadline. If granted, the six-month pledge verification extension will commence from the end date of the original 18-month pledge verification deadline. All non-state matching pledges received during an extension period must be realized, and concomitant state funds drawn down, within 78 months of the Center award date.

A fiscal lead institution may apply for two six-month pledge deadline extensions for any one Center of Economic Excellence. Prior to the expiration of the first six-month extension, the institution must submit a letter to the Review Board Chairman for permission to extend the pledge verification deadline another six months. As with the first petition, the institution must clearly document the reason(s) for the second deadline extension.

Should the fiscal lead institution fail to meet the pledge verification deadline after two six-month extensions, the award is considered forfeit. To reinstitute the Center, the fiscal lead institution must resubmit the proposal to the Review Board. The resubmitted proposal must undergo the full review process.

78-Month State Award Drawdown Deadline

In the event that a fiscal lead institution of an awarded Center fails to meet the 78-month deadline whereby all state award funds must be drawn from the Centers of Economic Excellence Matching Endowment (State Treasurer), the fiscal lead institution may request a six-month state award drawdown deadline extension from the Review Board. The institution must submit a formal letter to the Review Board Chairman prior to the expiration of the 78-month state award drawdown deadline. This letter must provide written justification that clearly documents the reason(s) for the requested extension and explains the efforts that were made to meet the original deadline. This letter must also provide detailed evidence that demonstrates how no less than 50% of the remaining non-state matching funds is likely to be raised. If granted, the six-month state award drawdown deadline extension will commence from the end date of the original 78-month deadline.

A fiscal agent may apply for a second six-month pledge deadline extensions for any one Center of Economic Excellence, provided that at least 50% of the remaining non-state matching funds were raised during the first six-month extension. Prior to the expiration of the first six-month extension, the institution must submit a letter to the Review Board Chairman for permission to extend the state award drawdown deadline another six months. As with the first petition, the institution must clearly document the compelling reason(s) for the second deadline extension and must demonstrate how no less than 50% of the remaining non-state matching funds is likely to be raised.

Should an institution fail to meet the state award drawdown deadline after two, six-month extensions, the institution may apply for an amendment to the original Center award amount. The proposed amended amount (a) must reflect the amount of received non-state matching funds for an individual Center to the nearest \$100,000; (b) may not be less than 20% of the original award amount; and (c) may not be less than \$2 million. Such an application must also contain a revised Center proposal with all budgetary figures and programmatic description changed to reflect the proposed amended Center award amount.

If a Center does not qualify for an amended award amount under the above terms, the award is considered forfeit. The fiscal agent must reimburse the Centers of Excellence Matching Endowment funds equal to the amount of all drawn Center state funds for the forfeited Center. Personnel directly associated with a forfeited Center award, including principal investigators, endowed professors, other faculty, researchers, technicians, and graduate students, should be considered for reassignment in accordance with institutional policies and procedures. All formal SmartState Program-associative language must be removed from job titles, appointment

descriptions, etc., immediately. Within 60 days of the forfeiture of a Center award, the fiscal agent and all collaborating institutions must notify all donors whose gifts were made in direct support of the Center or SmartState Endowed Chair of the forfeiture of the Center award. All federal grants previously applied as non-state matches for the terminated Center or SmartState Endowed Chair shall be reassigned in accordance with institutional policies and procedures.

In its deliberation concerning requests for extensions or future amendments of the state award drawdown schedule, the SmartState Review Board will ensure that the statutory funding formula (80% of total appropriations awarded by most previous fiscal year; see S.C. 2-75-30) is not compromised.

XII. Usage of Funds for Programmatic Support Purposes

Pursuant to Section 2-75-70 of the South Carolina Research Centers of Economic Excellence Act, funds from the Centers of Economic Excellence Lottery Account may be used to pay for programmatic support expenses. The expanded fund—that is, that portion of the Lottery Account which may be defined as “accumulated interest”—may be used for programmatic support expenses, which include: staff support; operation of the Review Board and all Review Board committees; operational expenses of onsite review panels; marketing contracts; auditor contracts; conferences and professional development directly related to the program; honoraria for technical and onsite reviewers; and other prudent programmatic support expenses directly related to the operational success of the SC Centers of Economic Excellence program.

The Review Board may also permit Programmatic Support Proposals that make use of the expanded fund in order to directly assist the Research Centers in their mandate to enhance economic opportunities in knowledge-based industries; e.g., an information technology system or infrastructure project that collectively serves *all* of the research institutions and endowed chairs. Such Programmatic Support Proposals must conform to the Review and Awards Process, and all other proposal requirements, as stipulated in these *Guidelines*, including:

- Programmatic Support Proposals must be in an amount no less than \$2 million and no greater than \$5 million;
- Programmatic Support Proposals are subject to a three-stage review process (e-review, onsite panel, Review Board) as described above in Section VI, and elsewhere, if appropriate;
- Programmatic Support Proposals must comply with the non-state matching requirements and calendar deadlines as stated in Section VII above, and elsewhere.
- Programmatic Support Proposals are subject to all evaluation and report deadlines as stated in Section X above, and elsewhere.
- Programmatic Support Proposals are subject to all the terms and conditions for the transfer of state matching funds as stated in Section IX above, and elsewhere, with the following **exception**: State matching funds need not be placed in an endowment, but instead may be placed in the Centers of Economic Excellence Fund of the lead fiscal institution for use as stipulated in the Programmatic Support Proposal. The lead fiscal institution shall be responsible for maintaining all appropriate records and financial statements for presentation annually to an independent auditor.

XIII. Post-Award Changes to a Center

An institution must request and obtain approval from the Review Board before initiating the following revisions to an awarded Center proposal:

- A. change of scope (including methodology, approach or other aspects of stated proposal objectives);
- B. change in number of endowed chairs;
- C. change to the academic discipline of an approved endowed chair;
- D. change to the academic institution base of an approved endowed chair;
- E. withdrawal of collaborating partners (including senior research institutions, other public institutions of higher education, or other entities cited in the proposal as critical for programmatic and/or financial support);
- F. changes to budget with respect to the distribution of state and non-state funds, including endowment yields;
- G. withdrawal or decrease of non-state match support cited in proposal or presented as information to technical reviewers, the Onsite Review Panel or the SmartState Review Board during the proposal review process; or
- H. Award consolidation

The request must include a letter from the President of the Center fiscal agent documenting clearly the reasons for the requested revision(s) and must include minimally an electronic version of a revised proposal. The revised proposal must be referred to an external body of scientific experts approved by the SmartState Review Board, which may include the SmartState Onsite Review Panel. The external body must review the revised proposal and present a recommendation to the Review Board within 30 days of receipt of the revised proposal. At its most subsequent meeting to receiving the external body's recommendation, the Review Board shall act on the revised proposal. Within 30 days of the action to approve a revised proposal for items A through G, the fiscal agent must notify all non-state matching donors with pledged gifts of \$50,000 or more of the approved revisions. (It is not mandatory that federal agencies be informed.)

The following proposal revisions to an awarded Center proposal must be approved by the Review Board, however, without a recommendation from an external body of scientific experts:

- I. withdrawal or decrease of non-state match support which was presented exclusively to the SmartState Review Board (and not to technical reviewers or the Onsite Review Panel) during the proposal review process

The request for approval of revision I must include a letter from the President of the Center fiscal agent documenting clearly the reasons for the requested revision(s) and must include minimally an electronic version of a revised proposal. Within 30 days of the action to approve a revised proposal for Item I, the fiscal agent must notify all non-state matching donors with pledged gifts of \$50,000 or more of the approved revisions. (It is not mandatory that federal agencies be informed.)

The following proposal revisions may be implemented via written notification to the Review Board:

- J. change in status of key personnel (principal investigator, appointed endowed chair)
- K. change of fiscal agency in collaborative proposal to approved collaborating partner
- L. change in internal administration (e.g., SmartState Endowed Chair search committee)

Within 30 days of implementing revisions for Items J through L, the fiscal agent (or new fiscal agent) of a Center must submit a revised proposal to the Review Board. Within the same time period, the fiscal agent (or new fiscal agent) must inform all collaborating institutions and non-state matching donors with pledged gifts of \$50,000 (with the exception of federal agencies) of the revisions. Notification to the Review Board of a change of fiscal agency must also be accompanied by a letter acknowledging new fiscal agency signed by the president and chief financial officer of the new fiscal agent. Evidence must also be provided to the SmartState Review Board of transference of any Center state funds or non-state funds from the former fiscal agent to the new fiscal agent.

In the event that the recipient of an endowed professorship conferred under this program leaves the institution or is unable to discharge his or her responsibilities, a replacement must be obtained in accord with the process as outlined in Section III A-D.

Failure to comply with any part of Section XIII may result in an institution's disqualification to receive future funding, suspension from drawing state funds or other adverse actions as determined by the SmartState Review Board.

XIV. Withdrawal of a Center of Economic Excellence Proposal Termination of a Center of Economic Excellence

There is a difference between the need of an institution to **withdraw** an approved Center of Economic Excellence proposal due to the inability to gather non-state matching fund pledges within the pledge verification period (18 months plus two possible six-month extensions) and the need for an institution to **terminate/dissolve** a Center of Economic Excellence due to internal issues, such as but not limited to, the closing of an academic program or the cessation of research activities in a certain field or discipline.

A Center proposal in the early stages of post-award development is too nascent to be considered operational. For programmatic purposes, an awarded proposal *becomes an operational Center* or *active SmartState Endowed Chair* when any of the following actions occur:

- (A) non-state matching funds or donations totaling 40% or more of the full Center award match have been received;
- (B) state Center funds have been drawn down;
- (C) endowed chairs and key personnel have been appointed/hired for the express purpose of serving the Center; or
- (D) an annual report has been filed citing demonstrable programmatic activity.

WITHDRAWAL OF A CENTER OF ECONOMIC EXCELLENCE PROPOSAL

Following the approval by the Review Board of a Center of Economic Excellence proposal, the fiscal agent may withdraw the proposal via formal notification to the SmartState Review Board by the president of the university serving as fiscal agent so long as actions (A) through (D) above have not occurred. The notification to withdraw a proposal must include assurance from the fiscal agent that all donors whose gifts were made in direct support of the Center proposal will be informed of the withdrawal. All federal grants previously applied as non-state matches for the proposal shall be reassigned in accordance with institutional policies and procedures.

Upon the withdrawal of an approved collaborative Center proposal, all collaborative partners will be given the opportunity to assume the role of fiscal agent. Collaborative institutions wishing to assume the role of fiscal agent must submit a revised proposal for the next proposal cycle; the revised proposal will then undergo the three-tier review process as outlined in Section VI. If the revised proposal is approved by the Review Board, the Center award will transfer to the new fiscal agent. Within 60 days of the Review Board's approval of the revised proposal, all donors whose gifts were made in direct support of the original approved Center proposal must be informed of the transfer of award to the new fiscal agent.

TERMINATION/DISSOLUTION OF A CENTER OF ECONOMIC EXCELLENCE

Should a fiscal agent determine or otherwise be compelled to cease programmatic activity of *an operational Center* or *active SmartState Endowed Chair* following any of actions (A) through (D) above, the fiscal agent must notify the Review Board immediately. Such notification will be considered and acted upon by the Review Board at its next quarterly meeting. Within 60 days of a Review Board action to terminate or dissolve an operational Center or active SmartState Endowed Chair, the fiscal agent and all collaborating institutions must notify all donors whose gifts were made in direct support of the Center or SmartState Endowed Chair of the action to terminate or dissolve the Center or SmartState Endowed Chair. All federal grants previously applied as non-state matches for the terminated Center or SmartState Endowed Chair shall be reassigned in accordance with institutional policies and procedures.

Within 60 days of the Review Board's action to terminate or dissolve a Center or SmartState Endowed Chair, the fiscal agent must reimburse the Centers of Excellence Matching Endowment funds equal to the amount of all drawn Center state funds for the terminated/dissolved Center or SmartState Endowed Chair.

Personnel directly associated with a terminated Center or SmartState Endowed Chair, including principal investigators, endowed professors, other faculty, researchers, technicians, and graduate students, should be considered for reassignment in accordance with institutional policies and procedures. All formal SmartState Program-associative language must be removed from job titles, appointment descriptions, etc., immediately.

Should the fiscal agent of a collaborative Center determine or otherwise be compelled to cease programmatic activity for the Center following any of actions (A) through (D) above, all collaborative institutions will be given the opportunity to assume the role of fiscal agent. Any collaborative institution wishing to assume fiscal agency must submit a revised proposal for the next proposal cycle; the revised proposal will then undergo the three-tier review process as outlined in Section VI. If the revised proposal is approved by the Review Board, the Center

award will transfer to the new fiscal agent. Within 60 days of the Review Board's action to transfer fiscal agency (a) the former fiscal agent must reimburse the Centers of Excellence Matching Endowment funds equal to the amount of all drawn Center state funds for the transferred Center, and (b) the former fiscal agent must notify all donors whose gifts were made in direct support of the Center of the fiscal agency transfer. Upon fiscal agency transfer, the transferred award is subject to all pledge deadlines and matching funds policies as presented in Section XI and elsewhere. If no collaborative partners wish to assume the role of fiscal agent, all rules concerning termination or dissolution from the previous paragraphs apply.

XV. Graduation of a Center of Economic Excellence

A Center of Economic Excellence is defined as fully operational when all of the following activities have occurred:

- (A) all non-state matching funds have been collected and successfully audited;
- (B) all state funds have been drawn down;
- (C) all chairs and key personnel as defined in the proposal have been appointed;
- (D) all initiatory programmatic activities as defined in the Center proposal have been achieved; and
- (E) the most recent annual report cites demonstrable programmatic activity, including research expenditures equal to the half of the amount of the Center state award and measurable technology transfer activity (minimum of one invention disclosure).

Once a Center has reached a point of full operability, the lead fiscal institution of a Center may, but is not required to, apply to the Review Board to transfer the majority of fiscal and administrative oversight responsibilities to the lead fiscal institution. Such an application must demonstrate and certify the veracity of Items A-E above. Such an application shall also present certification of the percentage of non-state match in the endowment (not less than the required minimum per Section IX-1) at the time of application, with the commitment that the endowment never be allowed to fall below the current percentage. An application must be presented by the president of the lead fiscal institution and must be accompanied by the signatures of the presidents of all collaborating institutions. The application must be presented no less than one month prior to the most subsequent SmartState Review Board meeting for consideration at that meeting.

Once the SmartState Review Board acts to accept such an application, a Center is deemed graduated. From such point, the fiscal lead institution is released from the following oversight obligations to the SmartState Review Board, and accepts internal responsibility for administration of such matters:

- (a) select annual audit components: (1) Center expenditures; (2) match exchanges; (3) new income received other than the state endowment; and (4) transfers between expendable funds and endowment funds;
- (b) submission of letter of appointment and CVs for newly hired chairs;
- (c) submission of conflicts of interest for principal investigators and chairs, and submission of reports of institutional conflict of interest action/resolution;
- (d) change of fiscal agency in collaborative proposal to approved collaborating partner.

From such point, the fiscal lead institution is released from obtaining approval from the SmartState Review Board for the following administrative activities:

- (e) hire of a chair who will not be a full-time faculty member at any of the awarded institution of a Center;
- (f) extension for liquidation of an in-kind contribution;
- (g) select proposal revisions: (1) change of scope; (2) change in number of endowed chairs; (3) change to the academic discipline of an approved endowed chair; (4) change to the academic institution base of an approved endowed chair; (5) withdrawal of collaborating partners; (6) changes to budget totaling more than 25% of state award plus non-state matching funds; (7) withdrawal or decrease of non-state match support cited in proposal or presented as information to technical reviewers, the Onsite Review Panel or the SmartState Review Board during the proposal review process; and (8) award consolidation;
- (h) exchange of a match against which state funds have been drawn.

A graduated Center will retain certain accountability and reporting obligations to the SmartState Review Board, including:

- (i) independent audit of state endowment;
- (j) submission of biannual match report, but only if match exchanges have occurred;
- (k) submission of institutional annual report, including certification of endowment; and
- (l) reporting of changes to key Center personnel, including principal investigator and chair.

The authority to terminate a Center is permanently retained by the SmartState Review Board, and must be followed in accordance with the policy as stated in Section XIV above. Dissolution of the state endowment should be followed in accordance with Section XIV above.

Upon achieving graduation status from the SmartState Review Board, the lead fiscal institution may, but is not obligated to, apply for formal center status with the Commission on Higher Education.

XVI. General Information for Proposals

a. Appointments to any endowed professorship funded under this program must be made consistent with the laws of the state of South Carolina and with the policies and regulations of the institution serving as fiscal agent.

b. In all venues in which support for a Research Center or the related endowed professorship established under this program is acknowledged, this program should be acknowledged by name.

c. The total amount of an individual Center state award must be placed into and remain in endowment; a minimum portion of the non-state matching fund total of an individual Center (as determined in Sections VII and IX above) must also be placed into and remain in endowment. All endowment earnings and non-state matching funds authorized for initial operating costs of an individual Center shall be used in support of direct costs. Direct costs may include financial support for the endowed professor's salary, fringe benefits and start-up/support package, as well as support for other faculty, staff, graduate students, equipment, facilities, library and other direct

costs necessary to meet the performance standards described in Section III-E above. It is understood that the institutional commitment will include all indirect costs.

d. Consistent with SC ST SEC 2-75-50(b), individual proposals must be in an amount no less than \$2 million and no greater than \$5 million.

e. Individual proposals may be for (a) a single endowed professorship; (b) single or multiple professorships clustered in a new research center; or (c) single or multiple professorships clustered in an already existing research center.

f. After reporting a pledge or the acquisition of non-state state matching funds on a Matching Funds Certification form, drawdown-related form, annual report, or other program information form or financial report, an institution may find it necessary to exchange said pledge or realized non-state match:

1. The exchanging of any pledged non-state match must be reported via the resubmission of all forms/reports/programmatic materials/etc. on which the pledge previously appeared, accompanied by a letter of explanation from the president of the lead fiscal institution of the Center in question. CHE staff will then provide the Review Board with a quarterly report of all exchanged pledges.

2. The exchanging of any non-state match funds against which no state funds have been drawn must be reported via the resubmission of all forms/reports/programmatic materials/etc. on which the matched funds previously appeared, both as pledge and realized pledge, accompanied by a letter of explanation from the president of the lead fiscal institution of the Center in question. CHE staff will provide the Review Board with a quarterly report of all exchanged non-state funds against which no state funds have been drawn.

3. The exchanging of any non-state match funds against which state funds have been drawn must be proposed via letter to the Review Board from the president of the lead fiscal institution of the Center in question. This letter must contain a detailed explanation of why the non-state funds require replacement and the means by which the institution intends to replace the matched funds. Resubmission of all forms/reports/programmatic materials/etc. on which the matched funds previously appeared, both as pledge and realized pledge, must accompany the letter. The Review Board will vote on the exchanging of these funds, and any further necessary actions, at the meeting following the submission of the president's letter.

g. Unless otherwise specified, revisions to these *Guidelines* will be implemented in a retroactive fashion, such that all Centers of Economic Excellence, and the Program generally, will benefit fully from all corrective amendments and new policies. Revisions to these *Guidelines* based upon new legislation or legislative amendments, however, will be implemented according to the application dates as prescribed in statute.

h. Collaborative Center Fiduciary Responsibilities. The following budgetary guidelines apply to each fiscal agent and collaborating institution in a collaborative Center of Economic Excellence:

1. The budget as approved in an awarded Center proposal is binding and must be followed as to the allocation of state and non-state funds, including endowment yields.

Should a fiscal agent and its collaborating partners determine that a budget requires revision, the rules in Section XIII should be followed in order to submit a budget revision for the Center. If a fiscal agent or collaborating partner desires that a Center budget be revised contrary to the desire of one or more participating institutions, the institution may petition the SmartState Review Board Audit Committee, which will function as a mediating body for disagreements about budgetary revisions.

2. If the budget of a Center proposal awarded between fiscal years 2003-2010 does not provide clear guidance on the allocation of state and non-state funds, or endowment yields, each fiscal agent is required to submit to the Review Board by January 1, 2012, a revised budget. Such a revised budget must be accompanied by authorizing signatures from the SmartState institutional representative of each participating institution. The fiscal agent or any single collaborating partner of a given Center may prompt such a budgetary revision by written notice to CHE staff before November 30, 2011; all other participating institutions in the Center must be copied on such a communication. Upon review and approval of these revised budgets by the SmartState Review Board at its February 2012 or June 2012 meeting, the revised budgets will be effective July 1, 2012.

3. Participating institutions for all collaborative Centers shall develop procedures, approved by their SmartState Institutional Representatives, which create a formal process for distributing endowment income. These procedures shall be submitted to the Review Board as information by July 1, 2012. The procedures will be reviewed by the collaborating institutions annually. Any revisions to the procedures shall be submitted to the Review Board as information by July 1 of each year.

4. Participating institutions for all collaborative Centers shall develop procedures, approved by their SmartState Institutional Representatives, which create a formal process for sharing Center expenditure information with all collaborating partners in a Center, including expenditures made from endowment yields and non-state match startup funds. The information provided should include all expenditure documentation required for submission of annual SmartState Center reports. These procedures shall be submitted to the Review Board as information by July 1, 2012. The procedures will be reviewed by the collaborating institutions annually. Any revisions to the procedures shall be submitted to the Review Board as information by July 1 of each year.

XVII. SmartState Commerce Awards

On January 1, 2011, revisions to the South Carolina Research Centers of Economic Excellence (RCEE) Act effectively create a new type of S.C. Centers of Economic Excellence Award to be made in concert with the South Carolina Department of Commerce. Such SmartState Commerce Awards may not individually exceed \$2 million and are exempted from the dollar-for-dollar non-state matching requirement of Standard Centers of Economic Excellence Awards. In place of a matching requirement, the Secretary of Commerce is required to certify that a “significant capital investment” has been made in the related research field of a proposed SmartState Commerce Award professorial endowment; such endowments must “directly support the industry in which the significant capital investment is made.” Once the Review Board has made a SmartState Commerce Award, the Secretary of Commerce has issued the significant capital investment certification (Certification), and the Review Board has formally received the Certification, state funds may be released to an institution (or institutions) to maintain a permanent professorial endowment (or endowments) to support research in the specified industry.

FUNDING SOURCES FOR SMARTSTATE COMMERCE AWARDS

The revised RCEE Act requires that one-quarter of all “unallocated” funds in the Centers of Excellence Matching Endowment (Endowment) be committed to the issuance of SmartState Commerce Awards. The one-quarter rule applies to all appropriations from “Fiscal Year 2011 forward,” all accrued program interest, as well as any Standard Centers of Economic Excellence Award funds recommitted to the Endowment through “dissolution, withdrawal, or termination.”

At the final SmartState Review Board meeting of each fiscal year, CHE staff shall present to the SmartState Review Board a summary of the Endowment which demonstrates the anticipated funding for SmartState Commerce Awards in the forthcoming fiscal year. The funding is determined by first subtracting the SmartState Review Board annual operating budget (which is also considered at the final meeting) from the Centers of Excellence Matching Endowment total and then adding any pending appropriations to the Endowment to get a total amount available for all awards. The SmartState Commerce Award may not exceed one-quarter of that total amount.

CHE staff shall present to the SmartState Review Board at each quarterly meeting a revised summary of the Endowment which demonstrates available funding for SmartState Commerce Awards. When a Center is dissolved, withdrawn or terminated, such funds may be used for SmartState Commerce Award disbursements once presented to the SmartState Review Board as part of the revised Endowment summary. One-quarter of accrued interest in the Endowment may be used for SmartState Commerce Award disbursements once presented to the Review Board as part of the revised Endowment summary.

SOLICITATION OF SMARTSTATE COMMERCE AWARD PROPOSALS

With the exception of the first SmartState Commerce Award proposal cycle in Fiscal Year 2011, no later than five business days after its final meeting of the fiscal year, the SmartState Review Board shall notify the Secretary of Commerce of the anticipated available funding for SmartState Commerce Awards for the forthcoming fiscal year. The Secretary of Commerce must submit by letter a formal allocation request for SmartState Commerce Awards for the forthcoming fiscal year to the SmartState Review Board Chair no later than 30 calendar days from the funding notification by the SmartState Review Board. If no letter is submitted by the Secretary of Commerce within the 30-day timeframe, the SmartState Review Board will not conduct a SmartState Commerce Award cycle for that fiscal year. All funds identified by CHE staff in its quarterly revised Endowment summary for future SmartState Commerce Awards shall carry forward into subsequent fiscal years and may only be used to fund SmartState Commerce Awards.

The Secretary of Commerce must identify whether each requested SmartState Commerce Award is a \$100 million single project “significant capital investment” (Single Project Investment) or a \$500 million industry sector “significant capital investment” (Industry Sector Investment).

In a SmartState Commerce Award request for either a Single Project Investment or an Industry Sector Investment, the Secretary of Commerce must identify the principal corporation(s) and organization(s) involved with the project(s).

The Secretary of Commerce may request more than one award per Single Project Investment. However, a request for multiple awards per Single Project Investment will require a Certification which verifies that \$100 million in investment has been made per requested award. (That is, if the Secretary of Commerce requests two Single Project Investment awards for any single project,

the Certification must verify that a minimum of \$200 million in investment at the same project has occurred in order for both awards to be issued. If more than \$100 million but less than \$200 million has been invested at the same project, then only one award may be issued.)

The Secretary of Commerce is asked to provide a ranking preference for multiple requested awards to which the SmartState Review Board will demonstrate preference during its award determination.

At the first SmartState Review Board meeting of each fiscal year, the SmartState Review Board shall consider the Secretary of Commerce's formal allocation request and consider whether to release within 30 calendar days following the meeting date a *Request for Proposals for SmartState Commerce Awards*. Such a *Request for Proposals for SmartState Commerce Awards* shall require the submission of all SmartState Commerce Award proposals to the SmartState Review Board by January 31 for the current fiscal year award cycle.

PROPOSAL REQUIREMENTS FOR SMARTSTATE COMMERCE AWARDS

SmartState Commerce Award proposals may be submitted by individual senior research institutions or in a collaborative fashion by multiple senior research institutions and other South Carolina institutions of higher education, as permitted by S.C. 2-75-40. However, only senior research institutions may be listed as potential funding awardees in a SmartState Commerce Award proposal. A collaborative proposal must identify one senior research institution as the fiscal agent. Only one endowed professorship may be requested per proposal; however, unlike for Standard Centers of Economic Excellence Awards, a SmartState Commerce Chair may be held jointly at one or more senior research institutions with the fiscal agent institution identified as the Chair's primary institution.

Proposals for a Single Project Investment or an Industry Sector Investment must be accompanied by a letter of support from an officer or executive of each corporation or organization identified in the Secretary of Commerce's formal allocation request.

Proposals for SmartState Commerce Award are exempted from the statutory application requirements of S.C. 2-75-50, with the exception of subsections (4) and (5). Proposals must "document that the application has significant potential to provide for enhanced economic development for the citizens of South Carolina in a specified knowledge-based industry or field of commerce." In addition, research institutions are encouraged "to partner with other South Carolina colleges and universities to develop proposals to enhance the economic competitiveness of our State and to enhance science and engineering through collaborations in related disciplines."

SmartState Commerce Award proposals may be submitted to augment Standard Centers of Economic Excellence Awards except that a SmartState Commerce Award may not cause any single Standard Centers of Economic Excellence Award to exceed the \$5 million statutory maximum threshold. If a SmartState Commerce Award is sought in support of one or more SmartState Endowed Chairs who have been appointed for a Standard Centers of Economic Excellence Award, the SmartState Review Board and institutions must fulfill all of the requirements in Section III, "Eligible Professors," for approving internal candidates at the time of award.

SmartState Commerce Award proposals may request awards for internal institutional candidates who are not SmartState Endowed Chairs; however, at the time of award, the SmartState Review

Board and the institutions must fulfill all of the requirements in Section III, “Eligible Professors,” for approving internal candidates.

The SmartState Review Board may issue other proposal requirements through its annual *Request for Proposals for SmartState Commerce Awards*.

REVIEW PROCESS FOR SMARTSTATE COMMERCE AWARDS

At the first SmartState Review Board meeting of each calendar year, institutions shall make a formal presentation of all SmartState Commerce Award proposals. At this meeting, the SmartState Review Board shall determine which proposals warrant external review.

SmartState Commerce Award proposals are subject to the Onsite Review Panel requirements found in S.C. 2-75-60 and Section VI, “Proposal Review and Awards Processes,” above, with the exception that the Panel must consist of at least three expert reviewers. Site visits may be limited to the campus of proposed fiscal agents. Proposal presentations must include an appearance by at least one representative from the corporation or organization which offered a letter of support for the proposal.

The Panel must be convened between the first SmartState Review Board meeting of the calendar year and at least 30 calendar days before the final SmartState Review Board meeting of the fiscal year. The same Panel may simultaneously be engaged to review Standard Centers of Economic Excellence Awards and SmartState Commerce Awards. The Panel must submit a report by May 31 of all proposals which were presented to the SmartState Review Board. In addition to summarizing the general scientific and economic development merits of each proposal, the Panel report must include a general finding of “favorable” or “unfavorable” per presented proposal.

At the final SmartState Review Board meeting of the fiscal year, the Review Board shall make a determination of award for all SmartState Commerce Award proposals which have met the requirements specified above. The SmartState Review Board may make SmartState Commerce Awards pending the availability of funding. If a proposal has not met all of the requirements or if the Review Board acts not to approve a proposal, the proposal may be resubmitted for consideration during a subsequent SmartState Commerce Award RFP cycle. The SmartState Review Board may make a maximum determination of award of \$2 million per proposal.

At the time of award, the SmartState Review Board must formalize a funding ranking for multiple awards. The SmartState Review Board will demonstrate preference to any funding ranking preference offered by the Secretary of Commerce in the formal allocation request. This funding ranking may not be altered once determined by the SmartState Review Board.

Before the end of the fiscal year, the SmartState Review Board Chair shall notify the Secretary of Commerce by letter of the issuance of new SmartState Commerce Awards along with the funding ranking for new SmartState Commerce Awards as determined by the SmartState Review Board. The letter shall include the date of each award and the timeline by which all significant capital investment certifications must be submitted to the SmartState Review Board in order for award funds to be disbursed.

SIGNIFICANT CAPITAL INVESTMENT CERTIFICATION AND FUND DISBURSEMENT FOR SMARTSTATE COMMERCE AWARDS

Funds may not be disbursed for a SmartState Commerce Award until the Secretary of Commerce has submitted to the SmartState Review Board a Certification for the award and until the SmartState Review Board has formally received the Certification. A Certification shall be considered formally received by the SmartState Review Board when presented as information at the most immediate meeting after which it has been received by CHE staff.

Each Single Project Investment Certification must provide South Carolina Department of Revenue property assessment information and any other necessary instrumentation that document \$100 million in non-public, capital investment funds has been expended in a single project within the geographic boundaries of South Carolina between the date of receipt of the Secretary of Commerce's formal allocation request and 36 months following the date of award as well as letters of verification by the principal corporation(s) and organization(s) identified in the Secretary's formal allocation request. Expenditures made prior to the date of receipt of the Secretary of Commerce's formal allocation request cannot be included in the Secretary of Commerce's Certification.

Each Industry Sector Investment Certification must provide South Carolina Department of Revenue property assessment information and any other necessary instrumentation that document \$500 million in non-public, capital investment funds has been expended in an industry sector within the geographic boundaries of South Carolina between the date of receipt of the Secretary of Commerce's formal allocation request and 36 months following the date of award as well as letters of verification by the principal corporation(s) and organization(s) identified in the Secretary's formal allocation request. Expenditures made prior to the date of receipt of the Secretary of Commerce's formal allocation request cannot be included in the Secretary of Commerce's Certification.

All Certifications are subject to the annual program audit.

If the Secretary of Commerce fails to issue a Certification for any SmartState Commerce Award within 36 months of the date of an award, the SmartState Commerce Award is formally dissolved. A dissolved award may be resubmitted by the Secretary of Commerce in a future formal allocation request for SmartState Commerce Awards and is subject to all of the application requirements specified above.

Priority for SmartState Commerce Award fund disbursements to fiscal agent awardees shall be based on a combination of award chronology, the funding ranking determined by the SmartState Review Board, and the submission date of Certifications. First priority funding for SmartState Commerce Award disbursements is based on the submission date of Certifications by the Secretary of Commerce. However, if the Secretary of Commerce has submitted multiple Certifications and funding is pending for the full amount of any single award, disbursements will be made according to the funding ranking determined previously by the SmartState Review Board and in chronological order of each RFP cycle. (For example, assume the SmartState Review Board makes one \$2 million SmartState Commerce Award in Fiscal Year 2012 and two \$2 million SmartState Commerce Awards in Fiscal Year 2013. However, funding will not be available for any full award until Fiscal Year 2014; even then, there will only be funding for two

maximum awards, \$4 million. If the Secretary of Commerce has issued Certifications for all three awards by the time full funding is available in Fiscal Year 2014 for any single award, the first \$2 million disbursement will be issued for the Fiscal Year 2012 award due to chronology, followed by the issuance of a \$2 million disbursement for the highest ranked Fiscal Year 2013 award.)

Disbursements for SmartState Commerce Awards shall be made on a quarterly basis.

INSTITUTIONAL EXPENDITURES FOR SMARTSTATE COMMERCE AWARD ENDOWMENTS

The entire amount of a SmartState Commerce Award must be committed to permanent endowment. Other than for the purpose of recruitment expenditures to hire a SmartState Commerce Endowed Chair, endowment proceeds may not be expended by an institution(s) until the awarded institution(s) has appointed a SmartState Commerce Endowed Chair. Thereafter, endowment proceeds may only be used to fund directly the research efforts of the SmartState Commerce Endowed Chair and his or her research team.

APPOINTMENT OF SMARTSTATE COMMERCE CHAIRS

With the exception that a SmartState Commerce Endowed Chair may be a jointly-held appointment at more than one senior research institution, the requirements in Section III, "Eligible Professors," apply to the appointment and conditions of appointment for a SmartState Commerce Endowed Chair. In addition, the Secretary of Commerce shall be notified by letter of the appointment of a SmartState Commerce Endowed Chair by the fiscal agent of an award within the timeline stated in Section III above.

GENERAL ISSUES

SmartState Commerce Award endowments are subject to the annual SmartState Program Audit. SmartState Commerce Awards are subject to all of the reporting requirements in Section X, "Reporting and Evaluation Requirements," with the exception of Biannual Match Reports.

XVIII. Program Contacts

For questions concerning the SC Centers of Economic Excellence Program, please contact one of the following:

Dr. T. Michael Raley, Director of Academic Affairs & Licensing, SC Commission on Higher Education, at mraley@che.sc.gov , or 803.737.3921

Mr. Arik Bjorn, Program Manager, SC Commission on Higher Education, at abjorn@che.sc.gov , or 803.737.2293

Dr. Argentini Anderson, Program Manager, SC Commission on Higher Education, at aanderson@che.sc.gov , or 803.737.2276

Ms. Laura Belcher, Program Coordinator, SC Commission on Higher Education, at lbelcher@che.sc.gov , or 803.737.4854