

FY 2010 Ohio Third Frontier Wright Projects Program

- Frequently Asked Questions -

The following questions were discussed during the FY 2010 Ohio Third Frontier (OTF) Wright Projects Program (WPP) Bidders Conference on October 6, 2009.

Q: Please clarify the purpose of the OTF WPP.

A: The objectives of the WPP are:

- To support major capital acquisitions and improvements at an Ohio college, university, or non-profit research institution to support specifically defined near-term commercialization objectives of one or more Ohio for-profit companies;
- To support programs that will achieve commercial market entry within three (3) years of the Project award;
- To support projects that will create wealth and employment opportunities within Ohio;
- To support long-term use of capital to enhance other applied research, development, and demonstration programs; and,
- To support long-term use of capital to promote educational and training programs for technical workers and students in the targeted technology areas.

Q: Does Development have a teaming database for people looking for Collaborator partners?

A: No. However, interested parties will be able to view all Letters of Intent submitted by October 20 on the FY 2010 WPP RFP site at www.thirdfrontier.com. Also, interested parties can view prior OTF Grants information by clicking on *Application Information* at www.thirdfrontier.com, scrolling to the bottom of the page, and clicking on *Click here for information on previous Ohio Third Frontier award cycles*.

Q: Does the equipment have to be physically located at a university or can it be located at a for-profit Collaborator?

A: The capital equipment could be located at a for-profit Collaborator. However, the equipment must be owned by an Ohio state-assisted or state-supported college or university or non-profit research organization having a Joint Use Agreement with an Ohio state-supported or state-assisted college or university. Under no circumstances can a for-profit entity own the capital equipment. The for-profit Collaborator should be fully aware that the equipment will need to be accessed by others for other applied research, development, and demonstration programs and for educational and training programs for technical workers and students.

Q: Can other Federal programs, such as Economic Development Administration (EDA) grants, be used as Cost Share?

A: Yes, but it becomes the burden of the Lead Applicant to clearly present how the Federal program grant's scope of work directly supports the proposed WPP project without duplicative funding.

Q: Does the FY 2010 Proposals' external review by the National Academies of Science (NAS) change the review or preference for projects compared to past external review conducted by Ohio-based Taratec?

A: No. The NAS panel will be instructed on the necessity of both technical and commercial merit just like Taratec was during previous WPP funding rounds.

Q: Please explain the role of economic development and how that is weighted in the overall review process.

A: The key point of the Ohio Third Frontier is technology-based economic development. A Lead Applicant must make its case for project commercialization relevance and application and that it means something to an Ohio company through manufacturing, sales of products, jobs creation, etc. The RFP's *Section 3.3.8 Performance Goals and Appendix A – Technology Commercialization Framework* discusses economic development-related performance measures.

Q: Can Third Frontier funds be used for bricks and mortar to house equipment for prototype development?

A: Yes. The capital funding section of the Budget Forms does contain a line-item for Buildings & Structures. However, a Lead Applicant should keep in mind that it is easier for a team assembled around a piece of equipment to meet the WPP goals and objectives than it is for a team assembled around a structure. Scroll down to find the Ohio Board of Regents' *Allowable Capital Expenditure Guidelines*.

Q: Can capital funds be spent on marketing activity, i.e., a showcase building?

A: No. It is the intent of the capital funds that they be used in active research commercialization collaborations. Scroll down to find the Ohio Board of Regents' *Allowable Capital Expenditure Guidelines*.

Q: Can the following be considered capital: engineering to combine purchased equipment into one system; site preparation; and, specialized equipment start-up/commissioning services?

A: Scroll down to find the Ohio Board of Regents' *Allowable Capital Expenditure Guidelines*.

Q: Can you address equipment and property donated as part of the Cost Share match; specifically, the valuation of donated equipment?

A: Development has seen in the past an issue of over-valuation for donated equipment and property as part of Cost Share match. The Lead Applicant should pay close attention to Section F (Value of Contributed Goods and Services) on page D-3 of RFP Appendix D, *Cost Share Guidelines*.

Q: Can a biomedical institute comprised of university, hospital, and industry collaborators be a WPP Proposal Lead Applicant, or should one of the universities serve as the lead?

A. The qualifications for a Proposal's Lead Applicant are listed in the RFP's *Section 2.3.2 Lead Applicant*. Based on the limited information in the posed question, Development would recommend one of the non-profits mentioned here as serving as the Lead Applicant.

The following questions have been submitted to Development via the RFP e-mail address, OTFWPP2010@development.ohio.gov.

Q: Do you have any advice or input on how we can traverse more than one technology inside a single WPP project?

A: A project having more than one market is a good thing. Development would expect that such a project would have more than one technology that is near to commercialization as defined by the WPP RFP, as well as more than one Ohio-based commercial partner that will "pull" the technology to market through Ohio-based manufacturing, production, distribution, etc.

Development cannot say for certain how two distinct technologies should be positioned within one Proposal other than that a project team would obviously have to emphasize a particular theme and common technical barriers such that the external reviewers see that this is a single project rather than a cobbling together of unrelated work.

This document will be periodically updated with additional questions received by Development via e-mail at OTFWPP2010@development.ohio.gov through November 24.

Allowable Capital Expenditure Guidelines (February 2007) – Ohio Board of Regents
http://regents.ohio.gov/capital/forms/Allowable%20Capital%20Expenditures_031.doc

Overview

Each capital bill and capital reappropriations bill (the most recent being H.B. 699 and H.B. 530, respectively) sets forth the allowable uses of higher education capital funds. Capital appropriations for buildings or structures, including remodeling and renovations, are limited to:

- Acquisition of real property or interest in real property.
- Buildings and structures, which includes construction, demolition, complete heating, lighting, and lighting fixtures, and all necessary utilities, ventilating, plumbing, sprinkling, and sewer systems, when such systems are authorized or necessary.
- Architectural, engineering, and professional services expenses directly related to the projects.
- Machinery that is a part of structures at the time of initial acquisition or construction.

The higher education institution or the State must own the property on which the capital facility will be located, with three specified exceptions:

- (1) The institution has a long-term lease (at least 15 years) of, or other interest (such as an easement) in, the real property.
- (2) The Board of Regents on behalf of the institution certifies to the Controlling Board that undue delay will occur if planning does not proceed while the property or property interest acquisition process continues. In this case, funds may be released upon approval by the Controlling Board to pay for planning through the development of schematic drawings only.
- (3) If the capital facilities will be owned, or will be part of facilities owned, by a separate nonprofit organization or public body and will be made available to the institution of higher education for its use, the nonprofit organization or public body either owns or has a long-term lease (at least 15 years) of the real property or other capital facility to be improved, renovated, constructed or acquired and has entered into a joint/cooperative use agreement with the higher education institution that meets the statutory requirements for joint/cooperative use agreements.

Joint/Cooperative Use Agreements -- the Board of Regents has adopted rules (see OAC 3333-1-03(E)) regarding the release of capital moneys for joint or cooperative use projects. The related agreements, among other subjects, must:

- Specify the extent and nature of that use, extending for no fewer than 15 years, with the with the value of such use or right to use to be, as determined by the parties, reasonably related to the amount of the State appropriation.
- Provide for pro rata reimbursement to the State should the arrangement for joint or cooperative use be terminated.
- Provide that procedures to be followed during the capital improvement process will comply with applicable state laws and rules, including provisions of the capital bill.
- Provide for payment or reimbursement to the higher education institution of its administrative costs incurred as a result of the project, not to exceed 1.5% of the appropriated amount.

Maintenance/Repairs versus Renovations

- Maintenance includes the routine recurring activity that must be undertaken to maintain the operation, functionality, appearance or safety of a building or structure. Repairs are shorter-term, maintenance related projects. Maintenance and repairs, including maintenance contracts, should be done with operating funds, not capital funds.
- Examples of repairs include: replacing a portion of the plumbing system, installing new vents, replacing sections of flooring or ceiling tiles, and glass replacement.
- Renovations are more extensive enhancements or replacements of buildings or structures or systems and are an appropriate use of capital funds. Examples include renovations of classrooms or other space into computer or research laboratories.

Leases, Lease-Purchase, and Installment Purchases

- Leases and lease-purchases of vehicles or equipment are not allowable capital expenditures.
- Installment purchases are not strictly prohibited, but are generally not approved as allowable capital expenditures.

Allowable Equipment

To be financed with capital funds, equipment must meet **all** of the following criteria:

- Essential in bringing the facility up to its intended use and necessary for the facility to function. The equipment must be an integral part of or directly related to the basic purpose or function of the facility.
- Have a unit cost of approximately \$100 or more.
- Have a useful life of at least five years.
- Used primarily in the rooms or areas covered by the financed project.

Allowable equipment would include computers and computer peripherals, workstations, lab and research equipment, desks, file cabinets, carpeting/flooring, blinds, and curtains provided that they satisfy all of the above criteria.

Non-Allowable Equipment

- Equipment not directly related to or essential in bringing a facility up to its intended use.
- Motor vehicles of any kind.
- General supplies and low-cost equipment (unit price of \$100 or less).

In most cases, equipment that is being purchased as part of a regular maintenance, upgrade or replacement effort is not appropriate for capital funding. General supplies and low-cost equipment such as adding machines, calculators, phones, common tools, paper stock, staplers, tape dispensers, etc. also are not eligible for capital funds.

Note: The Controlling Board request should identify equipment that comprises a functional unit and provide the price of the functional unit as a whole; it is not necessary to provide a price for each component part.

INFORMATION TECHNOLOGY/TECHNOLOGY-RELATED PROJECTS

Capital funds may be used to support the acquisition, development, deployment or integration (including project management) of information technology systems that constitute or are an integral part of approved capital projects. Capital funds may not be used to support the ongoing operation and maintenance of such projects.

ALLOWABLE

Hardware

Capital funds may be used to purchase computers (including personal computers) and related peripherals such as servers, mainframes, printers, scanners, etc.

Software

- ✓ Software development and design (akin to facility design and engineering).
- ✓ Electronic database resources.
- ✓ Purchases of packaged "off-the-shelf" software are allowable if they have an expected useful life of at least five years and meet one of the following criteria:
 - Related to the initial deployment of an agency or university-wide system or other major project deployment (upgrades must be purchased with operating funds)
 - When necessary to bring a newly constructed facility or an allowable piece of equipment up to its intended use (e.g. a computer lab).
- ✓ Software licenses with a term of at least five years.

Personnel Expenses

Capital funds may be used to support personnel costs related to the initial development and deployment of an information technology project. Employees temporarily assigned to a capital project should continue to be funded out of operating funds.

NON-ALLOWABLE

Technology Training and Maintenance

Expenses related to personnel training or system maintenance activities (for hardware or software) generally are not allowable capital expenditures. Such costs are to be paid using operating funds. Capital funds may not be used to support the ongoing operation of information technology systems or other regular, recurring expenses.

Software

Capital funds generally may not be used to purchase standard off-the-shelf software (such as Word Perfect, Excel, Outlook and Internet Explorer), or any software package with individual license costs under \$500. Such software should be purchased using operating funds. Additionally, capital funds may not be used to purchase software upgrades.

Personnel Expenses

Capital funds may not be used to supplant operating funds for employee salaries.

Capital funds may be used to cover only those labor expenses directly related to the initial development and deployment of a capital project. They may not be used to fund ongoing maintenance and operational expenses of a project once it is developed. In the case of colleges and universities, capital funds may not be used to cover tuition reimbursement or graduate assistantships.