



**South Carolina Centers of Economic Excellence
Endowed Professorship Program**

PROGRAM GUIDELINES

**Effective Date:
June 8, 2009**

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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 February 2007, the Review Board formally changed the program name to South Carolina Centers of Economic Excellence [abbreviated CoEE].

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.

The professor must in most cases be a new hire to the institution and emerge as a candidate through a national search. Except under very unusual circumstances, which must be documented to the Review Board’s satisfaction, the endowed professorships will be awarded to full-time faculty at the respective institutions.

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 CoEE endowed professorship and CoEE principal investigator. Such a policy must require each CoEE endowed chair and CoEE 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 CoEE 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, CoEE proposal collaborators, CoEE 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

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

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;
- 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.

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.

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 dollars 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.

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.).

Federal funds may be used as matching funds² but must be investments in infrastructure in direct support of a particular Center of Economic Excellence (i.e., equipment grant, construction grant). Federal awards made for the purpose of conducting specific scientific investigations are not eligible. 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

² 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.

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, 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 CoEE 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 CoEE 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.³ 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 CoEE award date. The Review Board has the authority to extend this period if justified extenuating circumstances prevent meeting the five-year requirement.

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

CoEE Award	Within 18 months of CoEE Award	Within 78 Months of CoEE 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 CoEE 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.

³ For extension of pledge verification deadlines, see Section XI below.

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 CoEE:

- (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 CoEE;
- (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 CoEE fiscal agent must also complete an Earnings & Expenditure form provided by CHE staff, which provides full disclosure of the financial activity of the CoEE. 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 CoEE, 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 CoEE Review Board on July 31 of each year. Failure to submit the annual report by the July 31 deadline may, pending action by the Review Board, result in the Review Board's prohibition of the further withdrawal of Centers of Economic Excellence funds from the Review Board's endowment by the institution for all of its funded projects. [The annual report template is available on the FORMS link at www.endowedchairs.org .]

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 CoEE 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 CoEE 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 CoEE, 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 CoEE 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 CoEE award amount. The proposed amended amount (a) must reflect the amount of received non-state matching funds for an individual CoEE 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 CoEE proposal with all budgetary figures and programmatic description changed to reflect the proposed amended CoEE award amount.

If a CoEE 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 CoEE state funds for the forfeited CoEE. Personnel directly associated with a forfeited CoEE 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

CoEE Program-associative language must be removed from job titles, appointment descriptions, etc., immediately. Within 60 days of the forfeiture of a CoEE award, the fiscal agent and all collaborating institutions must notify all donors whose gifts were made in direct support of the Center or CoEE chair of the forfeiture of the CoEE award. All federal grants previously applied as non-state matches for the terminated CoEE or CoEE 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 CoEE 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 CoEE

An institution must request and obtain approval from the Review Board before initiating the following revisions to an awarded CoEE 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 totaling more than 25% of state award plus non-state matching funds;
- 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 CoEE Review Board during the proposal review process; or
- H. Award consolidation

The request must include a letter from the President of the CoEE 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 CoEE Review Board, which may include the CoEE 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 CoEE proposal must be approved by the Review Board, however, without a recommendation from an external body of scientific experts:

- I. changes to budget totaling up to 25% of state award plus non-state matching funds
- J. withdrawal or decrease of non-state match support which was presented exclusively to the CoEE Review Board (and not to technical reviewers or the Onsite Review Panel) during the proposal review process

The request for approval of revisions I and J must include a letter from the President of the CoEE 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 Items I and J, 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:

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

Within 30 days of implementing revisions for Items K through M, the fiscal agent (or new fiscal agent) of a CoEE 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 CoEE Review Board of transference of any CoEE 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 CoEE 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 CoEE 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 CoEE chair* when any of the following actions occur:

- (A) non-state matching funds or donations totaling 40% or more of the full CoEE award match have been received;
- (B) state CoEE funds have been drawn down;
- (C) endowed chairs and key personnel have been appointed/hired for the express purpose of serving the CoEE; 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 CoEE 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 CoEE 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 CoEE 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 CoEE* or *active CoEE 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 CoEE or active CoEE chair, the fiscal agent and all collaborating institutions must notify all donors whose gifts were made in direct support of the Center or CoEE chair of the action to terminate or dissolve the Center or CoEE chair. All federal grants previously applied as non-state matches for the terminated CoEE or CoEE 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 CoEE or CoEE chair, the fiscal agent must reimburse the Centers of Excellence Matching Endowment funds equal to the amount of all drawn CoEE state funds for the terminated/dissolved CoEE or CoEE chair.

Personnel directly associated with a terminated CoEE or CoEE 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 CoEE Program-associative language must be removed from job titles, appointment descriptions, etc., immediately.

Should the fiscal agent of a collaborative CoEE determine or otherwise be compelled to cease programmatic activity for the CoEE 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 CoEE

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 CoEE state funds for the transferred CoEE, 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 CoEE 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 CoEE state award and measurable technology transfer activity (minimum of one invention disclosure).

Once a CoEE has reached a point of full operability, the lead fiscal institution of a CoEE 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 CoEE Review Board meeting for consideration at that meeting.

Once the CoEE Review Board acts to accept such an application, a CoEE is deemed graduated. From such point, the fiscal lead institution is released from the following oversight obligations to the CoEE 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 CoEE 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 CoEE;
- (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 CoEE 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 CoEE will retain certain accountability and reporting obligations to the CoEE 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 CoEE personnel, including principal investigator and chair.

The authority to terminate a CoEE is permanently retained by the CoEE 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 CoEE 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 CoEE state award must be placed into and remain in endowment; a minimum portion of the non-state matching fund total of an individual CoEE (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 CoEE 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 CoEE 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 CoEE 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 CoEE 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.

XVII. Program Contacts

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

Dr. Gail M. Morrison, Deputy Director and Director of Academic Affairs & Licensing, SC Commission on Higher Education, at gmorrison@che.sc.gov , or 803.737.0056

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