

**COMMONWEALTH RESEARCH  
COMMERCIALIZATION FUND**

**Revisions to the Commonwealth Research Commercialization Fund (previously the Commonwealth Technology Research Fund) increase the flexibility of one of the Commonwealth's policy tools for encouraging research, development, and commercialization. Money in the Fund may be used for three programs: (1) a matching fund program for federal SBIR or STTR grants; (2) a matching fund program for state universities to leverage federal or private funds for qualified research; and (3) a loan program to facilitate the construction of wet lab facilities.**

The Commonwealth Technology Research Fund ("the Fund") received a substantial rewrite during the 2009 Session of the General Assembly (SB 1338, Herring). At the recommendation of the Joint Subcommittee studying the development and enhancement of the biosciences and biotechnology in the Commonwealth, the provisions of the Fund were revised to redefine eligible projects and to establish three award programs to better enhance commercialization. The Fund was also renamed the Commonwealth Research Commercialization Fund to better reflect this commercialization focus. The changes will become effective on July 1, 2009.

#### History

Created in 2003 by the General Assembly, the Fund was designed as a tool to stimulate and encourage research and development, and the ensuing commercialization of research, at state institutions of higher education. In its original form, the Fund allowed state institutions to apply for funds to attract other public or private research funds in a wide variety of research-related fields, ranging from biotechnology to transportation. In Fiscal Year 2003, the Fund received an all-time high appropriation of \$8.5 million. The 2009-2010 budget appropriates \$1 million for the Fund.

#### Qualified Research

One major component of the 2009 amendments to the Fund relates to the redefinition of "qualified research." As introduced, the bill would have limited qualified projects to research programs or technologies focused on the fields of energy, conservation, environment, microelectronics, and lifespan biology and medicine. These fields coincide with the areas identified by the Virginia Research and Technology Advisory Commission in 2007 as suggested strategic areas of focus for the Commonwealth's research and development investments. During the course of the 2009 Session of the General Assembly, amendments added robotics and advanced shipbuilding to the definition of qualified research.

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### Eligible Programs

The 2009 legislation allows moneys in the Fund to be used for three distinct programs:

- A program similar to the existing matching funds program assists state institutions of higher education in leveraging federal and private funds for qualified research. However, new language indicates that the federal or private funds must be designated for commercialization activities.
- A new program component will allow for a matching funds program for Virginia-based technology businesses receiving certain federal grants. In years where the Fund has a balance of less than \$7 million, businesses will be eligible to apply for up to \$50,000 if (i) the business receives a Phase I Small Business Innovation Research Program (SBIR) grant from the National Institute of Health targeted at the development of qualified research, (ii) the business employs fewer than 12 full-time employees, and at least 51 percent of the employees reside in Virginia, and (iii) at least 51 percent of the business' property is located in Virginia. The business must submit a commercialization plan with its applications. In years where the fund has a balance of \$7 million or greater, those same qualified businesses may apply for matching grants for any SBIR or Small Business Technology Transfer (STTR) grants. Such businesses may apply for up to \$100,000 for Phase I SBIR or STTR awards, and up to \$500,000 for Phase II awards.
- To facilitate the creation of adequate wet lab space to be used to commercialize qualified research developed at state institutions of higher education, a facilities enhancement loan program is created. State institutions of higher education and political subdivisions may apply for the loans to provide lease or credit guarantees. Outstanding loans to a single entity may not exceed \$500,000.

### **History of Funding**

**FY 2010: \$1 million**

**FY 2009: \$1 million**

**FY 2008: \$1 million**

**FY 2007: \$5 million**

**FY 2006: 0**

**FY 2005: 0**

**FY 2004: \$6.4 million**

**FY 2003: \$8.5 million**

### Award of Funds

The Innovation and Entrepreneurship Investment Authority (IEIA) (previously the Innovative Technology Authority) makes awards from the Fund. The Authority is directed to develop guidelines for the award of funds in consultation with the Virginia Economic Development Partnership and the State Council of Higher Education in Virginia. The guidelines must address the application process and the composition and operation of any proposal review panels. The IEIA is directed to give special emphasis in the guidelines to fostering cooperation between state institutions of higher education, and state institutions of higher education and business and industry.

It is important to note that while the revisions to the Fund allow for several new uses of the Fund, the changes do not mandate that awards be made from each component every year – i.e. the current \$1 million balance need not be divided among the three different components. Depending on the current balance in the Fund, and the current research and development needs and initiatives in the Commonwealth, the IEIA will have the flexibility to use the Funds as they see fit in a given year, using the most appropriate program or programs.

### Resources

The Commonwealth Technology Research Fund (§ 2.2-2233.1 of the Code of Virginia)

Senate Bill 1338 (2009) (Herring)

Chapter 853 of the 2009 Virginia Acts of Assembly

<http://dls.state.va.us/biotech.htm> – Website of the Joint Subcommittee established to study the development and enhancement of the biosciences and biotechnology in the Commonwealth (HJ 248, 2008)

Virginia Research and Technology Advisory Commission, “Advancing Economic Development Through Strategic Research & Development Investment by the Commonwealth.” Document available at [http://www.cit.org/VRTAC/vrtacDocs/2007-VRTAC\\_Task\\_Force\\_on\\_Targeted\\_RD.pdf](http://www.cit.org/VRTAC/vrtacDocs/2007-VRTAC_Task_Force_on_Targeted_RD.pdf)