



California Defense Conversion: Technology Reinvestment Project

The Technology Reinvestment Project (TRP) is a major part of the Department of Defense's dual use technology programs under the President's initiative for Defense Reinvestment and Conversion. To date, the TRP has awarded \$805 million in grants nationwide to defense conversion projects. To help California compete for these grants, the state set aside over \$50 million in matching funds and established the Defense Conversion Matching Grant Program. This report describes the state's participation in the Technology Reinvestment Project.

THE FEDERAL PROGRAM

The Technology Reinvestment Project (TRP) is a major part of the Department of Defense's dual use technology programs included in President Clinton's Defense Reinvestment and Conversion Initiative. Emphasizing partnerships among industry, government, and universities, the TRP reflects a strategy for integrating defense and commercial technologies. Under the federal program up to 50 percent of an approved project is funded with federal grant money. The actual grant amount is determined through negotiations between the TRP and the project partnership.

To date the federal government has approved TRP grants totaling \$805 million to 251 partnerships nationwide. This consists of \$605 million awarded in the initial round of competition and \$200 million awarded under the second round in October 1994. A third round is expected to award an additional \$415 million in June 1995.

“. . . of the \$605 million awarded in Round 1, about \$263 million (33 percent) involves partnerships with at least one California partner.”

CALIFORNIA'S SHARE IN THE TRP

Figure 1 gives an indication of how California has fared in the two rounds of TRP grants. As the figure shows, 87 proposals that involve California industry, government, and academic institutions have received federal funding. These include 48 proposals led by a California-based partnership ("California led"), representing 20 percent of the proposals approved nationwide. Lead partners coordinate and submit the proposal. The remaining 39 proposals ("California involvement") involve at least one California-based partner, but the lead partner is from another

state. Because of the wide range of California-based participation in these proposals, the amount of funds that may ultimately be spent in California is not known. However, of the \$605 million awarded in Round 1, about \$263 million (44 percent) involves partnerships with at least one California partner. The \$263 million comprised about 38 percent of total project costs (federal funds plus private and state sources) associated with these Round 1 proposals.

The TRP is currently negotiating specific contracts for the Round 2 grants. Since the total cost of approved proposals is \$675 million and the TRP Round 2 funding is

Figure 1

Proposals Approved for TRP Grant Awards Through October 1994

(Dollars in Millions)

	Proposals	Total Project Cost
Round 1		
California led	38 ^a	\$393
California involvement	26	307
Subtotals	(64)	(\$700)
Other states	148	Unknown
Totals	212	Unknown
Round 2		
California led	10 ^b	\$167
California involvement	13	410
Subtotals	(23)	(\$577)
Other states	16	98
Totals	39	\$675
Totals, proposals involving California	87	\$1,277

^a Fourteen involve state funding.

^b Three involve state funding.

“... 17 (less than 8 percent) of the 225 proposals that received a commitment for state funds were approved by the TRP.”

only \$200 million, federal grants will average about 30 percent of total project costs.

PROPOSALS INVOLVING STATE FUNDS

The state set aside over \$50 million to provide assistance to proposals submitted for TRP awards. Figure 2 summarizes the state's participation in the two rounds of the TRP.

As Figure 2 shows, 17 (less than 8 percent) of the 225 proposals that received a commitment for state funds were approved by the TRP. As a result, only \$6.4 million (13 percent) of the \$50 million set aside by the state will be needed for these defense conversion pro-

posals. Because set-aside funds were from activities the department planned to finance regardless of TRP funding, it is anticipated that these remaining funds will be spent and not revert.

DEFENSE CONVERSION MATCHING GRANT PROGRAM

The state used a different process for participating in the second round of the TRP competition by establishing the Defense Conversion Matching Grant Program. This program, which was established by Ch 441/93 (SB 268, Roberti), became effective September 23, 1993. The program objective is to coordinate the use of state funds for federal defense

Figure 2
State Participation in the Technology Reinvestment Project

Source	Dollars in Thousands		Proposals with State Funding		State Funding for Set-Aside Proposals
	Submitted to TRP	Approved by TRP	State Funding	Approved	
Round 1					
Caltrans	64	—	\$3,518	—	
Cal EPA	4	2	840	\$100	
Employment Development Department	28	3	20,222	3,100	
California Energy Commission	6	—	4,000	—	
Trade and Commerce	107	9	17,200	2,500	
Totals, Round 1	209	14	\$45,780	\$5,700	
Round 2					
Employment Development Department	3 ^a	0	\$980	—	
Trade and Commerce	16	3	3,500	\$750	
Totals, Round 2	16	3	\$4,480	\$750	
Totals, Rounds 1 and 2	225	17	\$50,260	\$6,450	

^a These proposals are part of the 16 proposals submitted by the Trade and Commerce Agency.

“...the Defense Conversion Matching Grant Program . . . was established . . . to maximize and expedite the transfer of federal and state fundings to . . . defense conversion projects.”

conversion programs like the TRP in order to maximize and expedite the transfer of federal and state funding to state and local defense conversion projects. The program involves a three-tiered review of defense conversion proposals. The reviews are conducted by Regional Technology Alliances, the Trade and Commerce Agency, and the Defense Conversion Council.

Under this review process, a partnership that requests state funds sends its proposal to the Regional Technology Alliance (RTA) in either the Los Angeles, San Diego, or San Francisco areas. (RTAs are non-profit organizations overseen by the Office of Strategic Technology in the Trade and Commerce Agency.) Each RTA sends the highest ranked proposals to the Office of Strategic Technology. These are evaluated and then set in priority with approved proposals, sent to the Defense Conversion Council. The Council (consisting of representatives from seven state agencies and chaired by the Secretary of the Trade and Commerce Agency) determines which proposals it believes should receive state funds. The state agency that will provide the funds then decides whether or not to participate in the proposal (or other proposals) taking into consideration the Council's action.

Council to Report to Legislature.
Under current law the Defense

Conversion Council is required to submit to the Legislature: (1) a report on the effectiveness of the state matching grant program, on or before January 1, 1995 and again January 1, 1997, and (2) a strategic plan for defense conversion. The Trade and Commerce Agency has scheduled release of the first draft of this plan in March 1995 followed by public hearings in April.

Based on the experience to date, the matching grant evaluation and the strategic plan should address the following issues:

- Are the state matching grants cost-effective? For example, does the state funding for TRP proposals make a significant difference whether a California project wins an award?
- Has the state established clear goals in the areas of defense conversion where it decides to participate? For instance, in areas like the TRP, has the state determined the number of jobs or new technologies it hopes to create with its investments?
- Has the state established effective strategies for accomplishing its defense conversion goals? For example, where state funding was set aside for proposals that were turned down by the TRP, does the state have an alternate strategy for accomplishing its goals?

This report was prepared by Meg Svoboda, under the supervision of Gerald Beavers. For additional copies, contact the Legislative Analyst's Office, State of California, 925 L Street, Suite 1000, Sacramento, CA 95814, (916) 322-8402.