

Red Tape Review Rule Report (Due: September 1, 2025)

Department Name:	IEDA	Date:	5/31/24	Total Rule Count:	10
IAC #:	261	Chapter/ SubChapter/ Rule(s):	Chapter # 105	Iowa Code Section Authorizing Rule:	15.411(6)
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PLEASE NOTE, THE BOXES BELOW WILL EXPAND AS YOU TYPE

What is the intended benefit of the rule?

The intended benefit of chapter 105 is to describe the policies and procedures applicable to the demonstration fund. The fund provides financial assistance to encourage prototype development and concept development activities pursuant to Iowa Code section 15.411.

Is the benefit being achieved? Please provide evidence.

Yes, IEDA is able to efficiently administer the program.

What are the costs incurred by the public to comply with the rule?

Businesses interested in applying for financial assistance may require staff time to complete an application. Some applicants may choose to rely on an external service provider to complete these tasks. The amount of the costs will vary, depending on the compensation of staff or service providers involved.

What are the costs to the agency or any other agency to implement/enforce the rule?

IEDA staff time is required to review and approve applications, draft and execute program contracts, disburse funds, review reports, and communicate with program applicants and recipients. Additionally, IEDA has contracted with VentureNet Iowa to perform certain administrative functions related to the program as contemplated by Iowa Code section 15.411(1).

Do the costs justify the benefits achieved? Please explain.

Yes. Only entities that will potentially benefit from the program incur any costs. The costs to the state to administer the program are proportional to the activities supported by financial assistance.

Are there less restrictive alternatives to accomplish the benefit? YES NO

If YES, please list alternative(s) and provide analysis of less restrictive alternatives from other states, if applicable. If NO, please explain.

The application and administrative requirements of the rules are no more than necessary to thoroughly evaluate applications and administer financial assistance.

Does this chapter/rule(s) contain language that is obsolete, outdated, inconsistent, redundant, or unnecessary language, including instances where rule language is duplicative of statutory language? [list chapter/rule number(s) that fall under any of the above categories]

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Yes.

Rule 261.105.1 is unnecessary and should be rescinded.

Rule 261.105.2 should be updated to incorporate references to the proof of commercial relevance (POCR) program component established pursuant to Iowa Code section 15.411(5). POCR is currently addressed in 261—Chapter 108, but should be combined with the rules relating to the demonstration fund as the two program components are administered consistently. The updated rule should also clarify that certain administrative functions may be performed by a service provider. Currently VentureNet Iowa assists IEDA with application review and provides technical assistance to applicants.

Rule 261.105.3 should be updated to remove language that is duplicative of statutory language and to be more concise.

Rule 261.105.4 should be updated to incorporate references to POCR and for clarity.

Rule 261.105.7 should be updated to clarify how IEDA will determine whether a business is engaged in retail sales.

Rules 261.105.8, 261.105.9, and 261.105.10 should be updated for clarity and to be more concise. A new subrule should be added to 261.105.10 to describe current policies regarding approval of amendments.

RULES PROPOSED FOR REPEAL (list rule number[s]):

261.105.1

RULES PROPOSED FOR RE-PROMULGATION (list rule number[s] or include rule text if available):

CHAPTER 105
INNOVATIVE AND OTHER BUSINESS DEVELOPMENT — DEMONSTRATION FUND AND PROOF OF
COMMERCIAL RELEVANCE

261—105.1(15) Purpose and delegation of functions. The proof of commercial relevance program component is established pursuant to Iowa Code section 15.411(5) for the purpose of accelerating the generation and development of innovative ideas and businesses. The demonstration fund program component is established pursuant to Iowa Code section 15.411(2) to

encourage prototype development and concept development activities. The authority may delegate certain administrative functions to a service provider engaged pursuant to Iowa Code section 15.411.

261—105.2(15) Definitions.

“*Authority*” means the same as defined in Iowa Code section 15.102.

“*Board*” means the same as defined in Iowa Code section 15.102.

“*Committee*” means the technology commercialization committee established pursuant to Iowa Code section 15.116.

“*Demo*” means the demonstration fund program component.

“*IP*” means intellectual property.

“*NAICS*” means the North American Industry Classification System.

“*POCR*” means the proof of commercial relevance program component.

261—105.3(15) Project funding.

105.3(1) Awards are made on a per-project basis upon board approval.

105.3(2) The maximum PO CR award shall not exceed \$50,000 for a single project. The maximum demo award shall not exceed \$150,000 for a single project. The committee and board may establish lower maximum award amounts for each program component based on the availability of funds.

105.3(3) PO CR funds may be used for third-party technology evaluation, regulatory analysis, identifying partners or manufacturers, IP development and evaluation, validation of market potential, beta testing, or team assembly. Demo funds may be used for marketing, sales, distribution, product refinement or market research.

105.3(4) Funds may not be used for university overhead expenses or any work that was conducted by the applicant or any third-party consultant prior to the term of the financial assistance contract.

105.3(5) The forms of financial assistance may consist of, but are not limited to, loans, forgivable loans, grants and such other forms of assistance the committee and the board ~~deems~~ deem appropriate and consistent with the needs of a given project.

261—105.4(15) Matching funds requirement. In order to receive financial assistance, an applicant must demonstrate the ability to secure one dollar of nonstate moneys for every two dollars received from the authority.

261—105.5(15) Eligible applicants. Eligible applicants must be located in Iowa, demonstrate the potential for high growth, and be included in one of the following industries classified by the NAICS:

1. Biosciences.
2. Information technologies.
3. Advanced manufacturing.

261—105.6(15) Ineligible applicants. The following businesses are not eligible:

105.6(1) A business which is engaged in retail sales or provides health services is ineligible. In determining whether a business is engaged in retail sales, factors the authority will consider include, but are not limited to, the sources of the business’s revenue, whether the business manufactures a product it sells, and whether the business owns intellectual property associated with a product it sells.

105.6(2) A business which closes or substantially reduces its workforce by more than 20 percent at existing operations in order to relocate substantially the same operation to another area of the state is ineligible for 36 consecutive months at any of its Iowa sites from the date the new establishment opens.

261—105.7(15) Application and review process.

105.7(1) An eligible business seeking financial or technical assistance must submit an application to the authority in the form and content specified by the authority.

105.7(2) The authority will review applications to confirm program eligibility pursuant to Iowa Code section 15.411 and this chapter. Eligible applications will be sent to the committee to develop a recommendation on funding. The committee will make funding recommendations to the board. The board has final decision-making authority on requests for financial assistance. The board may approve, defer or deny an application.

105.7(3) An application for assistance will include, but not be limited to, the following:

a. Proposed product or service. A description of the proposed product or service, the experience of those involved in the proposed project, and the company resources.

b. Market research. A market research analysis that addresses competing or alternative technologies, advantages of the proposed product or service compared to competing or alternative technologies, distribution plans, and estimated return on investment.

- c. *Commercialization.* A description of the key next steps to making an impact with the innovation and a description of funding requirements, based on standard financial documents, necessary to overcome obstacles to success.
- d. *Work plan.* A description of the strategy and key elements to be funded to address goals of the work plan, including project milestones.
- e. *Resources and budget.* A budget that includes a detailed description of the sources, including the required match, and uses of the funds.

261—105.8(15) Application selection criteria. In reviewing applications for financial assistance, the committee and board shall consider the following criteria:

105.8(1) Intellectual property. How the ownership of the IP is structured. Preference will be given to applicants with greater IP control by the business.

105.8(2) Experience. The business’s experience in productization and commercialization, and ongoing product maintenance.

105.8(3) Estimate to completion. The business’s work requirements and estimated timeline for completion, the credibility of the estimated timeline for completion relative to the business’s experience, and the business’s resources available to fulfill requirements and timeline.

105.8(4) Market. The business’s competitors, market for the business’s product in Iowa and outside of Iowa, credibility of the business’s marketing plan, and the business’s experience in the industry.

105.8(5) Financial requirement. The availability of matching funds and other necessary funds to take the product to market.

105.8(6) Distribution. The availability of channels to take the product to market.

105.8(7) Expected return. Whether the expected return can be quantified based on time to breakeven and long-term economic impact.

261—105.9(15) Contract and reporting.

105.9(1) Successful applicants will be notified in writing of an award of assistance, including any conditions and terms of the approval.

105.9(2) The authority will prepare a contract, which includes, but is not limited to, a description of the project to be completed by the business; conditions to disbursement; required reports; and applicable repayment requirements.

105.9(3) The committee and the board must approve any substantive amendments to the contract. Authority staff may approve nonsubstantive amendments.

105.10(4) An applicant shall submit any information requested by the authority in sufficient detail to permit the authority to prepare any reports required by the authority, the board, the general assembly or the governor’s office.

These rules are intended to implement Iowa Code section 15.411.

***For rules being re-promulgated with changes, you may attach a document with suggested changes.**

METRICS

Total number of rules repealed:	1
Proposed word count reduction after repeal and/or re-promulgation	36
Proposed number of restrictive terms eliminated after repeal and/or re-promulgation	6

ARE THERE ANY STATUTORY CHANGES YOU WOULD RECOMMEND INCLUDING CODIFYING ANY RULES?

No.