

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

Department Name:	IEDA	Date:	1/18/24	Total Rule Count:	7
IAC #:	261	Chapter/ SubChapter/ Rule(s):	Chapter 404	Iowa Code Section Authorizing Rule:	15.120
Contact Name:	Lisa Connell	Email:	Lisa.connell@iowaeda.com	Phone:	(515) 348-6163

PLEASE NOTE, THE BOXES BELOW WILL EXPAND AS YOU TYPE

What is the intended benefit of the rule?

The intended benefit of chapter 404 is to describe the eligibility criteria, review process, and administration of the Iowa energy center grant program. This competitive grant program provides grants to Iowa businesses, colleges and universities, and private nonprofit agencies and foundations. Projects must provide a benefit to Iowa ratepayers and aid in the implementation of the key focus areas of the Iowa Energy Plan.

Is the benefit being achieved? Please provide evidence.

Yes. The authority is able to effectively award and administer grants through the program.

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

Entities interested in applying for the program may require staff time to complete an application to receive an award. Recipients of grants may similarly incur costs to comply with reporting and monitoring requirements of the program. Some applicants/recipients may choose to rely on an external service provider to complete these tasks, such as a grant writer or other consultant. The amount of the costs will vary, depending on the compensation of staff or service providers involved. The application and reports require minimal time to complete.

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

IEDA staff time is required to review and prepare applications for approval by the Iowa Energy Center board (board), draft and execute program contracts, disburse funds, review reports, and communicate with program applicants and recipients.

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 incited.

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 implement the purposes of the program.

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 404.1 will be updated to eliminate unnecessary definitions and to be more concise.

Rule 404.2 will be updated for clarity.

Rule 404.3 will be updated to remove language that is duplicative of statutory language and to be more concise. Additionally, subrule 6, paragraph d will be updated so that private asset development is an eligible project, with limitations imposed by the rewritten paragraph (which excludes projects that entail improvements to existing buildings) and changes to other rules as described in this report.

Rule 404.4 will be updated for clarity.

Rule 404.5 will be updated to be more concise and to address equipment purchases.

Rule 404.6 will be updated to allow for use of application web sites other than iowagrants.gov and to correct IEDA's website. A list of review criteria will be replaced with a reference to the policies and procedures approved by the board, which contain significantly more detail about review and scoring. The updated rule allows the authority to require applicants to submit a preapplication but will no longer mandate that the authority utilize a preapplication process. The updated rule also eliminates the necessity for the board to deny or defer applications that are not approved for awards.

Rule 404.7 will be updated to be more concise and to increase the minimum dollar amount for disbursement requests from \$500 to \$1000.

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

None.

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

CHAPTER 404
IOWA ENERGY CENTER GRANT PROGRAM

261—404.1(15) Definitions.

“*Activity*” means one or more specific activities, projects or programs associated with Iowa energy center grant funds.

“*Authority*” means the economic development authority created in Iowa Code section 15.105.

“*Board*” means the governing board of the Iowa energy center established pursuant to Iowa Code section 15.120(2).

“*Co-investigator*” means a person who shares the responsibility of conducting grant activities with the principal investigator of a project.

“*Funding announcement*” means a publicly available document that contains the official information for a grant, including the application deadline, goals of the activity, eligibility, reporting, availability of funds and instructions on applying for the grant.

“*Iowa energy center*” or “*IEC*” means the Iowa energy center established by Iowa Code section 15.120.

“*Principal investigator*” means a person with the primary responsibility for conducting research.

“*Recipient*” means an organization that was awarded an Iowa energy center grant.

“*Subrecipient*” means an organization contracting with and receiving funds from a recipient to carry out IEC grant activities.

261—404.2(15) Policies and procedures handbook. The authority will prepare a policies and procedures handbook for approval by the board. The board will review the policies and procedures handbook on an annual basis. The policies and procedures will include the amount of funds the board allocates for grant activities.

261—404.3(15) Eligibility.

404.3(1) Eligible applicants are identified in Iowa Code section 15.120(3)“*a*”.

404.3(2) Any eligible applicant may submit an application that includes one or more subrecipients. The board may limit the amount of an award that a subrecipient can receive as set forth in the policies and procedures.

404.3(3) Any eligible applicant may apply individually or jointly with another eligible applicant or other eligible applicants.

404.3(4) A principal investigator will be allowed to submit one application per funding announcement. An applicant who has submitted an application as the principal investigator for a funding announcement may also be named as a co-investigator on one additional application submitted for the same funding announcement.

404.3(5) Requirements for IEC grant awards include but are not limited to the following:

- a.* Applicants shall demonstrate a benefit for ratepayers.
- b.* Applicants shall demonstrate that they are eligible candidates.
- c.* Applicants shall demonstrate the capacity for grants administration.
- d.* Applicants who have previously received Iowa energy center awards shall have demonstrated acceptable past performance, including the timely expenditure of funds.
- e.* Applications shall demonstrate the feasibility of completing the proposed activities with the funds requested.
- f.* Applications shall identify and describe any other sources of funding for the proposed activities.

404.3(6) The following types of projects are ineligible:

- a.* Relocation of a business.
- b.* Expansion of a business.
- c.* Funding for existing training programs.
- d.* Improvements to existing buildings, including energy efficiency or energy generation projects.
- e.* Pipeline, transmission line, and distribution line construction.
- f.* First generation ethanol.
- g.* Cellulosic ethanol.

261—404.4(15) Funding and award terms.

404.4(1) For each fiscal year that funds are available, the board will determine the amount of funds available to be awarded as grants in that fiscal year.

404.4(2) If any funds are allocated to a specific grant activity but are not awarded after a funding cycle, the board may reallocate those funds to a different grant activity.

404.4(3) The board may reallocate any recaptured funds to a different grant activity.

404.4(4) The maximum grant award is \$1 million per application. The minimum grant award is \$10,000 per application.

404.4(5) The initial duration of a grant agreement will be no longer than three years. However, a recipient may apply for a

no-cost extension of an agreement. If the approval of a no-cost extension would cause the duration of the grant agreement to exceed five years, the no-cost extension will not be granted.

261—404.5(15) Project budget.

404.5(1) Only expenditures directly related to the implementation of the funded grant activity will be reimbursed. Vehicle and equipment purchases are eligible only when the purchase is an integral part of the funded grant activity and must be approved by the board at the time the award is made.

404.5(2) Ineligible expenses include but are not limited to:

- a. Purchase or rental of buildings.
- b. Office equipment.
- c. Furniture and fixtures.
- d. Intangible assets.
- e. International travel.
- f. Insurance.
- g. Phone expenses.

404.5(3) Other budget requirements include the following:

- a. Indirect costs shall not exceed more than 20 percent of a grant award.
- b. IEC grant funds shall not be used as cost share to a federal grant award.
- c. Vehicle and equipment purchases or other expenses relating to vehicles or equipment are not eligible if the purchase or expense supports the proposed grant activity but is not an integral part of the proposed grant activity. If a vehicle or equipment purchase is an integral part of a grant activity but a recipient fails to obtain board approval prior to the purchase, then the purchase is ineligible.

261—404.6(15) Application process and review.

404.6(1) The board will issue funding announcements for grant applications at least once per fiscal year, provided funds are available.

404.6(2) Application forms will be available at iowagrants.gov or other website as identified by the authority.

404.6(3) Applications will only be accepted during the established application period, as identified www.iowaeda.com.

404.6(4) The Iowa energy center will review applications and make funding decisions after each funding announcement. Review criteria will be identified in the policies and procedures approved by the board pursuant to rule 261—404.2(15).

404.6(5) The authority may require applicants to submit a preapplication to determine eligibility and competitiveness for the program.

404.6(6) The authority will review applications for completeness, eligibility, and technical and financial merit. The authority may engage an outside technical review panel to complete technical review of applications. The authority will prepare recommendations for the grant committee. The grant committee will review the applications and staff recommendations and make recommendations to the board. Upon review of the recommendations of the grant committee, the board may approve grant awards.

261—404.7(15) Administration.

404.7(1) *Notice of approval and agreement execution.* The authority will notify successful applicants in writing of an approved request for funding. After notifying the recipient of an award, the authority will prepare an agreement that reflects the terms of the award. The recipient must execute and return the agreement to the authority within 60 days of the transmittal of the final agreement from the authority. Failure to do so may be cause for the board to terminate the award.

404.7(2) *Disbursement of funds.* Recipients shall submit requests for grant funds in the manner prescribed by the authority. Disbursements shall be made on a reimbursement basis. No advance disbursements shall be allowed. Disbursements may be withheld if applicable performance reports have not been received and approved. Individual requests for funds shall be made in an amount equal to or greater than \$1,000 per request, except for the final draw of funds.

404.7(3) *Record keeping and retention.* Recipients shall retain all financial records, supporting documents and all other records pertinent to the grant for five years after agreement closeout.

404.7(4) *Performance reports and reviews.* Recipients shall submit performance reports to the authority as described in the policies and procedures handbook. The authority may perform project reviews and site inspections as necessary to ensure program compliance.

404.7(5) *Agreement amendments.*

a. Any substantive change to a funded IEC project, including time extensions, budget revisions, and alterations to proposed activities, will be considered an agreement amendment. The recipient shall request an amendment in writing. No

amendment shall be valid until approved by the board, except as provided in paragraph 404.7(7) “b” and confirmed in writing by the authority.

b. Staff approvals.

(1) Staff may approve one no-cost extension provided that the extension complies with subrule 404.4(5). Additional no-cost extensions shall be presented to the board for approval.

(2) Budget modifications. Any substantial modification of a project budget shall require board approval. Staff may approve budget modifications that are not substantial. For purposes of this subparagraph, “substantial modification” means a budget modification of either \$10,000 or 10 percent of the total grant award, whichever is less.

404.7(6) Agreement closeout. Upon agreement expiration or project completion, the authority will initiate project closeout procedures.

404.7(7) Compliance with state and local laws and rules. Recipients shall comply with these rules, with any applicable provisions of the Iowa Code, and with any applicable local rules.

404.7(8) Noncompliance. At any time during a project, the IEC may, for cause, find that a recipient is not in compliance with the requirements of this program. At the board’s discretion, remedies may include penalties up to and including the return of grant funds to the IEC. Findings of noncompliance may include the use of Iowa energy center funds for activities not described in the application; failure to complete approved activities in a timely manner; failure to comply with any applicable state or federal rules, regulations, or laws; or the lack of a continuing capacity of the recipient to carry out the approved project in a timely manner.

These rules are intended to implement Iowa Code section 15.120.

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

METRICS

Total number of rules repealed:	0
Proposed word count reduction after repeal and/or re-promulgation	207
Proposed number of restrictive terms eliminated after repeal and/or re-promulgation	8

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

No.