

Purpose and Summary

Pursuant to Executive Order 10 (January 10, 2023), the Authority proposes to rescind Chapters 105 and 108 and adopt new chapters in lieu thereof. Chapter 105 describes 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. Chapter 108 describes the policies and procedures applicable to the following program components related to innovative and other business development established pursuant to Iowa Code section 15.411(5): a component for proof of commercial relevance, a component for the expansion of investment in applied research, and a component for a manufacturing extension partnership program.

The proposed new Chapter 105 addresses both the Demonstration Fund and proof of commercial relevance program components as the programs are currently administered consistently. The proposed new Chapter 108 references only the components for the expansion of investment in applied research and the manufacturing extension partnership program.

Analysis of Impact

1. Persons affected by the proposed rulemaking:

- Classes of persons that will bear the costs of the proposed rulemaking:

Persons interested in applying for or receiving assistance through the program components will bear the costs of the rulemaking.

- Classes of persons that will benefit from the proposed rulemaking:

Persons interested in applying for or receiving assistance through the program components will benefit from the rulemaking.

2. Impact of the proposed rulemaking, economic or otherwise, including the nature and amount of all the different kinds of costs that would be incurred:

- Quantitative description of impact:

Businesses interested in applying for financial assistance may require staff time to complete an application for financial assistance. 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.

- Qualitative description of impact:

The program components support varied funding avenues for prototype and concept development and other activities related to innovative businesses. Updating rules to be clearer and more concise will benefit those seeking information about the program. Combining the rules relating to the Demonstration Fund and proof of commercial relevance components will solidify the consistent practices already applied to these components.

3. Costs to the State:

- Implementation and enforcement costs borne by the agency or any other agency:

Authority 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, the Authority has contracted with VentureNet Iowa to perform certain administrative functions related to the program pursuant to Iowa Code section 15.411(1).

- Anticipated effect on state revenues:

The rules have no anticipated impact on state revenues. The Authority is directed to administer the program components by Iowa Code section 15.411. Financial assistance is provided from the Innovation and Commercialization Development Fund created pursuant to Iowa Code section 15.412. The amount deposited in the fund each year depends on the amount allocated for such purposes pursuant to Iowa Code section 15.335B.

4. Comparison of the costs and benefits of the proposed rulemaking to the costs and benefits of inaction:

Only the entities that will potentially benefit from financial assistance bear the costs of the rulemaking. The costs to the State to administer the program are proportional to the activities supported by financial assistance.

5. Determination whether less costly methods or less intrusive methods exist for achieving the purpose of the proposed rulemaking:

The Authority has not identified any less costly methods or less intrusive methods for administering the program.

6. Alternative methods considered by the agency:

- Description of any alternative methods that were seriously considered by the agency: The Authority did not consider any other methods.
- Reasons why alternative methods were rejected in favor of the proposed rulemaking: The Authority did not consider any other methods.

Small Business Impact

If the rulemaking will have a substantial impact on small business, include a discussion of whether it would be feasible and practicable to do any of the following to reduce the impact of the rulemaking on small business:

- Establish less stringent compliance or reporting requirements in the rulemaking for small business.
- Establish less stringent schedules or deadlines in the rulemaking for compliance or reporting requirements for small business.
- Consolidate or simplify the rulemaking's compliance or reporting requirements for small business.
- Establish performance standards to replace design or operational standards in the rulemaking for small business.
- Exempt small business from any or all requirements of the rulemaking.

If legal and feasible, how does the rulemaking use a method discussed above to reduce the substantial impact on small business?

The proposed rules do not have a substantial impact on small business. The application, contracting, and monitoring requirements related to the program are no more than necessary to administer the statutory requirements of the program. The rules do not establish design or operational standards.

Text of Proposed Rulemaking

ITEM 1. Rescind 261—Chapter 105 and adopt the following **new** chapter in lieu thereof:

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 POCR 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) POCR 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 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 that 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 the business sells.

105.6(2) A business that 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 the business's 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 with the 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. Workplan.* 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 a 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 break even 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 that 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.

105.9(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.

ITEM 2. Rescind 261—Chapter 108 and adopt the following new chapter in lieu thereof:

CHAPTER 108

INNOVATIVE AND OTHER BUSINESS DEVELOPMENT—APPLIED RESEARCH AND MANUFACTURING EXTENSION PARTNERSHIP

261—108.1(15) Purpose and description of program components. This chapter applies to program components established pursuant to Iowa Code section 15.411(5) for the expansion of investment in applied research and a component for a manufacturing extension partnership program. The authority may delegate certain administrative functions to a service provider engaged pursuant to Iowa Code section 15.411.

261—108.2(15) Definitions. As used in this chapter unless the context otherwise requires:

“Applicant” means an innovative business or other business, a university, a nonprofit organization, or another entity applying to the authority for assistance under the program.

“Applied research” means a systematic inquiry into the practical application of science and technology. Applied research includes translational research, participative research, and other related terms that are similar to or share the goals of applied research.

“Assistance” means technical and financial assistance available under the program.

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

“Board” means the members of the economic development authority appointed by the governor and in whom the powers of the authority are vested pursuant to Iowa Code section 15.105.

“Committee” means the technology commercialization committee established by the board pursuant to 261—Chapter 1.

“Financial assistance” means assistance provided only from the funds, rights, and assets legally available to the authority and includes but is not limited to assistance in the form of grants, loans, forgivable loans, and royalty agreements.

“Innovative business” means the same as defined in Iowa Code section 15E.52(1)“c.”

“MEP” means a manufacturing extension partnership and its associated program component.

“Program” means the components of the program established in this chapter pursuant to Iowa Code section 15.411.

261—108.3(15) Program description, application procedures, and delegation of functions.

108.3(1) Description. The program provides technical assistance and financial assistance for the expansion of applied research and support for an MEP. All awards of financial assistance must be approved by the board, after submission of a proposal by the applicant and a recommendation on the proposal by the committee. A contract must be entered into with the authority before moneys will be disbursed to an applicant.

a. The applied research component makes financial assistance available to innovative businesses to connect university research to the innovative businesses' needs and to accelerate the transfer of new technologies to the marketplace. The authority may award financial assistance to university researchers who are attempting to align their research with market and industrial needs by forming partnerships with innovative businesses. Financial assistance under this component may take the form of grant funds. If grant funds are awarded, the applicant shall be required to match the amount of grant funds with other moneys at a ratio of one to one. Applicants may submit applications to the authority for assistance under this component. Such applications should describe in detail what activities the applicant will engage in to accelerate the validation of technology for the marketplace.

b. The MEP component makes financial assistance available to service providers that form partnerships with innovative businesses to conduct workshops for the purpose of providing assistance in determining and prioritizing applied research needs based on gaps in productivity or product needs and that offer to broker connections between innovative businesses and the researchers who can perform the necessary applied research. Financial assistance is also available to innovative businesses under this component for product development, design verification, custom equipment development, manufacturing process development, and technology development and commercialization. The authority will award financial assistance to eligible innovative businesses. Applicants may submit applications to the authority for assistance under this component. Such applications should describe in detail the nature of the partnerships being formed, what activities the partnership will undertake, and how such activities will further the goals of this component. Applicants must submit applications for assistance under this component and must describe in detail how the proposed services will expand the applicant's market penetration, create a new product with market relevance, or enhance an existing product by further innovation.

108.3(2) Application and award procedures. Applicants to the program may submit applications to the authority for financial assistance. To be eligible, an applicant must meet the requirements of one of the components described in subrule 108.3(2). The applications will receive an initial review to confirm program eligibility before being sent to the committee for a recommendation on funding. The committee will provide its recommendation to the board for a final determination on the provision of financial assistance. The board may approve, deny, or defer each application for financial assistance under the program. The board will consider applications for financial assistance on a first-come, first-served basis. If the board approves funding for a business, the authority will prepare a required contract specifying the terms and conditions under which the financial assistance is to be provided to the business.

261—108.4(15) Program funding. Each year, the authority allocates moneys for purposes of the programs listed in Iowa Code section 15.411, including this program. The amount allocated each year will depend on the amount appropriated to the authority by the general assembly. The authority may allocate other funds to the program as such funds may from time to time become available.

261—108.5(15) Contract and report information required.

108.5(1) Contract required. An applicant awarded financial assistance under the program shall enter into a contract with the authority for the receipt of such funds. The authority will include in the contract all terms and conditions for receipt of the funds. The authority will make the final determination as to compliance with the terms of the contract and as to whether and when to disburse funds to the applicant.

108.5(2) *Reporting information required.* An applicant may be required to submit all information necessary for the authority to compile a report on the results of the program. The authority will include terms in the required contract effectuating this requirement.

These rules are intended to implement Iowa Code section 15.411.