

### *Purpose and Summary*

Pursuant to Executive Order 10 (January 10, 2023), the Authority proposes to rescind Chapter 119 and adopt a new chapter in lieu thereof. The chapter describes the policies and procedures applicable to the Manufacturing 4.0 Technology Investment Program. The program provides financial assistance to projects intended to lead to the adoption of, and integration of, smart technologies into existing manufacturing operations located in the state.

### *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 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 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:

Entities interested in applying for financial assistance may require staff time to complete an application for financial assistance. Recipients may similarly incur costs to comply with reporting and monitoring requirements of the program. 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 supports the adoption of, and integration of, smart technologies into existing manufacturing operations located in the state.

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.

- Anticipated effect on state revenues:

The proposed rules have no anticipated impact on state revenues. The Authority is directed to administer the program by Iowa Code section 15.371. Financial assistance is provided from the Manufacturing 4.0 Technology Investment Fund created pursuant to Iowa Code section 15.371(3). The General Assembly appropriated \$2,016,675 to the program for fiscal year 2025 (2024 Iowa Acts, Senate File 2432).

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 119 and adopt the following **new** chapter in lieu thereof:

## CHAPTER 119

### MANUFACTURING 4.0 TECHNOLOGY INVESTMENT PROGRAM

**261—119.1(15) Purpose.** The purpose of the manufacturing 4.0 technology investment program is to provide financial assistance to projects intended to lead to the adoption of, and integration of, smart technologies into existing manufacturing operations located in the state.

**261—119.2(15) Definitions.**

“*Applicant*” means a business applying for assistance under the program.

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

*“Authority’s website”* means the information and related content found at [www.iowaeda.com](http://www.iowaeda.com) and may include integrated content at affiliate sites.

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

*“Eligible business”* means a business meeting the requirements of rule 261—119.3(15).

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

*“Full-time equivalent job”* or *“full-time”* means the employment of one person:

1. For 8 hours per day for a five-day, 40-hour workweek for 52 weeks per year, including paid holidays, vacations and other paid leave; or

2. The number of hours or days per week, including paid holidays, vacations and other paid leave, currently established by schedule, custom, or otherwise, as constituting a week of full-time work for the kind of service an individual performs for an employing unit, provided that the number of hours per week is at least 32 hours per week for 52 weeks per year, including paid holidays, vacations, and other paid leave.

For purposes of this definition, “employment of one person” means the employment of one natural person and does not include “job sharing” or any other means of aggregation or combination of hours worked by more than one natural person.

*“Manufacturing 4.0 technology investments”* or *“investments”* means the same as “manufacturing 4.0 technology investments” defined in Iowa Code section 15.371.

*“Program”* means the manufacturing 4.0 technology investment program established in this chapter.

**261—119.3(15) Program eligibility.** To be eligible for financial assistance under the program, an applicant must propose a manufacturing 4.0 technology investment that has not been made prior to the date of application and meet all the requirements established in Iowa Code section 15.371(5). For the purposes of determining whether an applicant employs a minimum of 3 employees and no more than 125 employees pursuant to Iowa Code section 15.371(5)“e,”

“employee” means an individual filling a full-time equivalent job that is part of the payroll of the business receiving financial assistance under this program. “Employee” does not include a business’s part-time, leased, or contract employees.

**261—119.4(15) Application submittal and review process.**

**119.4(1)** The authority will develop a standardized application process and make information on applying available on the authority’s website. To apply for assistance under the program, an applicant shall submit an application to the authority in the manner prescribed by the authority. The authority will identify specific types of investments for which it intends to provide financial assistance on the application form or forms.

**119.4(2)** Applications will be accepted and processed by authority staff on a continuing basis, or the authority may establish application periods as announced on the authority’s website. The authority may engage an outside technical review panel to complete technical reviews of applications. Applications will be reviewed in the order received by the authority.

**119.4(3)** The authority may refuse to accept incomplete applications or may refuse to accept applications because of insufficient funds.

**119.4(4)** The board, after considering the recommendations made by authority staff or a technical review panel, will determine the financial assistance award if the board determines that financial assistance should be awarded. The board has final decision-making authority on requests for financial assistance for the program. The board will take final action on all applications for financial assistance, except those rejected pursuant to subrule 119.4(3). The board may approve an award, decline to award, or refer an application back to staff or a technical review panel for further review and recommendation. The board will consider applications on a continuing basis.

**119.4(5)** An applicant may submit multiple applications. The maximum amount of financial assistance awarded to any eligible business under the program for all of the eligible business’s

applications shall not exceed \$75,000.

**119.4(6)** Applicants will be notified in writing of an award of financial assistance, including any conditions and terms of the award, or of a denial of an award of financial assistance.

**261—119.5(15) Application scoring criteria.**

**119.5(1)** When applications for financial assistance under the program are reviewed by authority staff or a technical review panel, the criteria below will be considered and the application scored as described.

**119.5(2)** The criteria under which each application will be scored are:

*a.* The percentage of the applicant business's revenue derived from the sale of manufactured goods. Applicants who derive a higher percentage of revenue from the sale of manufactured goods will receive higher scores in this category.

*b.* The extent to which the manufacturer's proposed manufacturing 4.0 technology investment is consistent with the opportunities identified in the assessment completed by the center for industrial research and service at Iowa state university of science and technology pursuant to Iowa Code section 15.371(5) "f."

*c.* The extent to which the investment integrates smart technologies into existing manufacturing operations and the amount and scope of the business's investment.

*d.* The sufficiency of the proposed investment's financing structure, the feasibility of the sources of funds, and the appropriateness of the proposed uses of the funds.

*e.* The extent to which the investment will enhance an applicant's workforce.

*f.* The extent to which the applicant has planned for long-term use of the manufacturing 4.0 technology investment and an overall transition to smart technologies.

*g.* Whether and the extent to which the business has previously received financial assistance from the program.

**261—119.6(15) Contract administration.**

**119.6(1)** The authority will prepare a contract for each award approved by the board. The contract will reflect the terms of the award and may include other terms and conditions reasonably necessary for implementation of the program pursuant to this chapter.

**119.6(2)** Any substantive change to a proposed investment shall require an amendment to the contract. Amendments shall be requested in writing. No amendment shall be valid until approved by the board. The authority may execute nonsubstantive or corrective changes to the contract without board approval.

**261—119.7(15) Disbursement of funds.** The authority will disburse funds for an investment only after a complete application has been received, an award has been approved by the board, a contract has been executed between the applicant and the authority, and all applicable conditions for disbursement have been met, including the submission of documentation pertaining to the eligible expenditures. Disbursement of funds under the contract will be on a reimbursement basis for expenses incurred by the applicant after the date of application and as provided under the contract. Expenditures for labor performed by a business's employees are not eligible for reimbursement.

**261—119.8(15) Reporting.** An applicant receiving assistance under the program shall submit any information reasonably 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 15.371.