

# **Arkansas Small Business Innovation Research Matching Grant**

## **Program**

### **Rules**

---

#### **I. Introduction**

##### **Overview**

The Arkansas Small Business Innovation Research Matching Grant Program (ArSBIRMGP), Act 166 of 2017, was created to stimulate innovation and growth among the state's technology businesses. The program, administered by the Division of Science and Technology of the Arkansas Economic Development Commission (Division), may provide, to eligible businesses, discretionary matching grants of up to fifty percent (50%) of the amount of federal Phase I and Phase II Small Business Innovation Research (SBIR) grants, not to exceed fifty thousand dollars (\$50,000) for Phase I awards and \$100,000 for Phase II awards.

Objectives of the ArSBIRMGP are to:

- Create and retain high-tech jobs, especially high-wage jobs in middle-skill and high-skill occupations;
- Encourage innovative small businesses to engage in federally-funded research that has the potential for technological innovation and commercialization;
- Increase the amount of SBIR funds invested in Arkansas businesses; and
- Induce the retention, growth, and location of companies in Arkansas.

##### **Program Rule Summary**

1. Eligible applicants shall submit completed applications, on forms prescribed by the Division to request grant funding from the ArSBIRMGP.
2. The Director of the Division of Science and Technology of the Arkansas Economic Development Commission (Director), with advice from the Board of Directors of the Division of Science and Technology of the Arkansas Economic Development Commission (Board), shall review and recommend applications for grant funding to the Executive Director of the Arkansas Economic Development Commission (Executive Director).
3. Applicants receiving approval from the Executive Director shall execute grant agreements specifying grant terms and conditions.
4. Grant funding shall be made available to grantees on a reimbursement basis, subsequent to submittal of requests for payment on forms approved by the Division.

5. Grantees shall submit final reports, upon full expenditure of ArSBIRMGP grant funds, in accordance with terms specified in the grant agreement.

### **Contact Information**

For more information, please contact:  
Arkansas Economic Development Commission  
Division of Science and Technology  
900 West Capitol  
Little Rock, AR 72201  
(501) 682-1121

## **II. Rulemaking Authority**

The AEDC has authority, at § 15-3-609, to promulgate rules necessary to administer the Arkansas Small Business Innovation Research Matching Grant Program.

## **III. Definitions**

1. “Eligible business” means a for-profit business that:
  - A. Is registered as a business entity in good standing; and
  - B. Has its principal place of business in Arkansas;
2. “Matching grant” means a discretionary grant of up to fifty percent (50%) of the amount of a federal Small Business Innovation Research grant for each approved matching grant application;
3. “Principal investigator/project manager” means the primary individual designated by an eligible business to provide the scientific and technical direction to a project supported by a matching grant;
4. “Principal place of business” means the physical location in this state where the eligible business maintains its principal business office; and
5. “Small Business Innovation Research Program” means the federal program administered by the United States Small Business Administration according to regulations adopted pursuant to 15 U.S.C. § 638, as it existed on October 1, 2016, which provides funds for Phase I and Phase II Small Business Innovation Research grants through participating federal agencies.

## IV. Eligibility

### Applicants

To be eligible to receive ArSBIRMGP funding, an applicant shall:

1. Submit a completed signed application, under forms provided by the Division.
2. Meet the definition of “eligible business”; and
3. Certify that:
  - A. For Phase I applications, they have received an SBIR grant from a sponsoring agency in response to a specific federal solicitation; or
  - B. For Phase II applications, they have:
    - (i) Submitted a final Phase I SBIR report to the sponsoring agency;
    - (ii) Demonstrated that the sponsoring agency has interest in the Phase II SBIR proposal; and
    - (iii) Submitted a Phase II proposal to the sponsoring agency.
  - C. All federal SBIR grant requirements will be met.
  - D. At least fifty-one percent (51%) of the ArSBIRMGP grant shall be spent in Arkansas.
  - E. They shall remain in Arkansas for the duration of the matching grant project.
  - F. An Arkansas resident or employee will be designated as the principal investigator/project manager for the duration of the matching grant;
  - G. They will be principally engaged in one (1) or more of the following targeted business activities:
    - (i) Advanced materials and manufacturing systems;
    - (ii) Agriculture, food, and environmental sciences;
    - (iii) Biotechnology, bioengineering, and life sciences;
    - (iv) Information technology;
    - (v) Transportation logistics; and
    - (vi) Bio-based products.

### Eligible Costs

The Division will review all expenditure requests prior to payment to ensure that costs are consistent with the terms and conditions of the grant agreement.

## V. Application Process

### Application Submittal

To request ArSBIRMGP funds, eligible businesses shall, utilizing forms prescribed by the Division, submit a completed signed application with all supporting documentation to the Division. Applications shall include:

1. A project title;
2. Contact information;
3. Proof of legal organization as a business entity in good standing;
4. A statement of work;
5. Federal SBIR documentation, including:
  - A. For Phase I applications, they have received a SBIR grant from a sponsoring agency in response to a specific federal solicitation; or
  - B. For Phase II applications:
    - i. A final SBIR Phase I report submitted to the sponsoring agency;
    - ii. Documentation from the sponsoring agency indicating an interest in the Phase II proposal; and
    - iii. A copy of the Phase II SBIR proposal to the sponsoring agency.
6. A summary of previous ArSBIRMGP awards;
7. The amount of funding requested; and
8. Start and completion dates of the project.

### **Application Review and Approval**

No grant offer shall be made by the Executive Director to an applicant until the applicant has completed the following review and approval process.

1. The Division shall conduct a preliminary review of each application, in order of receipt, to confirm that it:
  - A. Was submitted by an eligible business;
  - B. Is for a targeted business activity;
  - C. Is complete, including all required attachments; and
  - D. Contains all required federal SBIR documentation.
2. At its discretion, the Division may request supplemental materials from the applicant. All supplemental materials must be received at least forty-five (45) days prior to the next scheduled meeting of the Board of Directors of the Division of Science and Technology of the Arkansas Economic Development Commission.
3. All applications meeting preliminary review requirements shall be forwarded to the Board at least thirty (30) days prior to their next scheduled meeting.
4. The Board shall:
  - A. Review each application in accordance with program rules.
  - B. Forward, for each application reviewed, a recommendation to approve or disapprove the application to the Director.
5. The Director shall review each application in accordance with program rules and the advice and recommendation of the Board.
6. Upon completion of review, the Director will provide preliminary funding recommendations to the Executive Director.
7. The Executive Director, after reviewing Director recommendations, will specify which applicants may receive grants.

- A. Unsuccessful applicants will be notified in writing by the Director.
- B. Approved applicants will be required to execute a grant agreement outlining the amount, terms, and conditions of the grant.

## **VI. Grant Agreements**

1. ArSBIRMGP grants may be awarded, pending availability of funds, at the discretion of the Executive Director. Grant agreements shall specify:
  - A. The eligibility date for incurring project costs;
  - B. Terms and conditions of the grant;
  - C. The amount of approved costs; and
  - D. The process by which grant funds shall be invoiced and disbursed to the grantee.
2. The amount of the grant shall be discretionary and may be for amounts less than requested.
3. Grants may be funded from any source of funds allocated to the ArSBIRMGP.
4. Grants will be executed according to the following process:
  - A. Two (2) original copies of the grant agreement will be prepared by the Director and forwarded to the grantee for signature and return.
  - B. Upon receipt of the signed grant agreements from the grantee, the Director will prepare an approval letter and forward the grant agreements and the approval letter to the Executive Director for signature.
  - C. One (1) original copy of the grant agreement will be forwarded to the grantee with the signed approval letter. One (1) original copy of the grant agreement will be retained by the Director.
5. Grantees shall not receive more than three (3) matching grants under this program.
6. Any material change to the scope of the project, including changes to the principal investigator/project manager, is subject to prior approval by the Executive Director.

## **VII. Confidential Information**

Applications submitted to the Division are subject to the Freedom of Information Act of 1967, § 25-19-101 et seq. To the extent an applicant believes that information in an application is confidential or otherwise exempt under the Freedom of Information Act of 1967, § 25-19-101 et seq., the applicant shall specifically designate in writing the information the applicant believes to be confidential or exempt and the basis for the confidentiality or exemption on that portion of the application in which the information appears.

## **VIII. Reimbursement**

Disbursements of matching grant funds shall be made on a reimbursable basis, payable when invoices and financial reports are submitted to the Division.

## **IX. Final Report**

Grantees shall submit final reports, upon full expenditure of ArSBIRMGP grant funds, in accordance with terms specified in the grant agreement. Reports shall:

- A. Include a one-page non-proprietary executive summary describing the impact and positive effect of the receipt of ArSBIRMGP funds;
- B. Document final expenditure of grant funds, including proof that at least fifty-one percent (51%) of the amount awarded for the matching grant was spent in Arkansas;
- C. Provide an updated status of the project;
- D. Summarize the technical progress of the federal Phase I or Phase II SBIR project;
- E. State whether or not the grantee plans to continue the proposed research with its own or other resources such as venture capital funding;
- F. Summarize economic effects of the ArSBIRMGP on job creation, project commercialization, patent applications filed or approved subsequent to grant award, and receipt of additional private or government funds; and
- G. Certify that all grant terms and conditions were met.

## **X. Effective Date**

These rules are effective on or after October 1, 2017.

**QUESTIONNAIRE FOR FILING PROPOSED RULES AND REGULATIONS  
WITH THE ARKANSAS LEGISLATIVE COUNCIL**

**DEPARTMENT/AGENCY** Arkansas Economic Development Commission  
**DIVISION** Division of Science and Technology  
**DIVISION DIRECTOR** Tom Chilton  
**CONTACT PERSON** Kurt Naumann; Tom Chilton  
**ADDRESS** 900 West Capitol; Little Rock, AR 72201  
**PHONE NO.** 501-682-7308 **FAX NO.** 501-682-7499 **E-MAIL** [knaumann@arkansasedc.com](mailto:knaumann@arkansasedc.com)  
**NAME OF PRESENTER AT COMMITTEE MEETING** Kurt Naumann, Tom Chilton  
**PRESENTER E-MAIL** [knaumann@arkansasedc.com](mailto:knaumann@arkansasedc.com); [tchilton@arkansasedc.com](mailto:tchilton@arkansasedc.com)

**INSTRUCTIONS**

- A. Please make copies of this form for future use.
- B. Please answer each question **completely** using layman terms. You may use additional sheets, if necessary.
- C. If you have a method of indexing your rules, please give the proposed citation after “Short Title of this Rule” below.
- D. Submit two (2) copies of this questionnaire and financial impact statement attached to the front of two (2) copies of the proposed rule and required documents. Mail or deliver to:

**Donna K. Davis  
Administrative Rules Review Section  
Arkansas Legislative Council  
Bureau of Legislative Research  
One Capitol Mall, 5<sup>th</sup> Floor  
Little Rock, AR 72201**

\*\*\*\*\*

1. What is the short title of this rule? Arkansas Small Business Innovation Research Matching Grant Program

2. What is the subject of the proposed rule? Defines the process by which the Arkansas Economic Development Commission may make discretionary matching grants to applicants meeting the eligibility requirements for federal Phase I and Phase II SBIR grants as defined in Act 166 of 2017 which creates the Arkansas Small Business Innovation Matching Grant Program.

3. Is this rule required to comply with a federal statute, rule, or regulation? Yes  No   
If yes, please provide the federal rule, regulation, and/or statute citation. \_\_\_\_\_

4. Was this rule filed under the emergency provisions of the Administrative Procedure Act? Yes  No   
If yes, what is the effective date of the emergency rule? \_\_\_\_\_

When does the emergency rule expire?

---

Will this emergency rule be promulgated under the permanent provisions of the Administrative Procedure Act?

Yes

No

5. Is this a new rule? Yes  No

If yes, please provide a brief summary explaining the regulation. Defines the process by which the Arkansas Economic Development Commission may make discretionary matching grants to applicants meeting the eligibility requirements for federal Phase I and Phase II SBIR grants as defined in Act 166 of 2017 which creates the Arkansas Small Business Innovation Matching Grant Program.

Does this repeal an existing rule? Yes  No

If yes, a copy of the repealed rule is to be included with your completed questionnaire. If it is being replaced with a new rule, please provide a summary of the rule giving an explanation of what the rule does. \_\_\_\_\_

Is this an amendment to an existing rule?

Yes  No

If yes, please attach a mark-up showing the changes in the existing rule and a summary of the substantive changes. **Note: The summary should explain what the amendment does, and the mark-up copy should be clearly labeled "mark-up."**

6. Cite the state law that grants the authority for this proposed rule? If codified, please give the Arkansas Code citation. § 15-4-209(b)(5)-AEDC Enabling legislation and § 15-3-609 (likely to change when Act 166 of 2017 is codified) -Authority to promulgate rules under the Arkansas Small Business Innovation Research Matching Grant Program.

7. What is the purpose of this proposed rule? Why is it necessary? AEDC is required to promulgate rules under Act 166 of 2017. The rules:

- Provide a program overview;
- Define terms identified in the act;
- Delineate eligibility criteria;
- Establish application submittal, review, and approval processes;
- Explain the grant award process;
- Establish eligible cost and reimbursement protocol;
- Lists final report requirements; and
- Establishes an effective date of October 1, 2017.

8. Please provide the address where this rule is publicly accessible in electronic form via the Internet as required by Arkansas Code § 25-19-108(b). www.arkansasedc.com

9. Will a public hearing be held on this proposed rule? Yes  No

If yes, please complete the following:

Date: July 12, 2017

Time: 9 am

AEDC, Suite 400; 900 West Capitol;

Place: LR 72201



10. When does the public comment period expire for permanent promulgation? (Must provide a date.)

July 12, 2017 (tentative)

---

11. What is the proposed effective date of this proposed rule? (Must provide a date.)

October 1, 2017

---

12. Please provide a copy of the notice required under Ark. Code Ann. § 25-15-204(a), and proof of the publication of said notice. See attached

13. Please provide proof of filing the rule with the Secretary of State and the Arkansas State Library as required pursuant to Ark. Code Ann. § 25-15-204(e).

14. Please give the names of persons, groups, or organizations that you expect to comment on these rules? Please provide their position (for or against) if known. None

**FINANCIAL IMPACT STATEMENT**

**PLEASE ANSWER ALL QUESTIONS COMPLETELY**

**DEPARTMENT** Arkansas Economic Development Commission

**DIVISION** Division of Science and Technology of the Arkansas Economic Development Commission

**PERSON COMPLETING THIS STATEMENT** Kurt Naumann

**TELEPHONE** 501-682-7308      **FAX** 501-682-7499      **EMAIL:** knaumann@arkansasedc.com

To comply with Ark. Code Ann. § 25-15-204(e), please complete the following Financial Impact Statement and file two copies with the questionnaire and proposed rules.

**SHORT TITLE OF THIS RULE** Arkansas Small Business Innovation Research Matching Grant Program.

---

- 1. Does this proposed, amended, or repealed rule have a financial impact?      Yes       No
- 2. Is the rule based on the best reasonably obtainable scientific, technical, economic, or other evidence and information available concerning the need for, consequences of, and alternatives to the rule?      Yes       No
- 3. In consideration of the alternatives to this rule, was this rule determined by the agency to be the least costly rule considered?      Yes       No

If an agency is proposing a more costly rule, please state the following:

(a) How the additional benefits of the more costly rule justify its additional cost;

---

(b) The reason for adoption of the more costly rule;

---

(c) Whether the more costly rule is based on the interests of public health, safety, or welfare, and if so, please explain; and;

---

(d) Whether the reason is within the scope of the agency's statutory authority; and if so, please explain.

---

4. If the purpose of this rule is to implement a federal rule or regulation, please state the following:

(a) What is the cost to implement the federal rule or regulation?

<u>Current Fiscal Year</u>	<u>Next Fiscal Year</u>
General Revenue _____	General Revenue _____
Federal Funds _____	Federal Funds _____
Cash Funds _____	Cash Funds _____
Special Revenue _____	Special Revenue _____
Other (Identify) _____	Other (Identify) _____
Total _____	Total _____

(b) What is the additional cost of the state rule?

<u>Current Fiscal Year</u>	<u>Next Fiscal Year</u>
General Revenue _____	General Revenue _____
Federal Funds _____	Federal Funds _____
Cash Funds _____	Cash Funds _____
Special Revenue _____	Special Revenue _____
Other (Identify) <u>\$260.40 (Legal Advertisement)</u>	Other (Identify) _____
Total <u>\$260.40</u>	Total <u>\$0</u>

5. What is the total estimated cost by fiscal year to any private individual, entity and business subject to the proposed, amended, or repealed rule? Identify the entity(ies) subject to the proposed rule and explain how they are affected.

<u>Current Fiscal Year</u>	<u>Next Fiscal Year</u>
\$ _____	\$ <u>0</u> _____
\$0	

---

6. What is the total estimated cost by fiscal year to state, county, and municipal government to implement this rule? Is this the cost of the program or grant? Please explain how the government is affected.

<u>Current Fiscal Year</u>	<u>Next Fiscal Year</u>
\$ _____	\$ <u>0</u> _____
\$0	

---

7. With respect to the agency's answers to Questions #5 and #6 above, is there a new or increased cost or obligation of at least one hundred thousand dollars (\$100,000) per year to a private individual, private entity, private business, state government, county government, municipal government, or to two (2) or more of those entities combined?

Yes  No

If YES, the agency is required by Ark. Code Ann. § 25-15-204(e)(4) to file written findings at the time of filing the financial impact statement. The written findings shall be filed simultaneously with the financial impact statement and shall include, without limitation, the following:

- (1) a statement of the rule's basis and purpose;
- (2) the problem the agency seeks to address with the proposed rule, including a statement of whether a rule is required by statute;
- (3) a description of the factual evidence that:
  - (a) justifies the agency's need for the proposed rule; and
  - (b) describes how the benefits of the rule meet the relevant statutory objectives and justify the rule's costs;
- (4) a list of less costly alternatives to the proposed rule and the reasons why the alternatives do not adequately address the problem to be solved by the proposed rule;
- (5) a list of alternatives to the proposed rule that were suggested as a result of public comment and the reasons why the alternatives do not adequately address the problem to be solved by the proposed rule;
- (6) a statement of whether existing rules have created or contributed to the problem the agency seeks to address with the proposed rule and, if existing rules have created or contributed to the problem, an explanation of why amendment or repeal of the rule creating or contributing to the problem is not a sufficient response; and
- (7) an agency plan for review of the rule no less than every ten (10) years to determine whether, based upon the evidence, there remains a need for the rule including, without limitation, whether:
  - (a) the rule is achieving the statutory objectives;
  - (b) the benefits of the rule continue to justify its costs; and
  - (c) the rule can be amended or repealed to reduce costs while continuing to achieve the statutory objectives.