Regulatory Analysis

Notice of Intended Action to be published: 261—Chapter 29
"Rural Innovation Grant Program"

Iowa Code section(s) or chapter(s) authorizing rulemaking: 15.106A

State or federal law(s) implemented by the rulemaking: 2019 Iowa Acts, Senate File 608, and Executive Order 11 (October 19, 2023)

Public Hearing

A public hearing at which persons may present their views orally or in writing will be held as follows:

December 20, 2024	1963 Bell Avenue
1:15 to 1:30 p.m.	Des Moines, Iowa

Public Comment

Any interested person may submit written comments concerning this Regulatory Analysis, which must be received by the Economic Development Authority (Authority) no later than 4:30 p.m. on the date of the public hearing. Comments should be directed to:

Lisa Connell
Iowa Economic Development Authority
1963 Bell Avenue, Suite 200
Des Moines, Iowa 50315
Email: lisa.connell@iowaeda.com

Purpose and Summary

Pursuant to Executive Order 10 (January 10, 2023), the Authority proposes to rescind Chapter 29 and adopt a new chapter in lieu thereof. The chapter describes the policies and procedures applicable to the Rural Innovation Grant program. The program supports creative, nontraditional ideas that focus on current issues and challenges faced by rural communities associated with the themes of community investment, growth, and connection.

The updated chapter will be more concise throughout, including elimination of an unnecessary definition of "agreement." Additionally, the definition of "applicant" will be updated to specify that a business applicant must have a physical location in Iowa. Rule 261—29.3(88GA,SF608) will be updated to specify that an applicant's proposed project, in addition to the applicant itself, must serve a city that has a population of 20,000 or less and that is not contiguous to a city with a population of 40,000 or greater.

Rule 261—29.4(88GA,SF608) will be updated for consistency with Iowa Code section 15.439, which requires that additional consideration is given to projects included in an Iowa Great Places agreement. The updated rule will specify that additional consideration will be given to projects in communities with a population of less than 10,000, consistent with equivalent scoring criteria for the Rural Housing Needs Assessment Grant program in 261—paragraph 28.4(2)"d."

The implementation sentence will be updated to include reference to Executive Order 11 (October 19, 2023), which restructured the Empower Rural Iowa initiative but maintained the Authority's ongoing role to provide staffing and administrative assistance to the initiative.

Analysis of Impact

1. **Persons affected by the proposed rulemaking:**

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

Entities 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:**

Entities 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 creative, nontraditional ideas that focus on current issues and challenges faced by rural communities associated with the themes of community investment, growth, and connection.

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 rules have no anticipated impact on state revenues. The Authority was directed to provide staffing and administrative assistance to the Empower Rural Iowa initiative by Executive Orders 3 and 11 and to establish the program by 2019 Iowa Acts, Senate File 608. Additional appropriations for Empower Rural Iowa have been utilized to continue funding the program.

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

CHAPTER 29
RURAL INNOVATION GRANT PROGRAM

261—29.1(88GA,SF608) Purpose. The purpose of the rural innovation grant program is to support creative, nontraditional ideas that focus on current issues and challenges faced by rural communities.

261—29.2(88GA,SF608) Definitions. For purposes of this chapter, unless the context otherwise requires:

"Applicant" means an Iowa business, a college, a university, a city, a county, a council of governments organization established by Iowa Code chapter 28H, a K-12 educational institution, or a private nonprofit agency or a foundation applying for financial assistance under the program. A business will be considered an Iowa business if the business has a physical location in Iowa and is incorporated in the state of Iowa or authorized to do business in the state of Iowa.

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

"Director" means the director of the authority.

"Financial assistance" means a grant made by the authority to an applicant approved for funding under the program.

"Program" means the rural innovation grant program established in this chapter.

"Project" means a program or activity undertaken in and for the benefit of a community in Iowa with a population of 20,000 or less and not contiguous to a city with a population of 40,000 or greater.

261—29.3(88GA,SF608) Program description.

29.3(1) *Amount, form, and timing of assistance.* The amount of assistance awarded will be determined by the authority based on the total amount of funds available to the authority for the program and based on the project details. The authority will establish a maximum grant award per application and a minimum grant award per application for each fiscal year in which funding is available. The authority will provide financial assistance in the form of a grant. Funds will be disbursed on a reimbursement basis for expenses incurred by the applicant after approval of an award by the director.

29.3(2) *Application.*

a. Forms. All applications and other filings related to the program shall be on such forms and in accordance with such instructions as established by the authority. Information about the program, the application, and application instructions may be obtained by contacting the authority.

b. *Application period.* Each fiscal year during which funding is available, applications for financial assistance will only be accepted during the established application period, or periods, as identified by the authority on its website.

c. *Frequency of application.* An eligible applicant may only be named as the primary entity on one application per application period. However, an applicant who has applied as the primary entity for an application may also be named as a partner on additional applications.

d. *Completeness.* An application will not be considered submitted for review until the application is completed and all required supporting documentation and information are provided.

29.3(3) *Use of funds.*

a. An applicant shall use funds only for reimbursement of the costs directly related to the project. The authority may require documentation or other information establishing the actual costs incurred for a project.

b. For purposes of this subrule, "costs directly related" does not include ineligible expenses, such as international travel, domestic travel outside the state of Iowa, insurance, training or professional development courses, and any other expenses specified as ineligible in the agreement entered pursuant to rule 261—29.5(88GA,SF608).

261—29.4(88GA,SF608) Program eligibility, application scoring, and funding decisions.

29.4(1) *Program eligibility.* An applicant must meet the following eligibility criteria to qualify for financial assistance under this program:

a. The applicant must meet the definition of "applicant" in rule 261—29.2(88GA,SF608).

b. If the applicant is not a local government entity, the applicant must demonstrate support from the local government entity as evidenced by a letter of support.

c. The applicant and its proposed project must serve a city that has a population of 20,000 or less and that is not contiguous to a city with a population of 40,000 or greater.

d. The applicant must demonstrate the capacity for administering a grant.

e. The applicant must provide a cash match of at least 50 cents for every dollar awarded as a grant under this program.

f. The applicant must demonstrate that the project does not consist of ongoing expenses for existing projects or programs.

29.4(2) *Application scoring criteria.* All completed applications will be reviewed and scored. Each application will be scored using criteria set forth by the authority, which may include the following:

a. Alignment with program purpose. The application should demonstrate that the project aligns with the program purpose by developing a nontraditional, concrete solution to increase rural community vibrancy.

b. Innovation. The application should demonstrate that the project will address rural challenges through exceptional and creative solutions.

c. Replicability. The application should demonstrate a clear opportunity for successful replication in rural communities across the state.

d. Roles defined. The application should identify and describe the roles of all partners involved in the project.

e. Project goals and timeline. The application should demonstrate clearly defined, measurable goals and a timeline for execution of the project.

f. Project budget and financing. The application should include a complete budget that provides clear justification for all costs. The application should also demonstrate secured financing and that the cash match requirement has been met.

g. Additional points. Extra consideration is provided to projects identified in an Iowa great places agreement as well as those located in a community with a population of 10,000 or less.

29.4(3) *Funding decisions.* Funding decisions will be made using the following process:

a. Staff review. Each application will be reviewed by staff for eligibility and completeness. Eligible and complete applications will be sent to a grant committee.

b. Grant committee review and recommendation. Following staff review, a grant committee will review and score applications using the criteria in subrule 29.4(2) and will make funding recommendations. The committee may utilize an outside technical panel if the committee determines additional expertise is necessary to review and score the application. The application and score will be referred to the director with a recommendation as to whether to fund the project and, if funding is recommended, a recommendation as to the amount of the grant.

c. Director's decision. The director will make the final funding decision on each application, taking into consideration the amount of available funding and the grant committee's recommendation. The director may approve, deny, or defer funding for any application.

d. Notification. Each applicant will be notified in writing of the funding decision within 15 days of the director's decision.

261—29.5(88GA,SF608) Agreement and reports.

29.5(1) Each applicant that is approved for financial assistance under the program shall enter into an agreement with the authority for the provision of such financial assistance. The agreement will establish the terms on which financial assistance is to be provided and may include any other terms reasonably necessary for the efficient administration of the program.

29.5(2) The authority and the applicant may amend the agreement at any time upon the mutual agreement of both the authority and the applicant.

29.5(3) A recipient under the program shall submit information reasonably required by the authority to make reports to the authority's board, the governor's office, or the general assembly.

These rules are intended to implement 2019 Iowa Acts, Senate File 608, and Executive Order 11 (October 19, 2023).