
FISCAL TOPICS

Fiscal Services Division

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Des Moines, Iowa 50319

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Demonstration Fund

History and Purpose

The [Demonstration Fund](#) was established in 2007 with the enactment of [HF 829](#) (Targeted Industry Promotion, Development, and Education Activities Act) and is currently codified in Iowa Code section [15.411\(2\)](#). The Demonstration Fund is established to provide financial and technical assistance to encourage high technology prototype and concept development activities that have a clear potential to lead to commercially viable products or services within a reasonable period. The primary purpose of the Fund is to help businesses with a high-growth potential reach a position where they can attract later-stage private sector funding.

Eligible Applicants

Eligible applicants must be in Iowa, demonstrate the potential for high growth, and be included in one of the following industries classified by the North American Industry Classification System (NAICS):

- Biosciences
- Information technologies
- Advanced manufacturing

Ineligible Applicants

A business that is engaged in retail sales or provides health services is ineligible for funding. Also, a business that closes or substantially reduces its workforce by more than 20.0% at existing operations to relocate substantially the same operation to another area of the State is ineligible for 36 consecutive months at any of its Iowa sites from the date the new establishment opens.

Application and Review Process

The application and review process is specified in [261 Iowa Administrative Code \(IAC\) 105.8](#). To apply for financial assistance from the Fund, a business must apply to the Iowa Economic Development Authority (IEDA). The application is reviewed by the IEDA staff, the [Technology Commercialization Committee](#) (TCC), and the IEDA Board. The TCC makes application recommendations to the Board; however, the Board has final decision-making authority on requests for financial assistance. The Board may approve, defer, or deny an application.

Application Selection Criteria

The application selection criteria are specified in [261 IAC 105.9](#).

Project Funding

Awards are to be made on a per project basis upon the approval of the IEDA Board. The maximum award is not to exceed \$150,000 for a single project. The funds may be used for refining a prototype, acquiring managerial expertise, purchasing equipment, or creating marketing materials. Funding is not to be used for university overhead expenses or any work that was conducted prior to the term of the contract by the applicant or any third-party consultant. The forms of financial assistance may consist of

More Information

Iowa Economic Development Authority (IEDA): www.iowaeconomicdevelopment.com/default.aspx
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loans, forgivable loans, grants, and such other forms of assistance the Board deems appropriate and consistent with the needs of a given project.

Matching Funds Requirement

To receive financial assistance, an applicant must demonstrate the ability to secure \$1 of non-State moneys for every \$2 received from the IEDA.

Contract and Reporting

Successful applicants will be notified in writing of an award of assistance, including any conditions and terms of the approval. The IEDA must 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; the repayment requirements imposed on the business in the event the business does not fulfill its obligations described in the contract; and other specific repayment provisions to be established on a project-by-project basis. An applicant must submit any information requested by the IEDA in sufficient detail to permit the IEDA to prepare any reports required by the IEDA, the Board, the General Assembly, or the Governor's office.

Fund Revenue

The Demonstration Fund receives funding through the Innovation and Commercialization Development Fund established in Iowa Code section [15.412](#), as well as loan repayments, and interest. The Innovation and Commercialization Development Fund receives an allocation from the [High Quality Jobs Program](#). The High Quality Jobs Program receives an annual Skilled Worker and Job Creation Fund (SWJCF) appropriation in the Economic Development Appropriations Act. The SWJCF receives an allocation from State wagering tax receipts.¹

Iowa Related Statutes and Administrative Rules

Iowa Code sections [15.411](#) and [15.412](#)
Iowa Administrative Code [265—105](#)

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¹ Iowa Code [§8.57\(5\)\(f\)\(1\)\(d\)](#).