

NOTICE OF RULE MAKING

Arizona Commerce Authority Rule Notice of Rule Making No. 19-03

1. Rule(s):

Applied Research Centers and Institutes

2. Preamble.

A. Section 129 of HB2747

B. The proposed Rules will govern the budget distribution associated with applied research centers and institutes. The Rules are necessary to establish the program.

3. The exact wording of the rule.

See attached.

4. The name and contact information of agency personnel with whom persons may communicate regarding the rule.

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5. Where written submissions on the proposed rule may be inspected (by appointment only).

Arizona Commerce Authority
100 North 7th Avenue, Suite 100
Phoenix, Arizona 85007

6. The time during which written submissions may be made and the time and place, if scheduled, where oral comments may be made.

Written submissions may be made within thirty (30) days after the date of posting of the Notice of Rule Making. Written submissions should be directed to:

Attention: Applied Research Centers and Institutes Guidelines
Arizona Commerce Authority
100 North 7th Avenue, Suite 400
Phoenix, Arizona 85007

Submissions also may be transmitted electronically within the same time period by



directing the submission to:

Attention: Applied Research Centers and Institutes Guidelines
appliedresearch@azcommerce.com

No hearing to receive oral comments has been scheduled at this time.

7. Any known timetable for agency decisions or other action in the proceeding.

None at this time.

8. The date of posting the Notice of Rule Making.

August 27, 2019.

9. The deadline for the Authority to file a notice of adoption of the rule.

No later than 180 days from August 27, 2019.

Arizona Commerce Authority
Applied Research Centers and Institutes

A. Guidelines¹

Pursuant to Section 129 of HB2747, Governor Ducey and the State legislature provided for the sum of \$2.5M to distribute to applied research centers and institutes across the state to support the following technologies and products in amounts set forth below:

- i. \$1.25M for blockchain
- ii. \$750,000 for wearables
- iii. \$500,000 for the Institute for Automated Mobility

The Arizona Commerce Authority intends to distribute the funds as set forth in statute with an eye toward development of research that supports such technologies and products in a way that helps establish Arizona as a leader in these emerging technology sectors. The distributions referenced herein shall be allocated for research purposes only and not for operations, management, or overhead costs.

B. Eligibility

Eligibility to receive a distribution shall be limited to the following:

1. The Institute for Automated Mobility; or,
2. An Applied Research Center that meets the following criteria:
 - a) Maintains a presence in the State of Arizona with evidence of research expenditures being realized in the State.
 - b) Has secured matching funds of at least \$250,000 per Increment from sources other than state funds.
 - c) Conducts applied research in one of the targeted technologies – i.e. Blockchain or Wearables.
 - d) Has a Principal Investigator leading the research efforts with substantively rigorous academic credentials and a history of intellectual contribution to the targeted technology.
 - e) Provides evidence of collaboration with universities, nonprofit business associations, health science research centers, institutes or other technology businesses that do business in this state.
 - f) Is conducting or plans to conduct research in support of a defined product or service for commercial use and is therefore conducting “applied” research. Distributions hereunder are not intended to support basic research without a specific application in mind.

C. Processing Notifications

1. The ACA shall accept notification for eligible Applied Research Centers via submission of the Notification Form and supporting documentation via email at appliedresearch@azcommerce.com. Any conforming

¹ These guidelines are provided to assist applicants. In case of conflict between what is presented here and the Arizona Revised Statutes, the statutes shall prevail.

notification shall include, at a minimum, information sufficient to identify the Applied Research Center as well as the source and amount of Matching Funds with all supporting information and documentation. Each element for eligibility set forth in Section B(2) shall be documented and supported by evidence. The ACA may request clarifying or additional information during its review of any notification.

2. The ACA shall distribute an Increment within 30 days of submission of a substantially complete notification.

D. Reporting Requirements

1. Annual Requirements – Any Applied Research Center and the IAM shall submit an expenditure and performance report to the ACA on the first anniversary of its receipt of an Increment and on each anniversary thereafter. Such report shall be on a form provided by the ACA and shall include information that reflects the Applied Research Expenditures and performance of the Applied Research Center (or IAM as the case may be) as a whole including the required Matching Funds.
2. Concluding Report – Any Applied Research Center and the IAM shall report to the ACA on or before September 15, 2022 the amount of monies received hereunder that have been expended or encumbered as of September 1, 2022. The Applied Research Center and the IAM shall return to the ACA by September 15, 2022 all funds received under this program that remain unexpended or unencumbered funds on September 1, 2022.

E. Miscellaneous

1. Treatment of Intellectual Property – All intellectual property arising from or developed under any distribution hereunder shall be governed pursuant to any agreement between an Applied Research Center and its collaborative universities, nonprofit business associations, health science research centers, institutes or other technology businesses as the case may be.
2. Timing and Amount of Distributions – in order to maximize the benefit to Arizona and its residents, the ACA will accept initial notifications between August 27, 2019 and September 30, 2019. All notifications received during this initial period may be amended, supplemented, or withdrawn at any time and thus all substantially complete notifications that are present in the system will be deemed received on September 30, 2019. Distributions for this initial group of notifications shall occur within 30 days from September 30, 2019, or on or before October 30, 2019. Thereafter, any remaining funds shall be distributed on a rolling first-come-first-served basis 30 days following submission of a substantially complete notification. If insufficient funds are available in the applicable cap to cover all initial notifications, all requested Increments shall be reduced in an amount not greater than what is required to provide an equal amount of funds to each Applied Research Center with a then pending notification. If sufficient funds are available in the applicable cap for the initial notifications, but insufficient for any subsequent batch of notifications, the same pro rata distribution shall occur for all Increments that are outstanding as of the date the insufficiency arises. For purposes of calculating this pro rata distribution after the initial period, all notifications that are received by the ACA on a specific day shall be treated as having been received in the same batch.

F. Definitions

1. “Applied Research Center” - means the Institute of Automated Mobility or any enterprise with a presence in the State that has a focus on application of the Blockchain or Wearables technologies into products and services for an end consumer.
2. “Applied Research Expenditures” – means expenditures that are necessary and prudent in the research and testing process. Operating, general management, and overhead costs are not considered Applied Research Expenditures.
3. “Blockchain” – refers generally to a decentralized system in which a digital, public ledger records online transactions.
4. “Encumbered” – means a legally binding written obligation to make an expenditure or investment.
5. “Increment” – means any specified tranche of funds distributed to an Applied Research Center and shall not exceed \$250,000. Each Increment – regardless of the amount – shall be supported by Matching Funds of at least \$250,000.
6. “Institute for Automated Mobility” – refers specifically to that certain Institute of Automated Mobility established pursuant to Executive Order 2018-09.
7. “Matching Funds” – shall be limited to an obligation of monetary support from sources other than the State of Arizona for research regarding the targeted technology. In-kind or other non-monetary support shall not be included in considering the amount of Matching Funds.
8. “Principal Investigator” – means the individual in an executive or leadership role who directs research at the Applied Research Center.
9. “Wearables” – refers generally to any manufactured element or system intended to attach to or be connected with a human body that defends, enhances, or supplements the human body’s natural abilities or characteristics, that generates environmental or biological data relative to the human body, or that otherwise incorporates technological applications or innovations of whatever type or nature to provide such enhancement or information.

Applied Research Centers and Institutes Arizona Commerce Authority 118 North 7th Avenue, Suite 400 Phoenix, AZ 85007

Questions regarding ARC Funds can be directed to: Michael Kellis, Associate Counsel (602) 845-1263 appliedresearch@azcommerce.com
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