

NOTICE OF RULE MAKING

Arizona Commerce Authority Rule Notice of Rule Making No. 21-05

1. Rule(s):

Applied Research Centers and Institutes

2. Preamble.

A. Section 17 of SB1823

B. The proposed Rules will govern the budget distribution associated with applied research centers and institutes. The Rules are necessary to implement the recent changes to the program, which was created in 2019 and revised in 2021.

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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Director, Financial Programs
100 North 7th Avenue, Suite 400
Phoenix, AZ 85007
Phone: 602-845-1783
Fax: 602-845-1201
Email: appliedresearch@azcommerce.com

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

Arizona Commerce Authority
100 North 7th Avenue, Suite 400
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 20, 2021.

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

No later than 180 days from August 20, 2021.



Arizona Commerce Authority
Applied Research Centers and Institutes

A. Guidelines¹

Pursuant to Laws 2021, Chapter 408, Section 17 of SB1823, Governor Ducey and the State legislature provided for the sum of \$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. \$2.5M for blockchain technology
- ii. \$2.5M for wearable technology

The Arizona Commerce Authority intends to distribute the funds as set forth in statute with an eye toward the 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

An Applied Research Center is eligible to receive a distribution if they meet all 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 from sources other than state funds that are of, at least, equal value to the requested Increment.
 - 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.
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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 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

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.

element for eligibility set forth in Section B 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 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 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, 2025 the amount of monies received hereunder that have been expended or encumbered as of September 1, 2025. The Applied Research Center and the IAM shall return to the ACA by September 15, 2025 all funds received under this program that remain unexpended or unencumbered funds on September 1, 2025.

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 September 25, 2021 and October 31, 2021. 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 October 31, 2021. Distributions for this initial group of notifications shall occur within 30 days from October 31, 2021, or on or before November 30, 2021. 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 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 that are, at least, equal to the value of the Increment.
6. “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. Funds cannot be used to compensate Principal Investigators who are otherwise investors, executives, or founders at the entities from whom matching funds are being received.
7. “Principal Investigator” – means the individual in an executive or leadership role who directs research at the Applied Research Center.
8. “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 100 North 7 th Ave, Suite 400 Phoenix, AZ 85007
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Questions regarding ARC Funds can be directed to: Stephanie Faltermeier (602) 806-1783 appliedresearch@azcommerce.com
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