

Alabama Research and Development Enhancement Fund Program Guide



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Creation and Authority

The Alabama Innovation Act (AIA) was established by Legislative Act #2019-404 and became effective June 6, 2019. The Act designated the Alabama Department of Economic and Community Affairs (ADECA) as the state agency to establish and administer the Alabama Research and Development Enhancement Fund (ARDEF) Program.

Purpose

The purpose of the ARDEF Program is to encourage new and continuing efforts to conduct research and development activities within the state. The Fund is designated to receive appropriations from the legislature, or from the receipt of gifts, grants, or federal funds to be expended for the purpose of increasing employment opportunities and products and services available to the citizens of Alabama.

Administration Oversight Committee

A seven member Alabama Research and Development Enhancement Oversight Committee is tasked with providing general oversight of implementation of the AIA and grant determinations. The committee includes: the Chair of the House Ways and Means Education Committee or designee; the Chair of the Senate Finance and Taxation Education Committee or designee; two members appointed by the Speaker of the House of Representatives; two members appointed by the President Pro Tempore of the Senate, and the Director of ADECA or his or her designee. The Committee must meet at least annually and reflect the racial, gender, geographic, urban/rural, and economic diversity of the state.

Application Guidelines

The first annual commencement date to submit grant applications shall be within 90 days of the effective date of this Act (September 4, 2019) and shall be March 1 in each subsequent year. ADECA shall accept applications within a 150-day grant window after the annual commencement date. Applications for eligible expenses will be evaluated according to a scoring system developed by ADECA that incorporates the priorities of AIA, with grant awards published within 90 days after expiration of the filing window.

Eligibility

Eligible research entities must include one or more of the following:

- A public or private university in the state;

- A university research foundation affiliated with a public or private university in the state;
- A public two-year college in the state;
- A publicly-owned hospital in the state;
- An entity duly formed, domiciled or qualified to do business in the state that meets each of the following criteria:
 - Is exempt from federal income tax under section 501 (c) (3) of the Internal Revenue Code of 1986, as amended;
 - Is predominantly engaged in research and non-commercial development activities undertaken for the purpose of discovering information that is technological or biotechnological in nature, involves a process of experimentation, and the application of which is intended to be used in the development of a new or improved product, service or treatment;
 - Has its headquarters and principal place of business in the state; and
 - Has, or is anticipated to have, at least 75 percent of its property and payroll in Alabama, using the property and payroll factor calculations found in Title 40.

Approved Activities

The conduct of an activity that is predominantly any one or more of the following:

- Described by NAICS Code 1133, 115111, 2121, 22111, 221330, 31 (other than 311811), 32, 33, 423, 424, 482, 4862, 48691, 48699, 48819, 4882, 4883 (other than 48833), 493, 511, 5121 (other than 51213), 51221, 517, 518 (without regard to the premise that data processing and related services be performed in conjunction with a third party), 51913, 52232, 54133 (if predominantly in furtherance of another activity described in the Act), 54134 (if predominantly in furtherance of another activity described in the Act), 54138, 5415, 541614, 5417, 55 (if not for the production of electricity), 561422 (other than establishments that originate telephone calls), 562213, 56291, 56292, 611512, 927 or 92811.
- The production of biofuel as such term is defined in Section 2-2-90 (c) (2).
- A target of the state's economic development efforts pursuant to either of the following:
 - The Accelerate Alabama Strategic Economic Development Plan adopted in January 2012 by the Alabama Economic Development Alliance, created by Executive Order Number 21 of the Governor on July 18, 2011, or any amended version or successor document thereto, or
 - A type listed in a regulation adopted by the Department of Commerce.

Funding

Individual grants awarded by ADECA may not exceed the lesser of:

1. Twenty percent (20%) of the total grant funds awarded in a single fiscal year, or

2. An amount equal to the sum of the following:
 - Ten percent (10%) of the following:
 - Contract research expenses for qualified research conducted in Alabama during the fiscal year preceding the fiscal year for which grant funds are being awarded, minus
 - Fifty percent (50%) of the contract research expenses conducted in Alabama, on average, over the three fiscal years preceding the fiscal year for which the grant amount is being determined.
 - Twenty-five (25%) percent of the following:
 - Consortium research expenses for qualified research conducted in Alabama during the fiscal year preceding the fiscal year for which grant funds are being awarded, minus
 - Fifty percent (50%) of the consortium research expenses conducted in Alabama, on average, over the three fiscal years preceding the fiscal year for which the grant amount is being determined.

Contract research expenses are defined as any amount paid by a business enterprise to an Alabama research entity (other than an employee of the research entity) for qualified research, but not including any of the following:

- Consortium research expenses; or
- Expenses for research activities performed outside Alabama.

Consortium research expenses are defined as any amount paid or incurred by any Alabama research entity for qualified research, but not including any expenses for research activities performed outside Alabama.

Awards subject to such limitations shall be awarded pursuant to criteria established by ADECA, with priority given to qualified research expenditures supporting an approved activity.

The grants shall be allocated among various taxpayers using the procedures in this section.

- Each research entity who wishes to apply for a grant shall file an application with the department showing the amount of grant funding which the research entity expects in good faith to qualify for during the applicable fiscal year. No application shall show an expected claim in excess of twenty percent (20%) of the maximum amount to be awarded in a single fiscal year.
- As applications are submitted, the department shall approve any the department deems sufficient, until the total approved applications represent the total available grant funds for the applicable fiscal year. All applications received on the day that the total for the applicable fiscal year is reached shall receive approval for a pro rata share of the credits available at the start of that day. To the extent that the applications are not approved, the portion not approved shall be conditionally denied by the department. Research

entities may continue to submit applications after the total for the applicable fiscal year is reached, and applications that the department deems sufficient shall be conditionally denied but maintained in the order received.

- If grant funds for the corresponding fiscal year are returned for any reason or if additional grant funds become available, the department shall approve, in the order they were received, the applications that were conditionally denied until the approved applications represent total of available grant funds for the applicable fiscal year and timely notify benefiting research entities.

Reporting

ADECA shall produce a quarterly report on the awarded grants and the status of grants under the program to the Oversight Committee, including progress toward increased research and development activities in Alabama. The report will be published on ADECA's website provided that the details of any specific research project will not be published without the express written permission of the research entity applying for or receiving the grant. Within 12 months of the effective date of the AIA (June 6, 2019), ADECA will produce a report on the increased research and development activities supported by grant funds.