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# ARTICLE 23 SUBSTITUTE A

RELATING TO STATE AFFAIRS AND GOVERNMENT - THE INNOVATE RHODE ISLAND SMALL BUSINESS PROGRAM

SECTION 1. Title 42 of the General Laws entitled "STATE AFFAIRS AND GOVERNMENT" is hereby amended by adding thereto the following chapter:

CHAPTER 64.16

THE INNOVATE RHODE ISLAND SMALL BUSINESS PROGRAM

**42-64.16-1. Establishment of incentive program.** – (a) There is hereby established the Innovate Rhode Island Small Business Incentive Program SBIR/STTR to be administered by the Rhode Island Science and Technology Advisory Council (STAC). In order to foster job creation and economic development in the state, STAC may provide grants to eligible businesses to offset costs associated with applying to the United States Small Business Administration for Small Business Innovation Research (SBIR) grants or Small Business Technology Transfer Research (STTR) grants. The grants shall be paid from the Innovate Rhode Island Small Business Account established in this chapter.

(b) Eligibility. – In order to be eligible for a grant under this section, a business must satisfy all of the following conditions:

(1) The business must be a for-profit, Rhode Island-based business with fifty (50) or fewer employees. For the purposes of this section, a Rhode Island-based business is one that has its principal place of business and at least fifty-one percent (51%) of its employees residing in this state.

(2) The business must have submitted a qualified SBIR/STTR Phase I proposal to a participating federal agency in response to a specific federal solicitation.

(3) The business must satisfy all federal SBIR/STTR requirements.

(4) The business shall not receive concurrent funding support from other sources that duplicates the purpose of this section.

(5) The business must certify that at least fifty-one percent (51%) of the research described in the federal SBIR/STTR Phase I proposal will be conducted in this state and that the business will remain a Rhode Island-based business for the duration of the SBIR/STTR Phase I project.

1 (6) The business must demonstrate its ability to conduct research in its SBIR/STTR Phase  
2 I proposal.

3 (c) Grant. – STAC may award grants to reimburse an eligible business for up to fifty  
4 percent (50%) of the costs of preparing and submitting an SBIR/STTR Phase I proposal, up to a  
5 maximum of three thousand dollars (\$3,000). A business may receive only one grant under this  
6 section per year. A business may receive only one grant under this section with respect to each  
7 federal proposal submission. Costs that may be reimbursed include costs incurred directly related  
8 to preparation and submission of the grant such as word processing services, proposal consulting  
9 fees, project-related supplies, literature searches, rental of space or equipment related to the  
10 proposal preparation, and salaries of individuals involved with the preparation of the proposals.  
11 Costs that shall not be reimbursed include travel expenses, large equipment purchases, facility or  
12 leasehold improvements, and legal fees.

13 (d) Application. – A business shall apply, under oath, to STAC for a grant under this  
14 section on a form prescribed by STAC that includes at least all of the following:

15 (1) The name of the business, the form of business organization under which it is  
16 operated, and the names and addresses of the principals or management of the business.

17 (2) An acknowledgement of receipt of the Phase I proposal by the relevant federal  
18 agency.

19 (3) An itemized statement of the costs that may be reimbursed.

20 (4) Any other information necessary for STAC to evaluate the application.

21 **42-64.16-2. Establishment of matching funds program.** – (a) There is established the  
22 Rhode Island SBIR/STTR Matching Funds Program to be administered by STAC. In order to  
23 foster job creation and economic development in the state, STAC may provide grants to eligible  
24 businesses to match funds received by a business as a SBIR or STTR Phase I award, loans to  
25 eligible businesses to match funds received by a business as a SBIR or STTR Phase II award, and  
26 to encourage businesses to apply for further Phase II and Phase III awards, respectively.

27 (b) Eligibility. – In order to be eligible for a grant under this section, a business must  
28 satisfy all of the following conditions:

29 (1) The business must be a for-profit, Rhode Island-based business with fifty (50) or  
30 fewer employees. For the purposes of this section, Rhode Island-based business is one that has its  
31 principal place of business and at least fifty-one percent (51%) of its employees residing in this  
32 state.

33 (2) The business must have received an SBIR/STTR Phase I award from a participating  
34 federal agency in response to a specific federal solicitation. To receive the full Phase I matching

1 grant, the business must also have submitted a final Phase I report, demonstrated that the  
2 sponsoring agency has interest in the Phase II proposal, and submitted a Phase II proposal to the  
3 agency. To receive the full Phase II matching loan, the business must also have submitted a final  
4 Phase II report, demonstrated that the sponsoring agency has interest in the Phase III proposal,  
5 and submitted a Phase III proposal to the agency.

6 (3) The business must satisfy all federal SBIR/STTR requirements.

7 (4) The business shall not receive concurrent funding support from other sources that  
8 duplicates the purpose of this section.

9 (5) For a Phase I matching grant, the business must certify that at least fifty-one percent  
10 (51%) of the research described in the federal SBIR/STTR Phase II proposal will be conducted in  
11 this state and that the business will remain a Rhode Island-based business for the duration of the  
12 SBIR/STTR Phase II project. For a Phase II matching loan, the business must certify that at least  
13 fifty-one percent (51%) of the research described in the federal SBIR/STTR Phase III proposal  
14 will be conducted in this state and that the business will remain a Rhode Island-based business for  
15 the duration of the SBIR/STTR Phase III project.

16 (6) For a Phase I matching grant, the business must demonstrate its ability to conduct  
17 research in its SBIR/STTR Phase II proposal. For a Phase II matching loan, the business must  
18 demonstrate its ability to conduct research in its SBIR/STTR Phase III proposal.

19 (c) Phase I Matching Grant. – STAC may award grants to match the funds received by a  
20 business through a SBIR/STTR Phase I proposal up to a maximum of one hundred thousand  
21 dollars (\$100,000). Seventy-five percent (75%) of the total grant shall be remitted to the business  
22 upon receipt of the SBIR/STTR Phase I award and application for funds under this section.  
23 Twenty-five percent (25%) of the total grant shall be remitted to the business upon submission by  
24 the business of the Phase II application to the funding agency and acceptance of the Phase I report  
25 by the funding agency. A business may receive only one grant under this section per year. A  
26 business may receive only one grant under this section with respect to each federal proposal  
27 submission. Over its lifetime, a business may receive a maximum of six (6) awards under this  
28 section.

29 (d) Phase II Matching Loan. – STAC may award loans to match the funds received by a  
30 business through a SBIR/STTR Phase II proposal up to a maximum of three hundred thousand  
31 dollars (\$300,000) that must be secured by sufficient assets of the business. Seventy-five percent  
32 (75%) of the total loan shall be remitted to the business upon receipt of the SBIR/STTR Phase II  
33 award and application for funds under this section. Twenty-five percent (25%) of the total loan  
34 shall be remitted to the business upon submission by the business of the Phase III application to

1 the funding agency and acceptance of the Phase I report by the funding agency. A business may  
2 receive only one loan under this section per year. A business may receive only one loan under this  
3 section with respect to each federal proposal submission. Over its lifetime, a business may receive  
4 a maximum of six (6) loans under this section.

5 (e) Application. – A business shall apply, under oath, to STAC for a grant or loan under  
6 this section on a form prescribed by STAC that includes at least all of the following:

7 (1) The name of the business, the form of business organization under which it is  
8 operated, and the names and addresses of the principals or management of the business.

9 (2) For a Phase I matching grant, an acknowledgement of receipt of the Phase I report  
10 and Phase II proposal by the relevant federal agency. For a Phase II matching loan, an  
11 acknowledgement of receipt of the Phase II report and Phase III proposal by the relevant federal  
12 agency.

13 (3) Any other information necessary for STAC to evaluate the application.

14 **42-64.16-3. Establishment of bioscience & engineering internship program. – (a)**

15 There is hereby established the Innovate Rhode Island Bioscience & Engineering Internship  
16 Program to be administered by STAC. In order to promote workforce development and education  
17 in the bioscience and engineering fields and enhance the talent pipeline for Rhode Island  
18 businesses engaged in the biosciences and engineering, STAC may reimburse eligible bioscience  
19 and engineering companies for eligible internship stipends. The reimbursements shall be paid  
20 from the Innovate Rhode Island Small Business Account established in this chapter.

21 (b) Bioscience and engineering definitions.

22 (1) Bioscience definition. – For the purposes of this section, "bioscience" shall mean  
23 advanced and applied sciences that expand the understanding of human physiology and have the  
24 potential to lead to medical advances or therapeutic applications.

25 (2) Engineering definition. – For the purposes of this section, "engineering" shall mean  
26 the creative application of advanced mathematics and natural sciences to design or develop  
27 complex structures, machines, processes, or systems.

28 (c) Business eligibility. – In order to be eligible for reimbursement under this section, a  
29 business must satisfy all of the following conditions:

30 (1) The business must be a for-profit, Rhode Island-based business with fifty (50) or  
31 fewer employees. For the purposes of this section, a Rhode Island-based business is one that has  
32 its principal place of business and at least fifty-one percent (51%) of its employees in this state.

33 (2) The business must be primarily engaged in a bioscience or engineering field and must  
34 demonstrate its ability to conduct research in bioscience or engineering.

1           (3) The business must host the internship in Rhode Island.

2           (4) The business must offer interns a hands-on learning experience and at least one  
3 mentor directly overseeing the internship.

4           (5) Any two or more related businesses that are commonly controlled by any person or  
5 entity, directly or indirectly, are limited to reimbursement under this section available for one  
6 business only.

7           (d) Intern eligibility. – In order to be an eligible intern under this section, a prospective  
8 intern must satisfy all of the following requirements:

9           (1) The prospective intern must be a Rhode Island resident and must attend a college or  
10 university located in Rhode Island.

11           (2) For students enrolled in community college, the student must be enrolled in an  
12 Associate's Degree or Certificate program or completed one within the past year; for students  
13 enrolled in four-year college or university, the student must have or will have completed at least  
14 sophomore year the semester before the internship, or have graduated within the past year; for  
15 graduate students, the student must be enrolled in a Master's Degree program or received their  
16 Master's Degree within the past year.

17           (3) The intern cannot be the spouse, child, grandchild, sibling, niece, nephew, or spouse  
18 of a child, grandchild, sibling, niece, or nephew of any employee of the business.

19           (4) The intern cannot participate in more than one internship subsidized under this section  
20 in the same calendar year.

21           (5) The intern cannot participate in more than two internships subsidized under this  
22 section, over two calendar years, with the same business.

23           (e) Reimbursement. – STAC may reimburse eligible companies for pay rates up to twelve  
24 dollars (\$12) per hour for a total reimbursement of no more than three thousand dollars (\$3,000)  
25 per eligible intern in a bioscience or engineering internship program. Businesses may seek  
26 reimbursement for up to two (2) interns per calendar year. Interns shall be paid directly by the  
27 eligible business. Eligible businesses may seek reimbursement under this section by providing  
28 certification and proof of payment to STAC.

29           (f) Business application. – A business shall apply, under oath, to STAC to qualify for  
30 reimbursement under this section on a form prescribed by STAC that includes at least all of the  
31 following:

32           (1) The name of the business, the form of business organization under which it is  
33 operated, and the names and addresses of the principals or management of the business.

34           (2) Certification that the business meets the requirements for eligibility under this section.

1           (3) A description of the bioscience or engineering internship program that the business  
2 intends to offer.

3           (4) Any other information necessary for STAC to evaluate the application.

4           (g) Prospective intern application. – A prospective intern shall apply, under oath, to  
5 STAC to qualify for an internship under this section on a form prescribed by STAC that includes  
6 at least all of the following:

7           (1) The prospective intern’s name, address, college or university, program of study, year  
8 of study at the college or university, and degree of attainment.

9           (2) Certification that prospective intern meets the requirements for eligibility under this  
10 section.

11           (3) Proof of Rhode Island residency.

12           (4) Proof of enrollment in a college or university in Rhode Island or proof of having  
13 graduated from a college or university in Rhode Island within the past year.

14           (5) Resume and cover letter.

15           (6) Any other information necessary for STAC to evaluate the application.

16           (h) Application process. – STAC may receive applications from businesses and  
17 prospective interns throughout the calendar year and make determinations relating to eligibility  
18 under this section. STAC may make available to eligible businesses the eligible intern  
19 applications. Eligible businesses looking to host interns may review applications, interview  
20 candidates, and select and hire interns according to their qualifications and the businesses’ needs.

21           **42-64.16-4. Program guidelines.** – STAC shall develop guidelines related to the  
22 administration of the programs established by this chapter. At least twenty (20) days before the  
23 effective date of any guidelines or nontechnical amendments to guidelines, STAC must publish  
24 the proposed guidelines on STAC website and provide notice to persons who have requested  
25 notice of proposed guidelines. In addition, STAC must accept oral and written comments on the  
26 proposed guidelines during the fifteen (15) business days beginning on the first day that STAC  
27 has completed these notifications. For the purpose of this section, a technical amendment is either  
28 of the following:

29           (1) An amendment that corrects a spelling or grammatical error.

30           (2) An amendment that makes a clarification based on public comment and could have  
31 been anticipated by the public notice that immediately preceded the public comment.

32           **42-64.16-5. Innovate Rhode Island Small Business Account established as a special**  
33 **revenue fund.** – (a) Establishment. – The Innovate Rhode Island Small Business Account is  
34 hereby established as a special revenue fund in STAC.

1           **(b) Purpose.** – The Innovate Rhode Island Small Business Account ("IRISBA") shall be  
2 used for the Rhode Island SBIR/STTR Incentive Program, the Rhode Island SBIR/STTR  
3 Matching Funds Program, and the Rhode Island Bioscience & Engineering Internship Program,  
4 as specified in this chapter. Moneys in the IRISBA shall be allocated as specified in this chapter  
5 and shall not exceed available funds in the account.

6           **42-64.16-6. Reports.** -- STAC shall publish a report on the use of funds in the Innovate  
7 Rhode Island Small Business Account ("IRISBA") at the end of each fiscal quarter. The report  
8 shall contain information on the commitment, disbursement, and use of funds allocated under the  
9 (IRISBA). The report is due no later than one month after the end of the fiscal quarter, and must  
10 be submitted to the following:

11           (1) The chairs of the house of representatives and senate finance committees.

12           (2) The fiscal offices of the general assembly.

13           SECTION 2. This act shall take effect upon passage.