

## MEMORANDUM

**TO:** Members of the Authority

**FROM:** Tim Sullivan  
Chief Executive Officer

**DATE:** March 12, 2025

**SUBJECT:** AI Innovation Challenge Administration Grant Program

### Request

The Members are requested to approve:

1. Creation of the AI Innovation Challenge Administration Grant Program (“Grant Program”) - a competitive program whereby NJEDA will award a single grant of \$3,800,000 to a qualified entity (“Administrator”) who is responsible for: i) developing and administering an AI Innovation Challenge (“AI Challenge”), open to the public in New Jersey; ii) disbursing and managing sub-grant awards to winning Companies selected as part of the AI Challenge over a one-year period.
2. Capitalization of the Grant Program using \$4,000,000 in funding received by NJEDA for “AI Innovation Challenge” as a FY2025 State budget appropriation in the Appropriations Act (A4700/P.L. 2024, c. 22).
3. Utilization by the Authority of 5% (\$200,000) of the \$4,000,000 appropriation as an administrative fee to cover the cost of operating the Grant Program.

### Background

In New Jersey, statewide Artificial Intelligence (“AI”) adoption has been identified as a strategic priority by Governor Murphy. Aligned with the Governor’s broader economic development strategic plan, AI adoption signifies the importance of proactively investing in innovative industries that propel the State’s economy to the next level, while cultivating its existing talent and resources. In January 2024, Governor Murphy announced NJ’s “AI Moonshot” to capitalize on New Jersey’s world-leading investments and initiatives in the realm of AI, including:

- Creation of an AI Innovation Hub in collaboration with Princeton University and the NJEDA, which will leverage State and private funding to catalyze innovations in AI
- Formation of New Jersey’s first-ever Task Force on AI, charged with studying the societal impact and encouraging the ethical use of AI
- Establishment of a statewide initiative to train public sector workers to use generative AI to help New Jersey residents access benefits
- Issuance of the State’s first policy on AI use to guide State employees to responsibly use generative AI to improve how government delivers services to New Jersey’s residents
- Promotion of international alliances to advance collaborative research & development in AI and create jobs in the industries of the future, and
- Appointment of New Jersey’s first-ever Chief AI Strategist, Beth Noveck, who will play a leading role in shaping the trajectory of New Jersey’s AI Moonshot

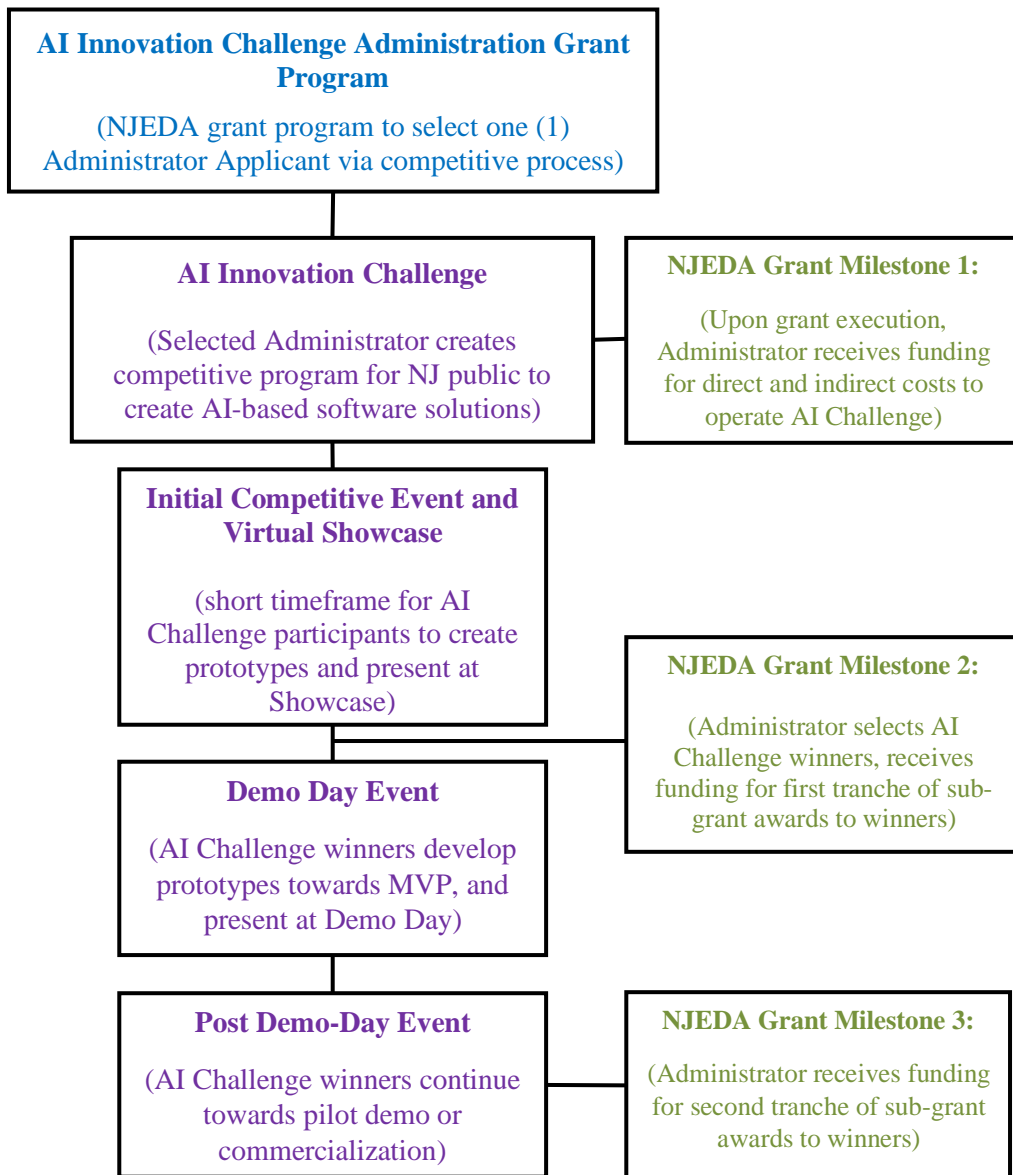
As part of the AI Moonshot, on June 28, 2024, the “AI Innovation Challenge” was approved in the Governor’s FY2025 Budget for a \$4 million allocation to the NJEDA. The budget proposal outlined the AI Challenge as one or more competitive program(s) through which grants are issued to individuals or entities that submit applications or proposals for the use of AI for social and public good, including, but not limited to, the improvement of government services.

The AI Challenge is a strategic initiative that recognizes the potential of Artificial Intelligence as a tool to advance social and public good. AI presents unparalleled opportunities to enhance government services, address complex societal challenges, and drive innovation across multiple sectors, reinforcing New Jersey’s commitment to technological advancement and civic progress. Through the AI Challenge, a diverse array of stakeholders across New Jersey—including residents, researchers, entrepreneurs, students, and companies—will have the opportunity to identify challenges across the State, and leverage AI to develop innovative software solutions to advance social and public good. Through its unique structure, the AI Challenge will promote the following:

- **Collaboration among diverse stakeholders with diverse skillsets:** the AI Challenge will foster collaboration between researchers, entrepreneurs, students, startups, and government officials, leading to collective problem-solving. This collaborative environment is conducive to bridging the gap between government and citizens by facilitating dialogue and partnership. The AI Challenge will attract participants with varied skills, backgrounds, and perspectives, leading to more holistic and effective solutions.
- **Empower citizen engagement:** the AI Challenge will offer a collective approach to problem-solving, engaging citizens in the process of addressing challenges facing their communities.
- **Facilitate rapid prototyping and continuous feedback:** the time-sensitive nature of the AI Challenge will encourage rapid prototyping and iteration, allowing participants to quickly develop and test potential software solutions. This continuous feedback loop is particularly valuable for tackling complex challenges and identifying viable approaches. By providing a platform for experimentation and creativity, the AI Challenge will encourage participants to think outside the box and generate novel ideas that may not arise through traditional methods.
- **Provide tangible outcomes and a pathway for commercialization:** through a focus on participants to produce tangible outcomes in the form of prototypes and Minimum Viable Products (MVPs) during the AI Challenge, the effort will encourage the development of solutions that have the potential for impact beyond the AI Challenge. The State’s funding and the Administrator’s expertise may provide a unique opportunity for the winnings Teams/Companies to advance social and public good, by ensuring a pathway to commercialization through established milestones.

## **Program Details**

The AI Innovation Challenge Administration Grant Program is a competitive program that will provide grant funding to an eligible Administrator. All Administrator applications will be evaluated to ensure the Grant Program’s minimum requirements are met via the “Base Eligibility Requirements Checklist” (Exhibit C). Administrator applicants that meet all Program minimum requirements will be advanced for scoring via the Grant Program’s weighted criteria evaluation to ensure applicants meet the Program’s minimum acceptable score (Exhibit D). Upon selection, NJEDA will enter into a grant agreement with the highest scoring applicant, with funding disbursed to the Administrator on a milestone basis. The Administrator will be responsible for: i) developing and executing the AI Challenge, and ii) disbursing and managing sub-grant awards to winning Companies that create AI-based software solutions during the AI Challenge. Sub-grant awards refer to NJEDA’s grant to the Administrator, for disbursement directly to the winners, who will use the funds to further develop their AI-based software solutions.



### ***AI Innovation Challenge- Scope, Format and Data***

The AI Challenge refers to events engaging New Jersey’s public, including residents, researchers, entrepreneurs, students, and companies to identify challenges across New Jersey, and develop AI-based software solutions that ensure social and public good. The AI Challenge will consist of the following components:

- **Initial Competitive Event including Virtual Showcase:** participating Teams/Companies will identify challenges across NJ and create relevant AI-based software prototypes in a short timeframe to address these. For the Competitive Event, Teams of at least 3 individuals may apply, or established early-stage startups may apply as a “Company”. The Initial Competitive Event will culminate with a public Virtual Showcase, where all participating Teams/Companies will present their prototypes.
- **Demo Day Event:** winners from the Competitive Event will have a set amount of time to develop a working software solution (Minimum Viable Product (MVP)) which will be delivered/demonstrated at a separate Demo Day Event.
- **Post-Demo Day Event:** AI Challenge winners will continue working with the Administrator for the duration of NJEDA’s grant agreement term, towards pilot testing or commercialization of the

AI-based software solution.

For the purposes of the AI Challenge, participating Teams/Companies must create AI-based software solutions that are in one of the six AI technologies defined under Exhibit B, which address challenges across NJ by, i) directly contributing to measurable efficiency improvements or ii) enabling the creation of novel software solutions. These categories were determined based on the definitions used in similar NJEDA programs, and additional research on AI technologies primarily utilized by leading industry players.

In addition to receiving sub-grant awards from the Administrator, winners of the AI Challenge will receive mentorship and advisory support from the Administrator's network of Subject Matter Experts (SMEs) and partners to further develop their MVP towards pilot testing or commercialization.

One of the key components for the AI Challenge is State data. Datasets across a variety of sectors are available through NJ OIT's Open Data Portal ([www.data.nj.gov](http://www.data.nj.gov)), which will be the primary data source for AI Challenge participants to develop their AI-based software solutions. As the AI Challenge progresses, additional datasets may be publicly released through agreements with relevant entities.

### ***Funding Summary***

After deducting NJEDA's 5% Administration fee (\$200,000), the maximum funding amount available for the Grant Program is \$3,800,000. No more than twelve percent (12%) of the total grant, or \$456,000 of the \$3,800,000, can be used for the Administrator's direct and indirect costs. All remaining funds, \$3,344,000, must be used for sub-grant awards to AI Challenge winners. In alignment with NJEDA's milestones for disbursement, the Administrator must disburse sub-grant awards to AI Challenge winners through a minimum of two tranches.

### **Eligibility**

NJEDA will enter into a grant agreement under the Grant Program with one (1) Administrator. One of the Administrator's roles will be to determine the scoring criteria for the selection of winning Teams of individuals or early-stage Companies during the AI Challenge. In addition to the Administrator's scoring criteria, NJEDA has outlined certain requirements for the winning Teams/Companies to ensure compliance with NJ business requirements and successful milestone completion. For the purposes of the Grant Program, "early-stage" is defined as "the phase of start-up development preceding the rapid growth phase and includes activities such as research development, marketing research and product development".

### ***Eligibility Criteria for Grant Program Administrator Applicants:***

Administrator Applicants eligible under the Grant Program must:

- Be a legal entity (no individuals) and have been legally formed under the laws of any US state.
- Be registered to do business in New Jersey and be in good standing with NJ Division of Taxation as certified by a valid NJ Tax Clearance Certificate.
- Be in substantial good standing with NJ DOL and DEP.
- Demonstrate experience in managing a budget of at least \$3 million in at least (1) one prior competitive event, showcasing the capability to effectively allocate and track use of funds through financial statements.
- Demonstrate evidence of a track record in organizing competitive events open to external audiences, including but not limited to pitch competitions, innovation challenges, hackathons and bootcamps, with at least 5 competitive events hosted by the entity during the 5 years prior to application. Bonus points will be given to entities who demonstrated an ability to host a demo day, showcase or similar event to publicly present winning participants at the end of prior competitive events.
- Demonstrate success of competitive events through at least 50 participants per event (minimum 5

events total), AND

a proven and documented track record of success in prior competitive event participants, including but not limited to at least 15% of prior participants to receive follow-on funding from non-related parties <sup>1</sup>, seeing strategic acquisition, significant (50%+) revenue growth post- competitive event, or achieve an exit.

- Demonstrate engagement with the broader startup ecosystem through access to at least 50 actively engaged Subject Matter Experts (SMEs), mentors or partners across industries and functional capabilities (technology, sales, strategy, accounting, finance, marketing etc.).
- Submit an in-depth proposal for the AI Challenge’s execution (to be evaluated further via the scoring matrix in Exhibit D).

### ***Administrator Applicants- Execution Proposal***

In addition to meeting the eligibility criteria outlined, Administrator Applicants must submit an in-depth proposal for the AI Challenge’s execution, which will be evaluated further via the scoring matrix in Exhibit D. Proposals must include the following components:

- Evidence of Administrator’s technical and non-technical expertise in AI. Note: experience in the utilization of generative AI tools is not sufficient.
- Details about the programming, format (virtual/in-person/hybrid) of the AI Challenge events (Initial Competitive Event, Virtual Showcase, Demo Day Event). Note: any in-person components of the AI Challenge must be hosted in New Jersey.
- Engagement plan of Administrator’s network of partners and SMEs to offer mentorship and advisory support to AI Challenge winners
- Arrangement of in-kind services to AI Challenge participants, including but not limited to: cloud infrastructure, APIs (Application Programming Interfaces), and relevant software tools to test software solutions
- Strategy for outreach and marketing to attract qualified participants for the AI Challenge
- Legal and Intellectual Property (IP) support to ensure AI Challenge participants understand their rights and obligations when developing and sharing their software projects
- Scoring matrix for evaluating and selecting AI Challenge winners, ensuring alignment with the AI Challenge's scope, viability of software prototype, and NJEDA’s requirements for sub-grant winners
- Proposed panel of diverse, qualified, and relevant judges to select AI Challenge winners, including AI-domain specific experts and SMEs aligned with the AI Challenge’s scope
- Plan for managing sub-grant awards, tracking AI Challenge winners’ progress against milestones, ensuring compliance with reporting requirements, conducting post-Demo Day check-ins, and maintaining transparency through a public project dashboard
- Evidence of the Administrator’s ability to fully execute the AI Challenge within a maximum of 4 months
- Evidence of the financial viability of Administrator’s proposal for AI Challenge execution, including outlining all costs and mitigation for cost overruns

### ***Eligibility Criteria for AI Challenge Winning Teams/Companies:***

One of the Administrator’s roles will be to determine the scoring criteria for the selection of winning Teams of individuals or early-stage Companies during the AI Challenge. In addition to the Administrator’s scoring criteria, NJEDA has outlined certain requirements for the winning Teams/Companies to ensure compliance with NJ business requirements and successful milestone completion. Established early-stage Companies and Teams of individuals eligible as AI Challenge winners must meet the requirements outlined below. If the winner is a Team of individuals, they must form a business entity prior to receiving

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<sup>1</sup> “Non-related parties” are entities that are not the Administrator Applicant nor an affiliate, subsidiary, parent, or related entity to the Administrator Applicant.

the sub-grant award from the Administrator:

- Registered to do business and have a valid tax clearance certificate from NJ Department of Treasury, or obtain within 30 days of award notice, prior to receiving sub-grant award from Administrator
- Create an AI-based software solution consistent with NJEDA's defined AI technologies and addressing the AI Challenge's scope
- Demonstrate ability to further develop the prototype on time and on budget by: providing a detailed plan and timeline demonstrating readiness to develop an MVP that is financially viable by the Demo Day Event
- Consist of at least 3 individuals contributing to the product development, including a team lead, and at least 1 member with technical expertise in AI and/or related fields
- Minimum of 50% of the individuals as NJ residents (for Teams of individuals) OR minimum of 50% of the company's full-time workforce working or paying taxes in NJ (for early-stage Companies). Full-time workforce must be verified via NJWR30 or Registered PEO letter, or other forms of documentation, such as Forms 1099, W2, K1, job descriptions and offer letters
- Must have no more than 224 employees (for early-stage Companies)
- Commit to working on the AI-based software solution until successful milestone completion as outlined in Administrator's sub-grant agreement
- Identify a base of operations in NJ post-Demo Day Event

## **Funding**

### ***Eligible uses for Administrator***

Eligible uses for funds disbursed to the Administrator under the Grant Program include direct and indirect costs incurred by the Administrator for:

- Planning, developing, and managing the AI Challenge events (including but not limited to Initial Competitive Event including Virtual Showcase, and Demo Day Event)
- Providing in-kind resources to Challenge participants to create and test AI-based software solutions during the AI Challenge
- Scoring and awarding sub-grant awards to winning Companies
- Managing sub-grant awards, including legal agreements, compliance with NJEDA's requirements, milestones, budgets, and reporting to NJEDA

Ineligible uses of funds include: capital costs (such as construction or equipment purchases), and financial investments in the winning Companies through which the Administrator receives or could receive a financial benefit.

### ***Eligible uses for AI Challenge Winners***

Eligible uses for sub-grant awards disbursed by the Administrator to winning Companies include:

- Development of prototype towards MVP
- Completion of Administrator's milestones per the sub-grant agreement
- Development of MVP towards pilot demonstration or commercialization post-Demo Day Event
- Securing commercial office space in NJ post-Demo Day Event if needed (such as co-working space/incubator facility in NJ, as verified by a lease agreement, co-working space agreement or similar)

### ***Disbursement***

The Administrator will enter into a grant agreement with NJEDA, and funds will be disbursed according to a milestone-based schedule as follows:

- **Milestone 1:** Selection of Administrator based on NJEDA’s eligibility criteria and scoring. Disbursement of funds for direct/indirect administrative costs for AI Challenge. No more than \$456,000 can be disbursed under this milestone.
- **Milestone 2:** Administrator’s selection of AI Challenge’s winning Teams/Companies based on a scoring matrix, via a judging panel established by the Administrator. Disbursement of funds to the Administrator, for sub-grant awards to the winners for further development of prototype towards Minimum Viable Product (MVP). Under Milestone 2, the Administrator must select between 5-10 winning Teams/Companies, and no more than \$1,000,000 can be disbursed under this milestone.
- **Milestone 3:** Administrator’s demonstration of successful MVP development by winners, and hosting of Demo Day Event. Disbursement of funds to the Administrator, for sub-grant awards to the winners working towards a plan for pilot demonstration or commercialization of software solution post-Demo Day Event. Under Milestone 3, the Administrator must further review and determine follow-on funding based on performance for select winners, and no more than \$2,344,000 can be disbursed under this milestone.

Grant disbursements under each milestone are subject to NJEDA’s satisfactory review of documentation provided by the Administrator to verify milestone completion as outlined in NJEDA’s grant agreement, including review of sub-grant agreements prior to execution between the Administrator and AI Challenge winners. For Milestones 2 and 3, the Administrator must disburse sub-grant awards based on the AI Challenge winners’ compliance with the Administrator’s sub-grant agreement and NJEDA’s established criteria for AI Challenge winners.

During the term of the grant agreement, the Administrator must comply with NJEDA’s reporting requirements as outlined in the grant agreement. The Administrator must ensure AI Challenge winners are in compliance with NJEDA’s eligibility criteria and eligible uses of funds as set forth in this memo and attached program specs. Any expenditures that do not comply with NJEDA’s eligibility criteria and eligible use of funds must be returned by the AI Challenge winners and/or the Administrator, to NJEDA, at the end of the grant agreement term.

### **Application Process**

Applications for the Grant Program will be accepted during a defined application window, which NJEDA will make all potential Applicants aware of through a Notice of Funding Availability and other information posted to NJEDA’s website.

After the defined application window has closed, NJEDA staff will review all Grant Program applications for completeness and compliance with required documentation and minimum requirements, using the Base Eligibility Requirements Checklist in Exhibit C. Following the completeness review, Applicants with missing or incomplete documentation, or requiring additional clarification, will receive an email notification from NJEDA to cure any deficiencies or provide any needed clarifications, including but not limited to, submitting any missing or requested documentation within five (5) business days. After the five (5) business days, any application that is not complete or for which clarification has not been provided will be deemed incomplete and will not be evaluated or scored.

All complete and compliant applications will be evaluated, scored, and ranked by an Evaluation Committee comprised of NJEDA staff. The Evaluation Committee will review, score, and rank applications based on four (4) Scoring Criteria, as follows:

- **Sector Focus:** *Applicant’s demonstrated expertise in technical and non-technical capabilities in Artificial Intelligence* (maximum 10 points)
- **AI Challenge Structure and Programming:** *Applicant’s demonstrated ability to develop and execute the AI Challenge* (maximum 45 points)
- **Selection and Management of Sub-Grants:** *Applicant’s demonstrated ability to select and*

*manage sub-grant awards for AI Challenge winners (maximum 25 points)*

- **Project Execution:** *Applicant's demonstrated ability to execute the AI Challenge on time and on budget (maximum 20 points)*

The minimum score required to be considered for an award is 80 points. A five (5) point bonus is available under the "AI Challenge Structure and Programming" criterion, for Applicants who have experience in organizing Demo Day/Showcase or similar events to present winning Companies at the end of prior competitive events. Applicants qualifying for bonus points must obtain a minimum score of 85 points to be considered for an award. The highest score possible is 100 points.

Based on the Evaluation Committee's review, NJEDA Staff will recommend the top-scoring proposal for Board approval, to be awarded the grant funding amount of \$3.8 million in accordance with the established milestones. Please see Exhibit D for the detailed Application Scoring Matrix.

Entities whose Grant Program applications are declined will have the right to appeal. Appeals must be filed within the timeframe set in the declination letter. Appeals on declination decisions based on non-discretionary reasons are subject to the existing delegated authority. For declinations based on discretionary reasons, including scoring, the Board is the final decision maker. Managing Director of Legal Affairs will assign a Hearing Officer to review appeals and any relevant documentation, and prepare recommendations for Board decisioning.

### **Fees**

NJEDA will charge a \$1,000 non-refundable application fee to Administrator Applicants for the Grant Program.

### **Recommendation**

The Members are requested to approve: **i)** the creation of the AI Innovation Challenge Administration Grant Program ("Grant Program") - a competitive program whereby NJEDA will award a single grant of \$3,800,000 to a qualified entity ("Administrator") who is responsible for developing and administering an AI Innovation Challenge ("AI Challenge"), open to the public in New Jersey, as well as disbursing and managing sub-grant awards to winning Companies selected as part of the AI Challenge over a one-year period; **ii)** Capitalization of the Grant Program utilizing \$4,000,000 in funding received by NJEDA for the "AI Innovation Challenge" as a FY2025 State budget appropriation in the Appropriations Act (A4700/P.L. 2024, c. 22); **iii)** utilization by the Authority of 5% (\$200,000) of the \$4,000,000 appropriation as an administrative fee to cover the cost of operating the Grant Program.



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Tim Sullivan, CEO

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Attachments:

Exhibit A – Proposed Product Specifications

Exhibit B – Eligible AI Technologies for AI Innovation Challenge

Exhibit C – Base Eligibility Requirements Checklist

Exhibit D – Administrator Application Scoring Matrix



**AI Innovation Challenge Administration Grant Program  
Proposed Product Specifications  
March 12, 2025**

<b>Proposed Product Specifications</b>	
<b>Funding Source</b>	FY2025 State budget appropriation in the Appropriations Act (A4700/P.L. 2024, c. 22) for \$4,000,000 in funding to NJEDA for “AI Innovation Challenge”.
<b>Program Purpose</b>	The AI Innovation Challenge Administration Grant Program is a competitive program that will provide grant funding to an eligible Administrator. The Administrator is responsible for: i) developing and executing the AI Innovation Challenge, ii) disbursing and managing sub-grant awards to winning Companies that create AI-based software solutions during the AI Challenge. Sub-grant awards refer to NJEDA’s grant to the Administrator, for disbursement directly to the winners, who will use the funds to further develop their AI-based software solutions.
<b>Eligible Applicants  (Grant Program Administrators)</b>	<p>Eligibility Criteria for Grant Program Administrator Applicants:</p> <p>Administrator Applicants eligible under the Grant Program must:</p> <ul style="list-style-type: none"> <li>• Be a legal entity (no individuals) and have been legally formed under the laws of any US state.</li> <li>• Be registered to do business in New Jersey and be in good standing with NJ Division of Taxation as certified by a valid NJ Tax Clearance Certificate.</li> <li>• Be in substantial good standing with NJ DOL and DEP.</li> <li>• Demonstrate experience in managing a budget of at least \$3 million in at least (1) one prior competitive event, showcasing the capability to effectively allocate and track use of funds through financial statements.</li> <li>• Demonstrate evidence of a track record in organizing competitive events open to external audiences, including but not limited to pitch competitions, innovation challenges, hackathons and bootcamps, with at least 5 competitive events hosted by the entity during the 5 years prior to application. Bonus points will be given to entities who demonstrated an ability to host a demo day, showcase or similar event to publicly present winning participants at the end of prior competitive events.</li> <li>• Demonstrate success of competitive events through at least 50 participants per event (minimum 5 events total), AND a proven and documented track record of success in prior competitive event participants, including but not limited to at least 15% of prior participants to receive follow-on funding from non-related parties <sup>2</sup>, seeing strategic acquisition, significant (50%+) revenue growth post- competitive event, or achieve an exit.</li> <li>• Demonstrate engagement with the broader startup ecosystem through access to at least 50 actively engaged Subject Matter Experts (SMEs), mentors or partners across industries and functional capabilities (technology, sales, strategy, accounting,</li> </ul>

<sup>2</sup> “Non-related parties” are entities that are not the Administrator Applicant nor an affiliate, subsidiary, parent, or related entity to the Administrator Applicant.

<p><b>Eligible Applicants</b> <b>(Grant Program Administrators, continued)</b></p>	<p>finance, marketing etc.).</p> <ul style="list-style-type: none"> <li>• Submit an in-depth proposal for the AI Challenge’s execution (to be evaluated further via the scoring matrix in Exhibit D). The proposal must include the following components: <ul style="list-style-type: none"> <li>• Evidence of Administrator’s technical and non-technical expertise in AI. Note: experience in the utilization of generative AI tools is not sufficient.</li> <li>• Details about the programming, format (virtual/in-person/hybrid) of the AI Challenge events (Initial Competitive Event, Virtual Showcase, Demo Day Event). Note: any in-person components of the AI Challenge must be hosted in New Jersey.</li> <li>• Engagement plan of Administrator’s network of partners and SMEs to offer mentorship and advisory support to AI Challenge winners.</li> <li>• Arrangement of in-kind services to AI Challenge participants, including but not limited to: cloud infrastructure, APIs (Application Programming Interfaces), and relevant software tools to test software solutions.</li> <li>• Strategy for outreach and marketing to attract qualified participants for the AI Challenge.</li> <li>• Legal and Intellectual Property (IP) support to ensure AI Challenge participants understand their rights and obligations when developing and sharing their software projects.</li> <li>• Scoring matrix for evaluating and selecting AI Challenge winners, ensuring alignment with the AI Challenge’s scope, viability of software prototype, and NJEDA’s requirements for sub-grant winners.</li> <li>• Proposed panel of diverse, qualified, and relevant judges to select AI Challenge winners, including AI-domain specific experts and SMEs aligned with the AI Challenge’s scope.</li> <li>• Plan for managing sub-grant awards, tracking AI Challenge winners’ progress against milestones, ensuring compliance with reporting requirements, conducting post-Demo Day check-ins, and maintaining transparency through a public project dashboard.</li> <li>• Evidence of the Administrator’s ability to fully execute the AI Challenge within a maximum of 4 months.</li> <li>• Evidence of the financial viability of Administrator’s proposal for AI Challenge execution, including outlining all costs and mitigation for cost overruns.</li> </ul> </li> </ul>
<p><b>Eligible Applicants</b> <b>(AI Challenge Winners)</b></p>	<p><b><i>Eligibility Criteria for AI Challenge Winning Teams/ Companies:</i></b></p> <p>Established early-stage Companies and Teams of individuals eligible as AI Challenge winners must meet the requirements outlined below. If the winner is a Team of individuals, they must form a business entity prior to receiving the sub-grant award from the Administrator:</p> <ul style="list-style-type: none"> <li>• Be registered to do business and have a valid tax clearance certificate from NJ Division of Taxation, or obtain within 30 days of award notice, prior to receiving sub-grant award from Administrator</li> <li>• Create an AI-based software solution consistent with NJEDA’s</li> </ul>

	<p>defined AI technologies and addressing the AI Challenge’s scope</p> <ul style="list-style-type: none"> <li>• Demonstrate ability to further develop the prototype on time and on budget by: providing a detailed plan and timeline demonstrating readiness to develop an MVP that is financially viable by the Demo Day Event</li> <li>• Consist of at least 3 individuals contributing to the product development, including a team lead, and at least 1 member with technical expertise in AI and/or related fields</li> <li>• Minimum of 50% of the individuals as NJ residents (for Teams of individuals) OR minimum of 50% of the company’s full-time workforce working or paying taxes in NJ (for early-stage Companies). Full-time workforce must be verified via NJWR30 or Registered PEO letter, or other forms of documentation, such as Forms 1099, W2, K1, job descriptions and offer letters.</li> <li>• Must have no more than 224 employees (for early-stage Companies).</li> <li>• Commit to working on the AI-based software solution until successful milestone completion as outlined in Administrator’s sub-grant agreement.</li> <li>• Identify a base of operations in NJ post-Demo Day Event.</li> </ul>
<p><b>Eligible Uses of Funding</b></p>	<p>Eligible uses for funds disbursed to the Administrator under the Grant Program include direct and indirect costs incurred by the Administrator for:</p> <ul style="list-style-type: none"> <li>• Planning, developing, and managing the AI Challenge events (including but not limited to Initial Competitive Event including Virtual Showcase, Demo Day Event)</li> <li>• Providing in-kind resources to AI Challenge participants to create and test AI-based software solution during the AI Challenge</li> <li>• Scoring and awarding sub-grant awards to winning Companies</li> <li>• Managing sub-grant awards, including legal agreements, compliance with NJEDA’s requirements, milestones, budgets, and reporting to NJEDA</li> <li>• Ineligible uses of funds: capital costs (such as construction or equipment purchases), or for financial investments in the winning Companies through which the Administrator receives a financial benefit.</li> </ul> <p>Any expenditures that do not comply with the above will be required to be returned by the Administrator to NJEDA at the end of the Grant Agreement term.</p> <p>Eligible uses for sub-grant awards disbursed by the Administrator to winning Companies include:</p> <ul style="list-style-type: none"> <li>• Development of prototype towards MVP</li> <li>• Completion of Administrator’s milestones per the sub-grant agreement</li> <li>• Development of MVP towards pilot demonstration or commercialization post-Demo Day Event</li> <li>• Securing commercial office space in NJ post-Demo Day Event if needed (such as co-working space/incubator facility in NJ, as verified by a lease agreement, co-working space agreement or similar)</li> </ul> <p>NJEDA has set forth the following additional stipulations and restrictions for funding awarded through this Grant Program:</p> <ul style="list-style-type: none"> <li>• No more than twelve percent (12%) of the total grant, or \$456,000 of the \$3,800,000, can be used for the Administrator’s direct and indirect costs.</li> </ul>

	<ul style="list-style-type: none"> <li>All remaining funds, \$3,344,000, must be used for sub-grant awards to AI Challenge winners. In alignment with NJEDA’s milestones for disbursement, the Administrator must disburse sub-grant awards to AI Challenge winners through a minimum of two tranches.</li> </ul>
<b>Term of Grant Period</b>	One (1) year after disbursement of grant funding.
<b>Grant Amount</b>	A single grant of \$3,800,000 will be awarded for the Grant Program on a milestone basis.
<b>Scoring Criteria</b>	<p>The minimum score requirement to be considered for an award is eighty (80) points, with the highest score possibility being one hundred (100) points. Applications will be scored by an Evaluation Committee based on the following criteria:</p> <p>Highest Score Possibility: 100 points</p> <p>Minimum Score Requirement: 80 points</p> <p>Minimum Score Requirement with Demo Day Bonus: 85 points</p> <p>Applicants will have the opportunity to receive the points outlined below based on the following criteria:</p> <p><b>Sector Focus:</b> <i>Applicant’s demonstrated expertise in technical and non-technical capabilities in Artificial Intelligence (Maximum: 10 points)</i></p> <ul style="list-style-type: none"> <li>Does the Applicant demonstrate expertise in Artificial Intelligence (AI) through a combination of technical and non-technical resources and activities, ensuring a well-rounded capability to meet the AI Challenge’s objectives (Please see Exhibit D for list of technical and non-technical categories)? <ul style="list-style-type: none"> <li>0-4 points – Applicant demonstrates expertise in 2 or fewer technical and non-technical capabilities with minimal evidence to support this.</li> <li>5-8 points – Applicant demonstrates expertise in 3 to 5 technical and non-technical capabilities (with at least 1 technical), and provides evidence to support this.</li> <li>9-10 points – Applicant demonstrates expertise in 6 or more technical and non-technical capabilities (with at least 2 technical). Evidence is highly detailed, supported by specific examples (e.g., project portfolios, successful initiatives, events or partnerships).</li> </ul> </li> </ul> <p><b>AI Challenge Structure and Programming:</b> <i>Applicant’s demonstrated ability to develop and execute the AI Challenge (Maximum: 45 points)</i></p> <p>Does the proposal provide a comprehensive plan for the AI Challenge’s programming with the following components?</p> <ul style="list-style-type: none"> <li>format (virtual/in-person/hybrid) of the Initial Competitive Event, Virtual Showcase, and Demo Day Event, with any in-person components hosted in New Jersey</li> <li>planned activities</li> <li>participant journey</li> <li>an accessible and user-friendly website to host virtual components of the AI Challenge</li> </ul>

**Scoring Criteria (continued)**

- communication method to respond to participants' inquiries

Does it demonstrate how these elements will maximize participant engagement and achievement of the AI Challenge's scope? (Maximum available points: 10 + 5 bonus points\*)

- 0-4 points – Programming details are unclear or generic, and not well-justified in terms of ensuring engagement and achievement of the AI Challenge's objectives
- 5-8 points – Programming is adequately detailed, with a clear outline of some components, supported by rationale for participant engagement and alignment with the AI Challenge's objectives
- 9-10 points – Programming is highly detailed with a clear outline of all components. The plan demonstrates how the programming aligns with the AI Challenge's objectives, fosters engagement, and includes measurable outcomes to assess impact, which may include well-documented strategies for achieving results.
- \*5 bonus points – for applicants that demonstrate prior experience in organizing Demo Day/Showcase or similar events to present winning Companies at the end of competitive events

Does the proposal outline a comprehensive strategy to engage the applicant's network of partners and Subject Matter Experts (SMEs) during the AI Challenge to offer strategic support/mentorship to AI **Challenge winners** (e.g. mentorship program, advisory board, office hours etc.)?

(Maximum available points: 10)

- 0-4 points – Engagement plan lacks specificity and provides minimal details on how SMEs and partners will support the AI Challenge winners.
- 5-8 points – Engagement plan is adequately detailed, with clear roles for SMEs and partners and a reasonable structure for their involvement.
- 9-10 points – Engagement plan is highly detailed and well-structured, with clearly defined roles and contributions expected from SMEs and partners. The proposal demonstrates a strong alignment with the AI Challenge's objectives, includes diverse expertise across relevant domains, and provides clear mechanisms for winners' access and support. Metrics for evaluating the impact of SMEs and partners' engagement are included

Does the proposal demonstrate a clear and actionable plan to provide in-kind services to AI Challenge participants, such as cloud infrastructure, APIs, or relevant software tools to enable effective project development and testing?

(Maximum available points: 10)

- 0-4 points – Minimal details or evidence regarding the applicant's ability to provide in-kind services, with limited relevance to participant needs or no clear plan for accessibility and utilization.
- 5-8 points – Evidence of adequate range of in-kind services with reasonable relevance to participant needs. Some details are provided on accessibility and utilization.

**Scoring Criteria (continued)**

- 9-10 points – Highly detailed and comprehensive plan for in-kind services provided, offering a wide range of relevant tools (e.g., cloud infrastructure, APIs, software) tailored to participant needs. Accessibility, customization, and scalability are well-defined, with strong partnerships and technical support mechanisms included.

Does the proposal demonstrate the Administrator's ability to conduct effective outreach and marketing to attract qualified participants for the AI Challenge, ensuring strong alignment with the AI Challenge's objectives?

(Maximum available points: 5)

- 0-1 points: Outreach and marketing strategies are vague and lack clear methods for reaching AI Challenge participants.
- 2-3 points – Outreach and marketing strategies are adequately detailed, with some evidence of methods to attract a qualified participant pool. Includes basic mechanisms for tracking the effectiveness of marketing efforts.
- 4-5 points – Outreach and marketing strategies are highly detailed and aligned with the AI Challenge's objectives. The proposal demonstrates a strong focus on attracting a qualified participant pool and may include details such as communication channels, and evidence of previously successful outreach campaigns. Clear metrics for evaluating the success of outreach efforts are included.

Does the proposal provide a clear and effective plan for offering legal and Intellectual Property (IP) support to AI Challenge participants, ensuring they understand their rights and obligations when developing and sharing their software projects?

(Maximum available points: 5)

- 0-1 points – Legal and IP support is minimally addressed, with little evidence of relevance to participant needs or mechanisms for accessibility
- 2-3 points – Compelling plan for legal and IP support, with adequate detail about the scope, relevance, and accessibility of services.
- 4-5 points – Detailed and well-structured plan for legal and IP support, offering accessible resources (e.g., consultations, workshops) provided by qualified experts or reputable organizations.

**Selection and Management of Sub-Grants:** *Applicant's demonstrated ability to select and manage sub-grant awards for AI Challenge winners*  
(Maximum: 25 points)

Does the proposal include a comprehensive scoring matrix for evaluating and selecting the AI Challenge winners, ensuring alignment with the AI Challenge's objectives, viability of software prototype, and include NJEDA's requirements for sub-grant awardees?

(Maximum available points: 10)

- 0-4 points – Scoring matrix lacks sufficient detail to ensure alignment with the AI Challenge objectives, NJEDA's requirements for sub-grant awardees and prototype viability.

**Scoring Criteria (continued)**

- 5-8 points – Scoring matrix is adequately detailed, with some metrics to ensure alignment with AI Challenge objectives, NJEDA’s requirements for sub-grant awardees and prototype viability.
- 9-10 points – Scoring matrix is highly detailed, with well-defined metrics to ensure alignment with the AI Challenge’s objectives, full integration of NJEDA’s requirements for sub-grant awardees, and prototype viability including functionality, scalability, and implementation feasibility is ensured.

Does the proposal include a proposed panel of diverse, qualified, and relevant judges, including AI-domain specific experts and SMEs aligned with the AI Challenge’s scope, to ensure fair and effective evaluation of AI Challenge winners?

(Maximum available points: 5)

- 0-1 points – Proposed judges for the panel possess insufficient or irrelevant expertise related to the AI Challenge’s scope.
- 2-3 points – Panel includes some relevant AI- domain specific experts and SMEs but lacks diversity and a comprehensive engagement plan.
- 4-5 points – Panel includes a diverse mix of qualified AI-domain specific experts and SMEs, and aligns strongly with the AI Challenge’s scope, with defined mechanisms to ensure fairness, impartiality, and active engagement.

Does the Administrator demonstrate a clear, detailed, and effective plan for managing sub-grant awards, tracking the AI Challenge winners’ progress against milestones, ensuring compliance with reporting requirements, conducting post-Demo Day check-ins, and maintaining transparency through a public project dashboard?

(Maximum available points: 10)

- 0-4 points –Plan lacks sufficient or key details for sub-grant management and reporting
- 5-8 points – Plan is adequately detailed, and includes some details for sub-grant management and reporting
- 9-10 points – Plan is highly detailed and comprehensive, with clear processes for managing sub-grants, tracking progress, and reporting deliverables to NJEDA. It includes robust plans for regular post-Demo Day check-ins and maintaining a well-structured public dashboard to ensure transparency and accountability.

**Project Execution:** *Applicant’s demonstrated ability to execute the AI Challenge on time and on budget (Maximum: 20 points)*

Does the proposal convincingly demonstrate readiness and ability to fully execute the AI Challenge within a maximum of 4 months, as demonstrated by such items as detailed timelines, Gantt chart, and clear milestones?

(Maximum available points: 10)

- 0-4 points – Proposal lacks sufficient detail, with incomplete timelines, milestones, or Gantt charts, and minimal evidence of readiness to meet the 4-month execution window

<p><b>Scoring Criteria (continued)</b></p>	<ul style="list-style-type: none"> <li>○ 5-8 points – Proposal demonstrates moderate readiness with a basic timeline, milestones, and Gantt chart, but the execution plan lacks depth or complete structure to ensure success within 4 months</li> <li>○ 9-10 – Proposal is highly detailed and well-structured, with a comprehensive timeline, clear milestones, and Gantt chart, demonstrating strong readiness and a clear path to complete the AI Challenge within 4 months. Proposal also includes evidence of Applicant’s ability to execute prior projects within similar timelines.</li> </ul> <p>Does the proposal convincingly demonstrate the financial viability of the Administrator’s plan to execute the AI Challenge, including outlining all costs and mitigation for cost overruns? (Maximum available points: 10)</p> <ul style="list-style-type: none"> <li>○ 0-4 points – Financial plan is vague or incomplete, lacking a detailed cost breakdown and offering minimal or no evidence of mitigation strategies for cost overruns</li> <li>○ 5-8 points – Financial plan includes an adequate cost breakdown with some evidence of financial viability and basic but underdeveloped strategies for mitigating cost overruns</li> <li>○ 9-10 – Financial plan is highly detailed and comprehensive, with a clear cost breakdown and robust, well-thought-out mitigation strategies for managing cost overruns, demonstrating strong financial planning</li> </ul>
<p><b>Fees</b></p>	<p>\$1000 non-refundable application fee</p>
<p><b>Funding Disbursement</b></p>	<p>The Administrator will enter into a grant agreement with NJEDA, and funds will be disbursed according to a milestone-based schedule as follows:</p> <ul style="list-style-type: none"> <li>● <b>Milestone 1:</b> Selection of Administrator based on NJEDA’s eligibility criteria and scoring. Disbursement of funds for direct/indirect administrative costs for AI Challenge. No more than \$456,000 can be disbursed under this milestone.</li> <li>● <b>Milestone 2:</b> Administrator’s selection of AI Challenge’s winning Teams/Companies based on a scoring matrix, via a judging panel established by the Administrator. Disbursement of funds to the Administrator, for sub-grant awards to the winners for further development of prototype towards Minimum Viable Product (MVP). Under Milestone 2, the Administrator must select between 5-10 winning Teams/Companies, no more than \$1,000,000 can be disbursed under this milestone.</li> <li>● <b>Milestone 3:</b> Administrator’s demonstration of successful MVP development by winners, and hosting of Demo Day Event. Disbursement of funds to the Administrator, for sub-grant awards to the winners working towards a plan for pilot demonstration or commercialization of software solution post-Demo Day Event. Under Milestone 3, the Administrator must further review and determine follow-on funding based on performance for select winners, no more than \$2,344,000 can be disbursed under this milestone.</li> </ul> <p>Grant disbursements under each milestone are subject to NJEDA’s satisfactory review of documentation provided by the Administrator to verify milestone completion as outlined in NJEDA’s grant agreement,</p>



including review of sub-grant agreements prior to execution between the Administrator and AI Challenge winners. For Milestones 2 and 3, the Administrator must disburse sub-grant awards based on the AI Challenge winners' compliance with the Administrator's sub-grant agreement and NJEDA's established criteria for AI Challenge winners.

During the term of the grant agreement, the Administrator must comply with NJEDA's reporting requirements as outlined in the grant agreement. The Administrator must ensure AI Challenge winners are in compliance with NJEDA's eligibility criteria and eligible uses of funds as set forth in this memo and attached program specs. Any expenditures that do not comply with NJEDA's eligibility criteria and eligible use of funds must be returned by the AI Challenge winners and/or the Administrator, to NJEDA, at the end of the grant agreement term.