

111TH CONGRESS
2^D SESSION

H. R. 5411

To direct the Secretary of Commerce to establish an early-stage business investment and incubation grant program, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MAY 26, 2010

Ms. KOSMAS introduced the following bill; which was referred to the Committee on Transportation and Infrastructure, and in addition to the Committee on Financial Services, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To direct the Secretary of Commerce to establish an early-stage business investment and incubation grant program, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Early-Stage Business
5 Investment and Incubation Act of 2010”.

1 **SEC. 2. EARLY-STAGE BUSINESS INVESTMENT AND INCUBA-**
2 **TION GRANT PROGRAM.**

3 (a) ESTABLISHMENT.—Not later than 60 days after
4 the date of enactment of this Act, the Secretary of Com-
5 merce shall establish an early-stage business investment
6 and incubation grant program (in this section referred to
7 as the “program”) to support the development of early-
8 stage businesses in targeted industries.

9 (b) GRANT AUTHORITY.—

10 (1) IN GENERAL.—In carrying out the program,
11 the Secretary is authorized to make grants to cov-
12 ered business incubators.

13 (2) GRANT AMOUNTS.—

14 (A) NON-FEDERAL CAPITAL LIMITATION.—

15 A grant made to a covered business incubator
16 under the program may not be in an amount
17 that exceeds the amount of the incubator’s cap-
18 ital that—

19 (i) is not from a Federal source; and

20 (ii) is available for investment and in-
21 cubation services on or before the date on
22 which a grant is drawn upon.

23 (B) AGGREGATE AMOUNT LIMITATION.—

24 The aggregate amount of all grants made to a
25 covered business incubator under the program
26 may not exceed \$5,000,000.

1 (c) GRANT AWARD PROCESS.—In making a grant
2 under the program, the Secretary shall commit a grant
3 amount to a covered business incubator and the amount
4 of each such commitment shall remain available to be
5 drawn upon by such incubator during the 5-year period
6 beginning on the date on which each such commitment
7 is first drawn upon.

8 (d) USE OF GRANT.—

9 (1) IN GENERAL.—A grant made under the
10 program may be used by a covered business incu-
11 bator for the following:

12 (A) Making an investment in an early-
13 stage business in a targeted industry.

14 (B) Providing training, counseling, and
15 other assistance to an early-stage business in a
16 targeted industry to support the development of
17 the business.

18 (C) Providing purchased services to an
19 early-stage business in a targeted industry.

20 (D) Conducting due diligence activities.

21 (E) Meeting operational expenses.

22 (2) LIMITATIONS.—

23 (A) PURCHASED SERVICES.—Not more
24 than 20 percent of the amount of a grant made
25 to a covered business incubator under the pro-

1 gram may be used by the incubator to provide
2 purchased services to an early-stage business in
3 a targeted industry.

4 (B) DUE DILIGENCE ACTIVITIES.—Not
5 more than 6 percent of the amount of a grant
6 made to a covered business incubator under the
7 program may be used by the incubator to con-
8 duct due diligence activities.

9 (C) OPERATIONAL EXPENSES.—Not more
10 than 5 percent of the amount of a grant made
11 to a covered business incubator under the pro-
12 gram may be used by the incubator to meet
13 operational expenses.

14 (3) DESIGNATION OF GRANT USES.—In the ap-
15 plication of a covered business incubator for a grant
16 under the program, the incubator shall notify the
17 Secretary of the percentage of the grant amount
18 that will be used for each of the activities described
19 in subparagraphs (A) through (E) of paragraph (1)
20 and provide a detailed description of the activities to
21 be undertaken.

22 (e) GRANT CONDITIONS.—

23 (1) FUND MANAGER.—As a condition of receiv-
24 ing a grant under the program, a covered business
25 incubator shall designate an individual as the fund

1 manager for the grant amount, who shall administer
2 and be responsible to the Secretary for information
3 with respect to the grant amounts received.

4 (2) INVESTMENT COMMITTEE.—As a condition
5 of receiving a grant under the program, a covered
6 business incubator shall establish an investment
7 committee composed of not less than 5 individuals
8 (3 of whom may not be employed by or related to
9 the incubator or an affiliate of the incubator) that
10 shall—

11 (A) review proposals for and advise the in-
12 cubator on the use of grant funds;

13 (B) provide letters of support and ref-
14 erence to the Secretary with respect to pro-
15 posals for the use of grant funds by the incu-
16 bator; and

17 (C) submit periodic reports to the Sec-
18 retary on the results of activities carried out
19 with grant funds.

20 (3) COLLABORATOR.—As a condition of receiv-
21 ing a grant under the program, a covered business
22 incubator shall assign to each early-stage business in
23 a targeted industry that is assisted with grant
24 amounts a collaborator who shall be an individual
25 not employed by or related to the incubator or an af-

1 filiate of the incubator and who shall assist the incu-
2 bator in providing support to the business.

3 (f) FEDERAL SHARE OF ACTIVITIES.—The Federal
4 share of the cost of an activity carried out by a covered
5 business incubator with the assistance of a grant under
6 the program shall not exceed 75 percent of such cost.

7 (g) MONITORING AND EVALUATION.—

8 (1) IN GENERAL.—The Secretary shall assess
9 the effectiveness of covered business incubators that
10 receive a grant under the program.

11 (2) DATA FROM INCUBATORS.—Not later than
12 120 days after the date of receiving a grant under
13 the program, a covered business incubator shall pro-
14 vide to the Secretary information on the activities of
15 the incubator and on the businesses assisted under
16 the grant, including—

17 (A) the number of jobs created by the
18 businesses;

19 (B) the amount of taxes paid by the busi-
20 nesses and the employees of the businesses; and

21 (C) other data that, as determined by the
22 Secretary, may be used to measure the value of
23 assistance under the program.

24 (h) AUTHORIZATION OF APPROPRIATIONS.—

1 (1) IN GENERAL.—There is authorized to be
2 appropriated to carry out the program—

3 (A) \$250,000,000 for the first full fiscal
4 year beginning after the date of enactment of
5 this Act; and

6 (B) such sums as may be necessary for
7 subsequent fiscal years.

8 (2) PROHIBITION ON EARMARKS.—None of the
9 funds appropriated for the program may be used for
10 a congressional earmark as defined in clause 9(e) of
11 rule XXI of the Rules of the House of Representa-
12 tives.

13 (i) DEFINITIONS.—In this Act, the following defini-
14 tions apply:

15 (1) COVERED BUSINESS INCUBATOR.—The
16 term “covered business incubator” means a public or
17 private not-for-profit organization, including an aca-
18 demic institution, that—

19 (A) operates a program providing assist-
20 ance to early-stage business in targeted indus-
21 tries to support the development of those busi-
22 nesses;

23 (B) has a physical location and on-site
24 management for the program described under
25 subparagraph (A); and

1 (C) has procedures for selecting businesses
2 for and graduating businesses from the pro-
3 gram described under subparagraph (A).

4 (2) DUE DILIGENCE ACTIVITIES.—The term
5 “due diligence activities” means activities under-
6 taken to analyze and assess the desirability, value,
7 and potential of an opportunity to provide assistance
8 to an early-stage business in a targeted industry.

9 (3) EARLY-STAGE BUSINESS IN A TARGETED
10 INDUSTRY.—The term “early-stage business in a
11 targeted industry” means a small business concern
12 that—

13 (A) is domiciled in a State;

14 (B) has not generated gross annual reve-
15 nues exceeding \$15,000,000 in any of the pre-
16 vious 3 years; and

17 (C) is engaged primarily in researching,
18 developing, manufacturing, producing, or bring-
19 ing to market goods or services with respect to
20 any of the following business sectors:

21 (i) Agricultural technology.

22 (ii) Energy technology.

23 (iii) Environmental technology.

24 (iv) Life science technology.

25 (v) Biotechnology.

- 1 (vi) Information technology.
- 2 (vii) Digital media.
- 3 (viii) Clean technology.
- 4 (ix) Defense technology.
- 5 (x) Photonics technology.
- 6 (xi) Electronic technology.
- 7 (xii) Semiconductor technology.
- 8 (xiii) Material science technology.
- 9 (xiv) Aerospace.
- 10 (xv) Communications.
- 11 (xvi) Transportation.

12 (4) OPERATIONAL EXPENSES.—The term
13 “operational expenses” means the costs of operating
14 an incubator, including overhead and management
15 expenses.

16 (5) PURCHASED SERVICES.—The term “pur-
17 chased services” means any training, counseling, or
18 other assistance provided to an early-stage business
19 in a targeted industry that is provided by a covered
20 business incubator through an agreement with an-
21 other entity, and not by the incubator directly.

22 (6) SECRETARY.—The terms “Secretary” and
23 “Secretary of Commerce” mean the Secretary of
24 Commerce acting through the Assistant Secretary of
25 Commerce for Economic Development.

1 (7) SMALL BUSINESS CONCERN.—The term
2 “small business concern” has the meaning given
3 that term in section 3 of the Small Business Act (15
4 U.S.C. 632).

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