

VOCATIONAL AND TECHNICAL ENTREPRENEURSHIP
DEVELOPMENT ACT OF 2005

—————
JULY 28, 2005.—Committed to the Committee of the Whole House on the State of
the Union and ordered to be printed
—————

Mr. MANZULLO, from the Committee on Small Business,
submitted the following

R E P O R T

[To accompany H.R. 527]

[Including cost estimate of the Congressional Budget Office]

The Committee on Small Business, to whom was referred the bill (H.R. 527) to amend the Small Business Act to direct the Administrator of the Small Business Administration to establish a vocational and technical entrepreneurship development program, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows:

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the “Vocational and Technical Entrepreneurship Development Act of 2005”.

SEC. 2. VOCATIONAL AND TECHNICAL ENTREPRENEURSHIP DEVELOPMENT PROGRAM.

- (a) **IN GENERAL.**—The Small Business Act (15 U.S.C. 631 et seq.) is amended—
(1) by redesignating section 37 as section 38; and
(2) by inserting after section 36 the following new section:

“SEC. 37. VOCATIONAL AND TECHNICAL ENTREPRENEURSHIP DEVELOPMENT PROGRAM.

“(a) **DEFINITIONS.**—In this section, the following definitions apply:

“(1) **ASSOCIATION.**—The term ‘Association’ means the association of small business development centers recognized under section 21(a)(3)(A).

“(2) **PROGRAM.**—The term ‘program’ means the program established under subsection (b).

“(3) **SMALL BUSINESS DEVELOPMENT CENTER.**—The term ‘small business development center’ means a small business development center described in section 21.

“(4) **STATE SMALL BUSINESS DEVELOPMENT CENTER.**—The term ‘State small business development center’ means a small business development center from each State selected by the Administrator, in consultation with the Association

and giving substantial weight to the Association's recommendations, to carry out the program on a statewide basis in such State.

“(b) ESTABLISHMENT.—In accordance with this section, the Administrator shall establish a program under which the Administrator shall make grants to State small business development centers to enable such centers to provide, on a statewide basis, technical assistance to secondary schools, postsecondary vocational schools, or technical schools, for the development and implementation of curricula designed to promote vocational and technical entrepreneurship.

“(c) GRANT AMOUNT.—

“(1) MINIMUM GRANT.—Each grant awarded by the Administrator under the program shall be in an amount not less than \$200,000.

“(2) NO MATCHING REQUIREMENT.—The Administrator shall not require, as a condition of receiving a grant under this section, that the applicant provide a matching amount, either in cash or as in-kind contributions.

“(d) APPLICATION.—Each State small business development center seeking a grant under the program shall submit to the Administrator an application in such form as the Administrator may require. The application shall include information regarding the applicant's goals and objectives for the educational programs to be assisted.

“(e) REPORT TO ADMINISTRATOR.—As a condition of each grant awarded under the program, the Administrator shall require the recipient to transmit to the Administrator, not later than 18 months after the date of receipt of the grant, a report describing how the grant funds were used.

“(f) COOPERATIVE AGREEMENTS AND CONTRACTS.—The Administrator may enter into a cooperative agreement or contract with any State small business development center receiving a grant under this section to provide additional assistance that furthers the purposes of this section.

“(g) EVALUATION OF PROGRAM.—Not later than March 31, 2008, the Administrator shall transmit to Congress a report containing an evaluation of the program.

“(h) CLEARINGHOUSE.—The Association shall act as a clearinghouse of information and expertise regarding vocational and technical entrepreneurship education programs. In each fiscal year in which grants are made under the program, the Administrator shall provide additional assistance to the Association to carry out the functions described in this subsection.

“(i) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section \$7,000,000 for each of fiscal years 2006, 2007, and 2008. Such sums shall remain available until expended.

“(j) FUNDING LIMITATIONS.—

“(1) NONAPPLICABILITY OF CERTAIN LIMITATIONS.—Amounts made available under this section are in addition to any amounts available under section 21(a)(4).

“(2) LIMITATION ON USE OF FUNDS.—The Administrator shall carry out this section using only amounts appropriated in advance specifically for the purpose of carrying out this section.”.

PURPOSE

The purpose of H.R. 527, the Vocational and Technical Entrepreneurship Act of 2005, is to utilize the existing Small Business Administration infrastructure to assist persons with vocational and technical skills in establishing their own businesses. Ideally, these new business owners will hire similarly skilled workers as they expand their businesses. Specifically, H.R. 527 aims to utilize the existing network of small business development centers (SBDCs) to create partnerships with career training centers or vocational education institutions to develop entrepreneurial skills in their students and graduates. The Committee's expectation is that these programs will provide both technical and entrepreneurial knowledge so the technically-educated will have alternative opportunities and not limit them to the status of an employee for others. H.R. 527 creates a program among selected SBDC grantees to establish the appropriate educational curriculum. The Committee expects that other SBDCs will utilize the best practices from the program.

NEED FOR LEGISLATION

Many persons within the United States have technical and vocational skills and have the capability to sell their skills as business owners. However, these same individuals may not have the experience or training needed to start and operate a small business. As a result, these skilled individuals often work for other businesses, including many small businesses. While a certain amount of knowledge on business operations may be absorbed by luck, osmosis, or some combination thereof, fortuity should never be the basis of education. To ensure skilled craftspeople receive appropriate training for entrepreneurship, a more organized system is necessary.

Historically, SBDCs provide services to any person seeking assistance. That resulted, quite logically, in entrepreneurs ready to start businesses or extant owners of small businesses. Seeking out and educating individuals that have the capacity to utilize their skills in starting a small business but who currently work for others, fell outside the remit of the typical SBDC. Certain centers, however, started to share their services and information to vocational students and “future entrepreneurs” while the students continued to learn and hone their skills. Instead of working for another business, these “graduates” have the foundation to start their own businesses.

The Committee believes that SBDCs can provide an effective mechanism for dispensing information and advice on providing entrepreneurial education and curricula. Therefore, the Committee believes that a program of additional grants for selected SBDCs to provide entrepreneurial training and educational materials is appropriate. The Committee believes that a partnership model with secondary schools that provide vocational training, and postsecondary institutions, including vocational and technical schools (whether public or private), is the best mechanism for providing entrepreneurial education to future skilled craftsmen and women. The Committee expects that the best practices from the participants will be adopted by other SBDCs.

COMMITTEE ACTION

On Thursday, July 19, 2001, the Subcommittee on Workforce, Empowerment and Government Programs of the Committee on Small Business held a hearing to consider a predecessor, but nearly identical bill, to H.R. 527. That hearing demonstrated the need for expansion of entrepreneurial education to vocational students.

The Committee on Small Business held a hearing on July 13, 2005 on H.R. 527. Mr. Brady, the sponsor of the legislation, testified about need to ensure that skilled tradesmen and women have access to the knowledge that would allow them to start small businesses. While he noted that some SBDCs are performing this task, entrepreneurship education should be available on a wider basis. The sentiment was seconded by Mr. Christian Conroy, the Associate State Director of the Pennsylvania Small Business Development Center. Mr. Conroy also testified about the efforts made by the Pennsylvania Small Business Development Center to provide entrepreneurial education to individuals with vocational and technical skills. The hearing evidenced a need for expansion of the services to other locations.

CONSIDERATION OF H.R. 527

At 9:36 a.m. on July 14, 2005, the Committee on Small Business met to consider and report H.R. 527. Following a brief opening statement by the Chairman, he declared the bill open for amendment.

Mr. Manzullo introduced an amendment in the nature of a substitute. No further amendments were offered. Chairman Manzullo then moved the bill be reported, and at 9:58 a.m. by unanimous voice vote, a quorum being present, the Committee passed H.R. 527 as amended and ordered it reported.

SECTION-BY-SECTION ANALYSIS

Section 1. Short title

The section establishes the short title as the “Vocational and Technical Entrepreneurship Development Act of 2005.”

Section 2. Vocational and technical entrepreneurship development program

This section amends the Small Business Act by adding a new § 37 creating the vocational and technical entrepreneurship program.

Subsection (a)(1) defines the term “Association” to mean the Association of Small Business Development Centers recognized under § 21 (a)(3)(A) of the Small Business Act, 15 U.S.C. § 648(a)(3)(A). The Association is the organization authorized by the Small Business Act to represent the collective interests of SBDCs. The Association also provides critical input and assistance to the Small Business Administration’s statutory role as manager of the Small Business Development Center program.

Subsection (a)(2) defines the term “program” to mean the program established pursuant to § 37.

Subsection (a)(3) defines the term “small business development center” as the centers established pursuant to § 21 of the Small Business Act.

Subsection (a)(4) defines the term “State small business development center.” These are the SBDCs selected from each state to carry out the program on a statewide basis. In selecting the winning grantees, the Administrator must consult with the Association and give substantial weight to the recommendations of that organization in selecting the winners. Despite the consultation process, the Committee reiterates that the ultimate responsibility is to that of the Administrator based on the applications filed pursuant to subsection (d). Finally, the Committee finds that the consultation process set forth in this subsection does not create a federal advisory committee under the Federal Advisory Committee Act, 5 U.S.C. App. 2.

Subsection (b) requires the Administrator to make grants to State SBDCs in order for them to provide educational materials and curriculum development to providers of vocational and technical education. While H.R. 527 authorizes the provision of educational materials to any provider of vocational and technical education, the Committee expects that winning grantees will focus their attention on secondary schools and postsecondary technical institutions rather than community colleges and universities that

can provide entrepreneurial education through existing courses and programs.

To achieve the objectives of the program and recognizing that the development and delivery of educational material is costly, subsection (c) provides that each grant will be at least \$200,000. Although the Committee does not specify a maximum and recognizes that the provision of educational materials may be more costly in some states, the Committee intends that the maximum number of qualified State SBDC grantees should be able to utilize the additional funds provided in H.R. 527. To ensure that the winning applicants can commence the program without delay, subsection (c)(2) eliminates any requirement (normally mandated under the Small Business Development program) for matching funds.

Subsection (d) requires the Administrator to design a grant application for State SBDCs seeking additional grant funds (beyond the allocations provided in § 21 of the Small Business Act). The Committee would expect that the Administrator consult with the Association and seek notice and comment as required by its own regulations. 13 C.F.R. § 101.108. The application form must contain information on the applicant's goals and objectives for providing educational assistance to secondary and postsecondary providers of vocational and technical assistance. The Committee expects that the Administrator will select the applicants with the best proposals for offering entrepreneurial education assistance to providers of vocational and technical education.

To ensure that the Administrator and the Associate Administrator for Small Business Development Centers can manage the program, subsection (e) requires the recipients of funds to report on their usage. The requirement is in addition to any reports that are required by § 21 of the Small Business Act or reports mandated by the Office of Management and Budget for federal grantees. The Committee intends that the report provide detailed information on the curriculum materials developed, their delivery to providers of vocational and technical education, and any recommendations on best practices developed with the grant funds.

Section 21 of the Small Business Act authorizes the Small Business Administration to enter into grant and cooperative agreements with SBDCs. Subsection (f) simply extends that authority to the program established under H.R. 527. The Administrator has the authority to attach codicils to the existing agreements or enter into separate agreements under this subsection.

Subsection (g) requires the Administrator to transmit a report to Congress, no later than March 31, 2008, that evaluates the program. The Committee took the approach of requiring the Administrator to submit a report rather than the Comptroller General, due to the Administrator's expertise in providing entrepreneurial assistance to small business owners. The Committee believes that the Administrator is better positioned to evaluate the adequacy of the materials and their utility better than the Comptroller General.

The Association recognized by § 21 of the Small Business Act provides a number of services to SBDCs. It frequently acts as a conduit to provide information to the Administrator and from the Administrator to the SBDCs. Given this role, the Committee determined that the Association should act as a clearinghouse and conduit of information to SBDCs. This role is particularly vital in dis-

seminating best practices developed under the program established by H.R. 527 for offering entrepreneurial education materials to providers of vocational and technical education.

Subsection (i) authorizes \$7,000,000 be appropriated for each of the fiscal years 2006, 2007, and 2008. The funds to remain available until expended.

The Committee was concerned that the establishment of this directed program, even with a separate authorization, might result in the Administrator diverting existing funds for the Small Business Development Center program to the program established in H.R. 527. To avoid this problem, the Committee provides in subsection (j) that no funds already committed elsewhere pursuant to the funding formula for the Small Business Development Center program in paragraph (4) of § 21(a) of the Small Business Act shall be used to fund this program. In simple terms, if no dedicated appropriation is obtained for this program, the Administrator is prohibited from operating the program. Nothing in this prohibition is intended to interfere with any services that SBDC grantees provide to the populations described in this paragraph under their current grant agreements.

CONGRESSIONAL BUDGET OFFICE,
U.S. CONGRESS,
Washington, DC, July 20, 2005.

Hon. DONALD MANZULLO,
*Chairman, Committee on Small Business,
House of Representatives, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 527, the Vocational and Technical Entrepreneurship Development Act of 2005.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Melissa E. Zimmerman.
Sincerely,

DOUGLAS HOLTZ-EAKIN,
Director.

Enclosure.

H.R. 527—Vocational and Technical Entrepreneurship Development Act of 2005

Summary: H.R. 527 would authorize the appropriation of \$21 million for fiscal years 2006 through 2008 for promoting vocational and technical entrepreneurship. Under the bill, the Small Business Administration would make grants to eligible Small Business Development Centers to provide technical assistance to schools to develop curricula in this subject area. Assuming appropriation of the specified amounts, CBO estimates that implementing H.R. 527 would cost about \$18 million over the 2006–2010 period. Enacting the bill would not affect direct spending or revenues.

H.R. 527 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). The bill would benefit state, local, and tribal governments receiving grants under this bill, and any costs would be incurred voluntarily.

Estimated cost to the Federal Government: The estimated budgetary impact of H.R. 527 is shown in the following table. The costs of this legislation fall within budget function 370 (commerce and

housing credit). CBO assumes that the bill will be enacted by the end of 2005, that the specified amounts will be appropriated for each fiscal year, and that outlays will follow historical trends. CBO estimates that implementing the bill would increase spending subject to appropriation by less than \$500,000 in 2006 and by about \$18 million over the 2006–2010 period for grants for promoting vocational and technical entrepreneurship in schools.

	By fiscal year, in millions of dollars—				
	2006	2007	2008	2009	2010
CHANGES IN SPENDING SUBJECT TO APPROPRIATION					
Authorization Level	7	7	7	0	0
Estimated Outlays	*	3	5	6	4

Note.—* = Less than \$500,000.

Intergovernmental and private-sector impact: H.R. 527 contains no intergovernmental or private-sector mandates as defined in UMR. The bill would benefit state, local, and tribal governments receiving grants under this bill, and any costs would be incurred voluntarily.

Estimate prepared by: Federal Costs: Melissa E. Zimmerman. Impact on State, Local, and Tribal Governments: Sarah Puro. Impact on the Private Sector: Craig Cammarata.

Estimate approved by: Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.

COMMITTEE ESTIMATE OF COSTS

Pursuant to the Congressional Budget Act of 1974, the Committee estimates that the amendments to the Small Business Act contained in H.R. 527 will increase appropriations by no more than \$7 million annually over the next three fiscal years, i.e., 2006 through 2008. Furthermore, pursuant to clause 3(d)(2)(A) of rule XIII of the Rules of the House of Representatives, the Committee estimates that implementation of H.R. 527 will not significantly increase the administrative costs. This concurs with the estimate of the Congressional Budget Office.

OVERSIGHT FINDINGS

In accordance with clause 4(c)(2) of rule X of the Rules of the House of Representatives, the Committee states that no oversight findings or recommendations have been made by the Committee on Government Reform with respect to the subject matter contained in H.R. 527.

In accordance with clause 2(b)(1) of rule X of the Rules of the House of Representatives, the oversight findings and recommendations of the Committee on Small Business with respect to the subject matter contained in H.R. 527 are contained in the descriptive portions of this report.

STATEMENT OF CONSTITUTIONAL AUTHORITY

Pursuant to clause 3(d)(1) of rule XIII of the Rules of the House of Representatives, the Committee finds the authority for this legislation in Article I, Section 8, Clause 18 of the Constitution of the United States.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

THE SMALL BUSINESS ACT

* * * * *

SEC. 37. VOCATIONAL AND TECHNICAL ENTREPRENEURSHIP DEVELOPMENT PROGRAM.

(a) *DEFINITIONS.—In this section, the following definitions apply:*

(1) *ASSOCIATION.—The term “Association” means the association of small business development centers recognized under section 21(a)(3)(A).*

(2) *PROGRAM.—The term “program” means the program established under subsection (b).*

(3) *SMALL BUSINESS DEVELOPMENT CENTER.—The term “small business development center” means a small business development center described in section 21.*

(4) *STATE SMALL BUSINESS DEVELOPMENT CENTER.—The term “State small business development center” means a small business development center from each State selected by the Administrator, in consultation with the Association and giving substantial weight to the Association’s recommendations, to carry out the program on a statewide basis in such State.*

(b) *ESTABLISHMENT.—In accordance with this section, the Administrator shall establish a program under which the Administrator shall make grants to State small business development centers to enable such centers to provide, on a statewide basis, technical assistance to secondary schools, postsecondary vocational schools, or technical schools, for the development and implementation of curricula designed to promote vocational and technical entrepreneurship.*

(c) *GRANT AMOUNT.—*

(1) *MINIMUM GRANT.—Each grant awarded by the Administrator under the program shall be in an amount not less than \$200,000.*

(2) *NO MATCHING REQUIREMENT.—The Administrator shall not require, as a condition of receiving a grant under this section, that the applicant provide a matching amount, either in cash or as in-kind contributions.*

(d) *APPLICATION.—Each State small business development center seeking a grant under the program shall submit to the Administrator an application in such form as the Administrator may require. The application shall include information regarding the applicant’s goals and objectives for the educational programs to be assisted.*

(e) *REPORT TO ADMINISTRATOR.—As a condition of each grant awarded under the program, the Administrator shall require the recipient to transmit to the Administrator, not later than 18 months after the date of receipt of the grant, a report describing how the grant funds were used.*

(f) *COOPERATIVE AGREEMENTS AND CONTRACTS.*—The Administrator may enter into a cooperative agreement or contract with any State small business development center receiving a grant under this section to provide additional assistance that furthers the purposes of this section.

(g) *EVALUATION OF PROGRAM.*—Not later than March 31, 2008, the Administrator shall transmit to Congress a report containing an evaluation of the program.

(h) *CLEARINGHOUSE.*—The Association shall act as a clearinghouse of information and expertise regarding vocational and technical entrepreneurship education programs. In each fiscal year in which grants are made under the program, the Administrator shall provide additional assistance to the Association to carry out the functions described in this subsection.

(i) *AUTHORIZATION OF APPROPRIATIONS.*—There is authorized to be appropriated to carry out this section \$7,000,000 for each of fiscal years 2006, 2007, and 2008. Such sums shall remain available until expended.

(j) *FUNDING LIMITATIONS.*—

(1) *NONAPPLICABILITY OF CERTAIN LIMITATIONS.*—Amounts made available under this section are in addition to any amounts available under section 21(a)(4).

(2) *LIMITATION ON USE OF FUNDS.*—The Administrator shall carry out this section using only amounts appropriated in advance specifically for the purpose of carrying out this section.

SEC. [37] 38. All laws and parts of laws inconsistent with this Act are hereby repealed to the extent of such inconsistency.