

Calendar No. 429

107TH CONGRESS
2D SESSION**S. 1335**

To support business incubation in academic settings.

IN THE SENATE OF THE UNITED STATES

AUGUST 2, 2001

Mr. KENNEDY (for himself, Mr. DEWINE, Mr. DASCHLE, Ms. SNOWE, Mr. DURBIN, Mr. CORZINE, Ms. STABENOW, Mr. BAUCUS, Mr. BINGAMAN, Mr. LIEBERMAN, Ms. LANDRIEU, Mr. JOHNSON, Mr. CONRAD, Mrs. CLINTON, Mr. CLELAND, Mr. AKAKA, Mr. LEAHY, Mr. JEFFORDS, Ms. COLLINS, and Mr. HUTCHINSON) introduced the following bill; which was read twice and referred to the Committee on Health, Education, Labor, and Pensions

JUNE 20, 2002

Reported by Mr. KENNEDY, with an amendment

[Strike all after the enacting clause and insert the part printed in italic]

A BILL

To support business incubation in academic settings.

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; FINDINGS.**

4 (a) ~~SHORT TITLE.~~—This Act may be cited as the
 5 “~~Linking Educators and Developing Entrepreneurs for~~
 6 ~~Reaching Success Act of 2001~~”.

1 (b) FINDINGS.—Congress makes the following find-
2 ings:

3 (1) Business incubators housed in academic set-
4 tings provide unique educational opportunities for
5 students; provide entrepreneurs with enhanced ac-
6 cess to a skilled workforce; and bring a wealth of re-
7 sources to business, academia, and communities.

8 (2) Academic affiliated incubators bridge the
9 missions of academic institutions by bringing to-
10 gether education, economic development, and tech-
11 nology commercialization efforts.

12 (3) Studies have shown that incubator tenant
13 companies have an average success rate of 87 per-
14 cent, and 90 percent for technology-based incubator
15 tenant companies. These success rates are dramati-
16 cally higher than the success rates for companies in
17 the general economy.

18 (4) Incubator companies are also more likely to
19 remain in the same communities as they grow and
20 to provide high paying jobs and benefits to their em-
21 ployees.

22 (5) Business incubators help academic institu-
23 tions contribute to local goals of sustaining economic
24 development in their surrounding communities.

1 (6) Education in entrepreneurship and other
 2 business formation skills is essential to business suc-
 3 cess and sustainable economic development.

4 **SEC. 2. PURPOSE.**

5 The purpose of this Act is to encourage entrepreneur-
 6 ship by increasing the role for academia in entrepreneur-
 7 ship by providing space and expertise in an academic set-
 8 ting to house and support new and emerging small busi-
 9 nesses.

10 **SEC. 3. DEFINITIONS.**

11 In this Act:

12 (1) ~~DEGREE-GRANTING INSTITUTION.~~—The
 13 term “degree-granting institution” means an institu-
 14 tion of higher education, as defined in section 101
 15 of the Higher Education Act of 1965 (20 U.S.C.
 16 1001), that awards an associate or baccalaureate de-
 17 gree.

18 (2) ~~INCUBATOR.~~—The term “incubator” means
 19 an entity affiliated with or housed in a degree-grant-
 20 ing institution that provides space and coordinated
 21 and specialized services to entrepreneurial businesses
 22 which meet selected criteria during the businesses’
 23 startup phase, including providing services such as
 24 shared office space and services, access to equip-
 25 ment, access to telecommunications and technology

1 services, flexible leases, specialized management as-
 2 sistance, access to financing, and other coordinated
 3 business or technical support services.

4 ~~(3) SECRETARY.~~—The term “Secretary” means
 5 the Secretary of Education.

6 **SEC. 4. PROGRAM AUTHORIZED.**

7 ~~(a) IN GENERAL.~~—The Secretary is authorized to
 8 support the establishment and development of incubators.

9 ~~(b) ALLOCATION OF FUNDS.~~—From the amount ap-
 10 propriated under section 9, the Secretary—

11 ~~(1) shall reserve 80 percent of the amount to—~~

12 ~~(A) make awards, on a competitive basis,~~
 13 ~~in amounts of \$500,000 to \$750,000, to help~~
 14 ~~acquire or renovate space for incubators; and~~

15 ~~(B) make awards, on a competitive basis,~~
 16 ~~in amounts of \$50,000 to \$150,000, for devel-~~
 17 ~~oping curricula, providing services, or providing~~
 18 ~~programming for entrepreneurs housed in an~~
 19 ~~incubator;~~

20 ~~(2) shall reserve 10 percent of the amount to~~
 21 ~~make awards, on a competitive basis, in amounts of~~
 22 ~~\$50,000 to \$150,000, for feasibility studies for de-~~
 23 ~~termining the need for or siting of incubators; and~~

24 ~~(3) shall reserve 10 percent for research regard-~~
 25 ~~ing best practices for incubator programs, including~~

1 the development of a benchmarking system based on
2 uniform measures, and for dissemination of informa-
3 tion regarding such practices.

4 (c) **CONTRACTS.**—The Secretary is authorized to con-
5 tract with organizations with expertise in business incuba-
6 tion practices for the purposes of carrying out subsection
7 (b)(3).

8 (d) **RECIPIENTS.**—The Secretary shall make an
9 award—

10 (1) described in subsection (b)(1) to a nonprofit
11 entity that has a strong affiliation with a degree-
12 granting institution and manages or provides tech-
13 nical assistance to the degree-granting institution's
14 affiliated incubator, or if no nonprofit entity man-
15 ages or provides technical assistance to the incu-
16 bator, to the degree-granting institution managing
17 the incubator; and

18 (2) described in subsection (b)(2) to a degree-
19 granting institution, or a nonprofit municipality,
20 city, township, or community development organiza-
21 tion.

22 **SEC. 5. USES OF FUNDS.**

23 Funds awarded under section 4(b)(1)(B) may be
24 used for—

1 (1) curriculum, training, or technical assistance
 2 developed by academic faculty with participation
 3 from entrepreneurship experts and local government
 4 leaders;

5 (2) programming that contributes to a coordi-
 6 nated set of business assistance tools, such as devel-
 7 oping management teams, providing workforce devel-
 8 opment, forming strategic alliances, developing cap-
 9 ital formation networks, and developing customized
 10 plans to help entrepreneurs meet the challenges of
 11 doing business in their specific communities; and

12 (3) hiring staff to coordinate the activities de-
 13 scribed in paragraph (1) or (2) or for curriculum de-
 14 velopment.

15 **SEC. 6. APPLICATIONS.**

16 (a) **IN GENERAL.**—Each entity desiring assistance
 17 under this Act shall submit an application to the Secretary
 18 at such time, in such manner, and accompanied by such
 19 information as the Secretary may require.

20 (b) **CONTENTS.**—Each application shall contain an
 21 assurance that the activities to be assisted—

22 (1) have the support of the municipality, city,
 23 or township in which the incubator is housed or pro-
 24 posed to be housed; and

1 (2) are consistent with the local economic devel-
2 opment or strategic master plan.

3 (c) ~~PRIORITY.~~—The Secretary shall give priority to
4 funding applications under this Act that provide strong
5 educational opportunities to students in entrepreneurship,
6 and that require significant collaboration between busi-
7 nesses, academia, and local government and economic de-
8 velopment leaders.

9 (d) ~~CONSIDERATION.~~—

10 (1) ~~IN GENERAL.~~—The Secretary may give con-
11 sideration to funding applications under this Act
12 that support—

13 (A) the building of new incubators;

14 (B) incubators located in economically dis-
15 tressed areas;

16 (C) incubators with successful graduation
17 rates for tenant companies;

18 (D) incubators that have shown demon-
19 strable economic benefits in their surrounding
20 communities; or

21 (E) incubators that work with faculty en-
22 trepreneurs or university-based research.

23 (2) ~~DEFINITION OF CONSIDERATION.~~—In this
24 subsection the term “consideration” means thought
25 and does not mean priority.

1 **SEC. 7. MATCHING FUNDS.**

2 Each entity receiving Federal assistance under sec-
 3 tion 4(b)(1) shall contribute matching funds, in an
 4 amount equal to the amount of Federal assistance received
 5 under this Act, toward the costs of the activities assisted
 6 under this Act.

7 **SEC. 8. REPORT.**

8 The Secretary, at the end of the third year for which
 9 assistance is provided under this Act, shall prepare and
 10 submit to Congress a report that—

11 (1) describes the most effective or innovative
 12 additions to curricula developed under this Act;

13 (2) contains a comparison of small business
 14 survival rates for small businesses that started up in
 15 incubators versus small businesses that did not so
 16 start;

17 (3) describes factors leading to success of incu-
 18 bator businesses (if any);

19 (4) describes the best role for degree-granting
 20 institutions in business incubation; and

21 (5) contains a comparison of academic-affiliated
 22 incubators of specific missions and ages supported
 23 under this Act with incubators with similar missions
 24 and ages that are not supported under this Act.

1 **SEC. 9. AUTHORIZATION OF APPROPRIATIONS.**

2 There are authorized to be appropriated to carry out
3 this Act \$20,000,000 for each of the fiscal years 2002,
4 2003, and 2004.

5 **SECTION 1. SHORT TITLE; FINDINGS.**

6 (a) *SHORT TITLE.*—This Act may be cited as the
7 “Linking Educators and Developing Entrepreneurs for
8 Reaching Success Act of 2001”.

9 (b) *FINDINGS.*—Congress makes the following findings:

10 (1) *Business incubators housed in academic set-*
11 *tings provide unique educational opportunities for*
12 *students, provide entrepreneurs with enhanced access*
13 *to a skilled workforce, and bring a wealth of resources*
14 *to business, academia, and communities.*

15 (2) *Academic affiliated incubators bridge the*
16 *missions of academic institutions by bringing together*
17 *education, economic development, and technology*
18 *commercialization efforts.*

19 (3) *Studies have shown that incubator tenant*
20 *companies have an average success rate of 87 percent,*
21 *and 90 percent for technology-based incubator tenant*
22 *companies. These success rates are dramatically high-*
23 *er than the success rates for companies in the general*
24 *economy.*

25 (4) *Incubator companies are also more likely to*
26 *remain in the same communities as they grow and to*

1 *provide high paying jobs and benefits to their employ-*
 2 *ees.*

3 (5) *Business incubators help academic institu-*
 4 *tions contribute to local goals of sustaining economic*
 5 *development in their surrounding communities.*

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 7 *business formation skills is essential to business suc-*
 8 *cess and sustainable economic development.*

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 11 *ship by increasing the role for academia in entrepreneur-*
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 14 *nesses.*

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16 *In this Act:*

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 20 *Higher Education Act of 1965 (20 U.S.C. 1001), that*
 21 *awards an associate or baccalaureate degree.*

22 (2) *INCUBATOR.*—*The term “incubator” means*
 23 *an entity affiliated with or housed in a degree-grant-*
 24 *ing institution that provides space and coordinated*
 25 *and specialized services to entrepreneurial businesses*

1 *which meet selected criteria during the businesses’*
 2 *startup phase, including providing services such as*
 3 *shared office space and services, access to equipment,*
 4 *access to telecommunications and technology services,*
 5 *flexible leases, specialized management assistance, ac-*
 6 *cess to financing, and other coordinated business or*
 7 *technical support services.*

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 9 *the Secretary of Education.*

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11 (a) *IN GENERAL.*—*The Secretary is authorized to sup-*
 12 *port the establishment and development of incubators.*

13 (b) *ALLOCATION OF FUNDS.*—*From the amount appro-*
 14 *priated under section 9, the Secretary—*

15 (1) *shall reserve 80 percent of the amount to—*

16 (A) *make awards, on a competitive basis, in*
 17 *amounts of \$500,000 to \$750,000, to help acquire*
 18 *or renovate space for incubators; and*

19 (B) *make awards, on a competitive basis, in*
 20 *amounts of \$50,000 to \$150,000, for—*

21 (i) *developing curricula;*

22 (ii) *providing services, including, but*
 23 *not limited to: preparing corporate charters,*
 24 *partnership agreements, and basic con-*
 25 *tracts; assistance with patents, trademarks,*

1 *and copyrights; and technology acquisition*
 2 *services; or*

3 *(iii) providing programming for entre-*
 4 *preneurs housed in an incubator;*

5 *(2) shall reserve 10 percent of the amount to*
 6 *make awards, on a competitive basis, in amounts of*
 7 *\$50,000 to \$150,000, for feasibility studies for deter-*
 8 *mining the need for or siting of incubators; and*

9 *(3) shall reserve 10 percent for research regard-*
 10 *ing best practices for incubator programs, including*
 11 *the development of a benchmarking system based on*
 12 *uniform measures, and for dissemination of informa-*
 13 *tion regarding such practices.*

14 *(c) CONTRACTS.—The Secretary is authorized to con-*
 15 *tract with organizations with expertise in business incuba-*
 16 *tion practices for the purposes of carrying out subsection*
 17 *(b)(3).*

18 *(d) RECIPIENTS.—The Secretary shall make an*
 19 *award—*

20 *(1) described in subsection (b)(1) to a nonprofit*
 21 *entity that has a strong affiliation with a degree-*
 22 *granting institution and manages or provides tech-*
 23 *nical assistance to the degree-granting institution's*
 24 *affiliated incubator, or if no nonprofit entity manages*
 25 *or provides technical assistance to the incubator, to*

1 *the degree-granting institution managing the incu-*
 2 *bator; and*

3 *(2) described in subsection (b)(2) to a degree-*
 4 *granting institution, or a nonprofit municipality,*
 5 *city, township, or community development organiza-*
 6 *tion.*

7 **SEC. 5. USES OF FUNDS.**

8 *Funds awarded under section 4(b)(1)(B) may be used*
 9 *for—*

10 *(1) curriculum, training, or technical assistance*
 11 *developed by academic faculty with participation*
 12 *from entrepreneurship experts and local government*
 13 *leaders;*

14 *(2) programming that contributes to a coordi-*
 15 *nated set of business assistance tools, such as devel-*
 16 *oping management teams, providing workforce devel-*
 17 *opment, forming strategic alliances, developing cap-*
 18 *ital formation networks, and developing customized*
 19 *plans to help entrepreneurs meet the challenges of*
 20 *doing business in their specific communities; and*

21 *(3) hiring staff to coordinate the activities de-*
 22 *scribed in paragraph (1) or (2) or for curriculum de-*
 23 *velopment.*

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9 *township in which the incubator is housed or pro-*
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24 (B) *incubators located in economically dis-*
25 *tressed areas;*

1 (C) incubators with successful graduation
2 rates for tenant companies;

3 (D) incubators that have shown demon-
4 strable economic benefits in their surrounding
5 communities;

6 (E) incubators that work with faculty entre-
7 preneurs or university-based research; or

8 (F) incubators located in rural, inner-city
9 areas, Indian reservations or pueblos where the
10 presence of an incubator may enhance and diver-
11 sify the area's economy through expanded tech-
12 nology commercialization.

13 (2) *DEFINITION OF CONSIDERATION.*—In this
14 subsection the term “consideration” means thought
15 and does not mean priority.

16 **SEC. 7. MATCHING FUNDS.**

17 Each entity receiving Federal assistance under section
18 4(b)(1) shall contribute matching funds, in an amount
19 equal to the amount of Federal assistance received under
20 this Act, toward the costs of the activities assisted under
21 this Act. The non-Federal share required under this section
22 may be provided in the form of in-kind contributions.

1 **SEC. 8. REPORT.**

2 *The Secretary, at the end of the third year for which*
3 *assistance is provided under this Act, shall prepare and*
4 *submit to Congress a report that—*

5 *(1) describes the most effective or innovative ad-*
6 *ditions to curricula developed under this Act;*

7 *(2) contains a comparison of small business sur-*
8 *vival rates for small businesses that started up in in-*
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11 *bator businesses (if any);*

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21 *and 2005.*

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