

## Calendar No. 429

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

To support business incubation in academic settings.

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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]

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**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 eess 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:

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 (e) 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 coordinated  
6 set of business assistance tools, such as developing  
7 management teams, providing workforce development,  
8 forming strategic alliances, developing capital formation networks, and developing customized  
9 plans to help entrepreneurs meet the challenges of  
10 doing business in their specific communities; and  
11

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

(2) are consistent with the local economic development or strategic master plan.

3 (e) 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

(E) incubators that work with faculty entrepreneurs or university-based research.

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

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

7 **SEC. 8. REPORT.**

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

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

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

17            (3) describes factors leading to success of incubator businesses (if any);

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

21            (5) contains a comparison of academic-affiliated incubators of specific missions and ages supported under this Act with incubators with similar missions 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.*

6       *(6) Education in entrepreneurship and other*  
7       *business formation skills is essential to business suc-*  
8       *cess and sustainable economic development.*

9       **SEC. 2. PURPOSE.**

10       *The purpose of this Act is to encourage entrepreneur-*  
11       *ship by increasing the role for academia in entrepreneur-*  
12       *ship by providing space and expertise in an academic set-*  
13       *ting to house and support new and emerging small busi-*  
14       *nesses.*

15       **SEC. 3. DEFINITIONS.**

16       *In this Act:*

17       *(1) DEGREE-GRANTING INSTITUTION.—The term*  
18       *“degree-granting institution” means an institution of*  
19       *higher education, as defined in section 101 of the*  
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.*

8               (3) *SECRETARY.*—The term “Secretary” means  
9       *the Secretary of Education.*

10 **SEC. 4. PROGRAM AUTHORIZED.**

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 incubator; and*

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

7   **SEC. 5. USES OF FUNDS.**

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

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

14           *(2) programming that contributes to a coordinated set of business assistance tools, such as developing management teams, providing workforce development, forming strategic alliances, developing capital formation networks, and developing customized plans to help entrepreneurs meet the challenges of doing business in their specific communities; and*

21           *(3) hiring staff to coordinate the activities described in paragraph (1) or (2) or for curriculum development.*

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3 under this Act shall submit an application to the Secretary  
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5 information as the Secretary may require.

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8               (1) have the support of the municipality, city, or  
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10 posed to be housed; and

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25 tressed areas;

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

(D) incubators that have shown demonstrable economic benefits in their surrounding communities;

(E) incubators that work with faculty entrepreneurs or university-based research; or

(F) incubators located in rural, inner-city areas, Indian reservations or pueblos where the presence of an incubator may enhance and diversify the area's economy through expanded technology commercialization.

## 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;*

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8 vival rates for small businesses that started up in in-  
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11 bator businesses (if any);*

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13 stitutions in business incubation; and*

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15 incubators of specific missions and ages supported  
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18 **SEC. 9. AUTHORIZATION OF APPROPRIATIONS.**

19       *There are authorized to be appropriated to carry out  
20 this Act \$20,000,000 for each of the fiscal years 2003, 2004,  
21 and 2005.*



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