

112TH CONGRESS
1ST SESSION

S. 753

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

IN THE SENATE OF THE UNITED STATES

APRIL 6 (legislative day, APRIL 5), 2011

Mrs. GILLIBRAND introduced the following bill; which was read twice and referred to the Committee on Commerce, Science, and Transportation

A BILL

To require the Assistant Secretary of Commerce for Economic Development 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 2011”.

6 **SEC. 2. DEFINITIONS.**

7 In this Act:

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

5 (A) operates a program providing assist-
6 ance to early-stage businesses in targeted in-
7 dustries to support the development of those
8 businesses;

9 (B) has a physical location and on-site
10 management for the program described in sub-
11 paragraph (A); and

12 (C) has procedures for selecting businesses
13 for, and graduating businesses from, the pro-
14 gram described in subparagraph (A).

15 (2) DUE DILIGENCE ACTIVITIES.—The term
16 “due diligence activities” means activities carried
17 out to analyze and assess the desirability, value, and
18 potential of an opportunity to provide assistance to
19 an early-stage business in a targeted industry.

20 (3) EARLY-STAGE BUSINESS IN A TARGETED
21 INDUSTRY.—The term “early-stage business in a
22 targeted industry” means a small business concern
23 that—

24 (A) is located in the United States;

1 (B) has not generated gross annual reve-
2 nues exceeding \$15,000,000 in any of the most
3 recent 3 years; and

4 (C) is engaged primarily in researching,
5 developing, manufacturing, producing, or bring-
6 ing to market goods or services with respect
7 to—

- 8 (i) agricultural technology;
- 9 (ii) energy technology;
- 10 (iii) environmental technology;
- 11 (iv) life science technology;
- 12 (v) biotechnology;
- 13 (vi) information technology;
- 14 (vii) digital media;
- 15 (viii) clean technology;
- 16 (ix) defense technology;
- 17 (x) photonics technology;
- 18 (xi) electronic technology;
- 19 (xii) semiconductor technology;
- 20 (xiii) material science technology;
- 21 (xiv) aerospace;
- 22 (xv) communications; or
- 23 (xvi) transportation.

24 (4) OPERATIONAL EXPENSES.—The term
25 “operational expenses” means the costs of operating

1 a covered business incubator, including overhead and
2 management expenses.

3 (5) PURCHASED SERVICES.—The term “pur-
4 chased services” means any training, counseling, or
5 other assistance provided to an early-stage business
6 in a targeted industry by a covered business incu-
7 bator through an agreement with another entity, and
8 not by the incubator directly.

9 (6) SMALL BUSINESS CONCERN.—The term
10 “small business concern” has the meaning given
11 that term in section 3 of the Small Business Act (15
12 U.S.C. 632).

13 **SEC. 3. EARLY-STAGE BUSINESS INVESTMENT AND INCUBA-**
14 **TION GRANT PROGRAM.**

15 (a) ESTABLISHMENT.—Not later than 60 days after
16 the date of the enactment of this Act, the Assistant Sec-
17 retary of Commerce for Economic Development (in this
18 section referred to as the “Assistant Secretary”) shall es-
19 tablish an early-stage business investment and incubation
20 grant program (in this section referred to as the “Pro-
21 gram”) to support the development of early-stage busi-
22 nesses in targeted industries.

23 (b) GRANT AUTHORITY.—

1 (1) IN GENERAL.—The Assistant Secretary
2 may make grants to covered business incubators
3 under the Program.

4 (2) AMOUNT OF GRANTS.—

5 (A) NON-FEDERAL CAPITAL LIMITATION.—

6 The amount of a grant made to a covered busi-
7 ness incubator under the Program may not ex-
8 ceed the amount of the incubator's capital
9 that—

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

11 (ii) is available for investment and in-
12 cubation services on the day before the
13 grant is awarded.

14 (B) AGGREGATE AMOUNT LIMITATION.—A

15 covered business incubator may receive not
16 more than \$5,000,000 in grants under the Pro-
17 gram.

18 (c) USE OF GRANT FUNDS.—

19 (1) IN GENERAL.—Subject to paragraph (2), a
20 grant made to a covered business incubator under
21 the Program may be used by the incubator—

22 (A) to make an investment in an early-
23 stage business in a targeted industry;

24 (B) to provide training, counseling, and
25 other assistance to an early-stage business in a

1 targeted industry to support the development of
2 the business;

3 (C) to provide purchased services to an
4 early-stage business in a targeted industry;

5 (D) to conduct due diligence activities; or

6 (E) to meet operational expenses of the in-
7 cubator.

8 (2) LIMITATIONS.—

9 (A) PURCHASED SERVICES.—A covered
10 business incubator may use not more than 20
11 percent of the amount of a grant made to the
12 incubator under the Program to provide pur-
13 chased services to an early-stage business in a
14 targeted industry.

15 (B) DUE DILIGENCE ACTIVITIES.—A cov-
16 ered business incubator may use not more than
17 6 percent of the amount of a grant made to the
18 incubator under the Program to conduct due
19 diligence activities.

20 (C) OPERATIONAL EXPENSES.—A covered
21 business incubator may use not more than 5
22 percent of the amount of a grant made to the
23 incubator under the Program to meet oper-
24 ational expenses of the incubator.

1 (d) APPLICATIONS.—A covered business incubator
2 seeking a grant under the Program shall submit to the
3 Assistant Secretary an application—

4 (1) at such time and in such manner as the As-
5 sistant Secretary may require;

6 (2) describing in detail the activities the incu-
7 bator intends to carry out using the grant; and

8 (3) setting forth the percentage of the grant
9 funds that the incubator intends to use for each of
10 the activities described in subparagraphs (A)
11 through (E) of subsection (c)(1).

12 (e) GRANT CONDITIONS.—As a condition of receiving
13 a grant under the program, a covered business incubator
14 shall do the following:

15 (1) FUND MANAGER.—Designate an individual
16 as the fund manager for the grant funds, who shall
17 administer and be responsible to the Assistant Sec-
18 retary for information with respect to the grant
19 funds received by the incubator.

20 (2) INVESTMENT COMMITTEE.—Establish an
21 investment committee, composed of not fewer than 5
22 individuals (3 of whom may not be employed by the
23 incubator or an affiliate of the incubator or be re-
24 lated to an individual who owns or is otherwise re-

1 responsible for the operations of the incubator or an
2 affiliate of the incubator), that shall—

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

5 (B) provide letters of support and ref-
6 erence to the Assistant Secretary with respect
7 to proposals for the use of grant funds by the
8 incubator; and

9 (C) submit periodic reports to the Assist-
10 ant Secretary on the results of activities carried
11 out with grant funds.

12 (3) COLLABORATOR.—Assign to each early-
13 stage business in a targeted industry that the incu-
14 bator assists with grant funds a collaborator who
15 shall—

16 (A) be an individual not employed by the
17 incubator or an affiliate of the incubator or be
18 related to an individual who owns or is other-
19 wise responsible for the operations of the incu-
20 bator or an affiliate of the incubator; and

21 (B) shall assist the incubator in providing
22 support to the business.

23 (f) FEDERAL SHARE OF ACTIVITIES.—The Federal
24 share of the cost of an activity carried out by a covered

1 business incubator using a grant under the Program may
2 not exceed 75 percent of the cost of that activity.

3 (g) MONITORING AND EVALUATION.—

4 (1) IN GENERAL.—The Assistant Secretary
5 shall assess the effectiveness of covered business in-
6 cubators that receive grants under the Program in
7 supporting the development of early-stage businesses
8 in targeted industries using the data provided by
9 covered business incubators under paragraph (2)
10 and such other information as the Assistant Sec-
11 retary considers appropriate.

12 (2) DATA FROM INCUBATORS.—Not later than
13 120 days after the date on which a covered business
14 incubator receives a grant under the Program, the
15 incubator shall provide to the Assistant Secretary in-
16 formation on the activities of the incubator and on
17 the businesses assisted using the grant, including—

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

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

23 (C) other data that the Assistant Secretary
24 considers appropriate to determine the effective-

1 ness of assistance provided using grants made
2 under the Program.

3 (h) AUTHORIZATION OF APPROPRIATIONS.—There
4 are authorized to be appropriated to carry out the Pro-
5 gram—

6 (1) \$250,000,000 for the first fiscal year that
7 begins after the date of the enactment of this Act;
8 and

9 (2) such sums as may be necessary for each fis-
10 cal year thereafter.

○