

116TH CONGRESS
2D SESSION

S. 3329

To establish an incubator network and startup success program, and for other purposes.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 25, 2020

Ms. HASSAN (for herself and Mr. HAWLEY) introduced the following bill; which was read twice and referred to the Committee on Commerce, Science, and Transportation

A BILL

To establish an incubator network and startup success 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 “Incubator Network and
5 Startup Success Act”.

6 **SEC. 2. DEFINITIONS.**

7 In this Act:

8 (1) **STARTUP INCUBATOR.**—The term “startup
9 incubator” means a business or a nonprofit organi-
10 zation that—

1 (A) provides resources and services de-
2 signed to accelerate the growth and success of
3 businesses, which may include—

4 (i) physical workspace and facilities,
5 including affordable or shared office space;

6 (ii) access to capital, business edu-
7 cation, and counseling;

8 (iii) networking and mentorship op-
9 portunities;

10 (iv) access to advanced tools and
11 other technology; and

12 (v) other services intended to aid in
13 developing a business; and

14 (B) serves businesses, of which not less
15 than 90 percent are startups.

16 (2) STARTUP INCUBATOR NETWORK.—The term
17 “startup incubator network” means a group of start-
18 up incubators with an agreement to—

19 (A) share resources among network mem-
20 bers, which may include—

21 (i) reciprocal facility privileges to an
22 incubator member of a network member;
23 and

1 (ii) common access to capital raising,
2 business education, and networking pro-
3 grams;

4 (B) share information and best practices
5 among network members;

6 (C) designate not less than 1 employee of
7 a network member to be the official point of
8 contact for the network members; and

9 (D) establish a public website for the start-
10 up incubator network.

11 (3) CATEGORY 1 STARTUP INCUBATOR NET-
12 WORK.—The term “category 1 startup incubator
13 network” means a startup incubator network with a
14 good faith estimate that not less than 50 percent of
15 the incubator members of the startup incubator net-
16 work have disadvantaged entrepreneur ownership.

17 (4) CATEGORY 2 STARTUP INCUBATOR NET-
18 WORK.—The term “category 2 startup incubator
19 network” means a startup incubator network with a
20 good faith estimate that not less than 25 percent
21 and less than 50 percent of the incubator members
22 of the startup incubator network have disadvantaged
23 entrepreneur ownership.

24 (5) CATEGORY 3 STARTUP INCUBATOR NET-
25 WORK.—The term “category 3 startup incubator

1 network” means a startup incubator network with a
2 good faith estimate that less than 25 percent of the
3 incubator members of the startup incubator network
4 have disadvantaged entrepreneur ownership.

5 (6) DIRECTOR.—The term “Director” means
6 the Director of the Office of Innovation and Entre-
7 preneurship of the Department of Commerce.

8 (7) DISADVANTAGED ENTREPRENEUR.—The
9 term “disadvantaged entrepreneur” means an entre-
10 preneur who is—

11 (A) a socially disadvantaged individual or
12 an economically disadvantaged individual, as
13 those terms are described in paragraphs (5)
14 and (6)(A) of section 8(a) of the Small Busi-
15 ness Act (15 U.S.C. 637(a)(5), 637(a)(6)(A));

16 (B) a woman;

17 (C) a veteran, as defined in section 101 of
18 title 38, United States Code; or

19 (D) an individual with a disability, as de-
20 fined in section 3 of the Americans with Dis-
21 abilities Act of 1990 (42 U.S.C. 12102).

22 (8) DISADVANTAGED ENTREPRENEUR OWNER-
23 SHIP.—The term “disadvantaged entrepreneur own-
24 ership” means—

25 (A) in the case of—

1 (i) a business, not less than 51 per-
 2 cent ownership by one or more disadvan-
 3 tagged entrepreneurs; or

4 (ii) a publicly owned business, not less
 5 than 51 percent ownership of the stock by
 6 one or more disadvantaged entrepreneurs;
 7 and

8 (B) control of the management and daily
 9 operations of the business by one or more dis-
 10 advantaged entrepreneurs.

11 (9) ELIGIBLE ENTITY.—The term “eligible enti-
 12 ty”—

13 (A) means—

14 (i) a category 1 startup incubator net-
 15 work;

16 (ii) a category 2 or category 3 startup
 17 incubator network that has submitted a
 18 formal plan under section 3(f)(2) or
 19 3(f)(3), respectively; or

20 (iii) a planned startup incubator net-
 21 work that has submitted a formal plan to
 22 establish a startup incubator network
 23 under section 3(f)(1);

24 (B) includes a startup incubator network
 25 that has received funding under—

1 (i) the Small Business Act (15 U.S.C.
2 631 et seq.);

3 (ii) the Public Works and Economic
4 Development Act of 1965 (42 U.S.C. 3121
5 et seq.); and

6 (iii) other Federal programs; and

7 (C) does not include a startup incubator
8 network that has received a grant under section
9 3(a) during the 3-year period ending on the
10 date on which an application is submitted under
11 section 3(g).

12 (10) INCUBATOR MEMBER.—The term “incu-
13 bator member” means a business that is served by
14 a startup incubator.

15 (11) NETWORK MEMBER.—The term “network
16 member” means a startup incubator that is a part
17 of a startup incubator network or planned startup
18 incubator network.

19 (12) PLANNED STARTUP INCUBATOR NET-
20 WORK.—The term “planned startup incubator net-
21 work” means a startup incubator network that mul-
22 tiple startup incubators intend to create.

23 (13) RURAL AREA.—The term “rural area” has
24 the meaning given the term in section 343(a) of the

1 Consolidated Farm and Rural Development Act (7
2 U.S.C. 1991(a)).

3 (14) STARTUP.—The term “startup” means a
4 business that—

5 (A) has less than \$10,000,000 in annual
6 gross receipts;

7 (B) has not more than 5 years of gross re-
8 ceipts; and

9 (C) has been an active trade or business
10 for less than 10 years.

11 (15) STATE.—The term “State” means each of
12 the several States, the District of Columbia, and any
13 other territory or possession of the United States.

14 **SEC. 3. INCUBATOR NETWORK AND STARTUP SUCCESS**
15 **PROGRAM.**

16 (a) IN GENERAL.—Not later than 1 year after the
17 date of enactment of this Act, the Director shall establish
18 in the Office of Innovation and Entrepreneurship of the
19 Department of Commerce an incubator network and start-
20 up success program with the purpose of carrying out the
21 grants described in subsection (b).

22 (b) GRANTS AUTHORIZED.—The Director is author-
23 ized to award grants under this section on a competitive
24 basis in the amount of \$50,000 to each network member
25 of an eligible entity selected based on the application sub-

mitted under subsection (g) and the criteria described in subsection (h).

(c) MAXIMUM AMOUNT.—The total amount of grants made by the Director under subsection (b) in a fiscal year shall not exceed \$2,000,000.

(d) MATCHING REQUIREMENT.—The Director may not make a grant to the network members of an eligible entity under this section unless each network member demonstrates the ability to raise or plans to raise non-Federal contributions in an amount equal to the amount of Federal funds provided to each network member under the grant.

(e) ANNOUNCEMENT.—The Director shall widely announce the incubator network and startup success program established under subsection (a), including on the website of the Office of Innovation and Entrepreneurship of the Department of Commerce.

(f) FORMAL PLANS FOR PRELIMINARY ELIGIBILITY.—To be eligible to receive a grant under this section—

(1) a planned startup incubator network shall submit to the Director a formal plan to form a startup incubator network within 1 year of the receipt of a grant under subsection (b) at such time, in such

1 manner, and containing such information as the Di-
2 rector may require;

3 (2) a category 2 startup incubator network
4 shall submit to the Director at such time, in such
5 manner, and containing such information as the Di-
6 rector may require—

7 (A) a formal plan detailing planned efforts
8 to increase access to the startup incubator net-
9 work for businesses with disadvantaged entre-
10 preneur ownership; and

11 (B) evidence relating to the likelihood of
12 the successful implementation of the plan de-
13 scribed in subparagraph (A), including evidence
14 of past success in increasing access to the start-
15 up incubator network for businesses with dis-
16 advantaged entrepreneur ownership; and

17 (3) a category 3 startup incubator network
18 shall submit to the Director at such time, in such
19 manner, and containing such information as the Di-
20 rector may require—

21 (A) a formal plan to increase the percent-
22 age of disadvantaged entrepreneur-owned incu-
23 bator members by 5 percent within 5 years of
24 the receipt of a grant under subsection (b); and

1 (B) evidence relating to the likelihood of
2 the successful implementation of the plan de-
3 scribed in subparagraph (A), including evidence
4 of past success in increasing access to the start-
5 up incubator network for businesses with dis-
6 advantaged entrepreneur ownership.

7 (g) APPLICATION.—

8 (1) IN GENERAL.—Each eligible entity that de-
9 sires the network members of the eligible entity to
10 receive a grant under subsection (b) shall submit an
11 application on behalf of the network members of the
12 eligible entity to the Director, at such time, in such
13 manner, and accompanied by such additional infor-
14 mation as the Director may require.

15 (2) CONTENTS.—Each application submitted
16 pursuant to paragraph (1) shall include—

17 (A) a report that—

18 (i) specifies whether the eligible entity
19 is a category 1, category 2, or category 3
20 startup incubator network; and

21 (ii) provides a good faith estimate of
22 the percentage of incubator members of
23 the eligible entity with disadvantaged en-
24 trepreneur ownership;

1 (B) the contact information of the official
2 point of contact for the eligible entity to coordi-
3 nate with the Director on behalf of network
4 members; and

5 (C) a plan that demonstrates that the re-
6 ceipt of a grant under subsection (b) would in-
7 crease certain measures of success for the eligi-
8 ble entity, which may include an increase in—

9 (i) access to startup incubator net-
10 work activities in the geographical region
11 of the startup incubator network;

12 (ii) access to startup incubator net-
13 work activities in rural areas;

14 (iii) the variety of startup incubator
15 network activities available to incubator
16 members;

17 (iv) the number of businesses applying
18 to become incubator members of network
19 members;

20 (v) the number of incubator members
21 retained by network members; and

22 (vi) the number of incubator members
23 that complete the incubation program of
24 the network member, including the number
25 of incubator members that exceed the cri-

1 teria of a startup established under section
2 2.

3 (h) CRITERIA.—In making grants under this section,
4 the Director shall evaluate eligible entities based upon—

5 (1) the likelihood that the eligible entity will
6 successfully implement the plan described in sub-
7 section (g)(2)(C);

8 (2) in the case of a planned startup incubator
9 network, a category 2 incubator network, or a cat-
10 egory 3 incubator network, the likelihood that the el-
11 igible entity will successfully implement a plan de-
12 scribed in subsection (f);

13 (3) in the case of a category 2 incubator net-
14 work or a category 3 incubator network, the evi-
15 dence of past success submitted under subsection
16 (f)(2)(B) or (f)(3)(B), respectively;

17 (4) the likely economic impact of successfully
18 implementing the plan described in subsection
19 (g)(2)(C) or a plan described in subsection (f), in-
20 cluding the potential for creating jobs;

21 (5) the likelihood that the eligible entity will re-
22 main a startup incubator network following the re-
23 ceipt of an award; and

24 (6) other competitive criteria that the Director
25 may develop.

1 (i) USE OF FUNDS.—

2 (1) IN GENERAL.—A network member receiving
3 an award under subsection (b) shall use not less
4 than 25 percent of the award and not less than 25
5 percent of the matching funds raised pursuant to
6 subsection (d) to—

7 (A) create a new startup incubator net-
8 work; or

9 (B) support and expand existing startup
10 incubator network activities.

11 (2) CATEGORY 3 STARTUP INCUBATOR NET-
12 WORKS.—In addition to the requirements for the use
13 of funds under paragraph (1), a network member of
14 a category 3 startup incubator network receiving an
15 award under subsection (b) shall—

16 (A) use not less than 5 percent of the
17 award and not less than 5 percent of the
18 matching funds raised pursuant to subsection
19 (d) to implement the appropriate formal plan
20 the category 3 startup incubator network sub-
21 mitted pursuant to subsection (f)(3); and

22 (B) satisfy any additional requirements for
23 the use of funds determined by the Director,
24 which may include requirements that reflect de-

1 mographic data for the area served by the cat-
 2 egory 3 startup incubator network.

3 **SEC. 4. PERSONNEL TO SUPPORT STARTUP INCUBATOR**
 4 **NETWORKS.**

5 (a) **HIRING AUTHORITY OF THE DIRECTOR.**—The
 6 Assistant Secretary of Commerce is authorized to hire 2
 7 additional employees in the Office of Innovation and En-
 8 trepreneurship of the Department of Commerce, who shall
 9 be charged with duties, which may include—

10 (1) administering the incubator network and
 11 startup success program established under section
 12 3(a);

13 (2) facilitating existing and new startup incu-
 14 bator network activities;

15 (3) facilitating the planning and formation of
 16 new startup incubator networks;

17 (4) facilitating—

18 (A) the development and implementation of
 19 plans of startup incubator networks to increase
 20 services to businesses with disadvantaged entre-
 21 preneur ownership; and

22 (B) the design of inclusive programming;
 23 and

24 (5) coordinating with the State designees de-
 25 scribed in subsection (c).

1 (b) STATE ASSIGNMENTS.—The Director shall assign
2 to not less than one of the additional employees hired
3 under subsection (a) a list of States in which the employee
4 shall take primary responsibility for startup incubator net-
5 work activities, so that each of the States has 1 employee
6 assigned to the State.

7 (c) STATE DESIGNEES.—The governor of a State
8 may designate an employee of an agency of the State that
9 is responsible for economic development as the State des-
10 ignee to coordinate with the employee of the Office of In-
11 novation and Entrepreneurship of the Department of
12 Commerce assigned to the State under subsection (b).

13 **SEC. 5. AUTHORIZATION OF APPROPRIATIONS.**

14 There is authorized to be appropriated to carry out
15 this Act \$2,300,000 for fiscal year 2020 and each fiscal
16 year thereafter.

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