

107TH CONGRESS
2D SESSION

H. R. 5312

To support business incubation in academic settings, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JULY 26, 2002

Mr. TIERNEY (for himself, Mr. SAWYER, Mr. SHIMKUS, Ms. BALDWIN, Mr. HORN, Mr. GONZALEZ, Mr. KENNEDY of Rhode Island, Mr. PHELPS, Mr. DAVIS of Illinois, Mr. UDALL of New Mexico, Mr. VISCLOSKY, Mr. SERRANO, Mr. BROWN of Ohio, Mr. HILLIARD, Mr. STARK, Mr. HINOJOSA, Mr. PAYNE, Mr. ANDREWS, and Mr. GEORGE MILLER of California) introduced the following bill; which was referred to the Committee on Education and the Workforce

A BILL

To support business incubation in academic settings, 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 AND FINDINGS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Linking Educators and Developing Entrepreneurs for
6 Reaching Success (LEADERS) Act of 2002”.

7 (b) FINDINGS.—Congress makes the following find-
8 ings:

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

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

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

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

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

23 (6) Education in entrepreneurship and other
24 business formation skills is essential to business suc-
25 cess and sustainable economic development.

1 **SEC. 2. PURPOSE.**

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

7 **SEC. 3. DEFINITIONS.**

8 In this Act:

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

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

1 (3) SECRETARY.—The term “Secretary” means
2 the Secretary of Education.

3 **SEC. 4. PROGRAM AUTHORIZED.**

4 (a) IN GENERAL.—The Secretary is authorized to
5 support the establishment and development of incubators.

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

8 (1) shall use 80 percent of the amount to—

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

12 (B) make awards, on a competitive basis,
13 in amounts of \$50,000 to \$150,000, for devel-
14 oping curricula, providing services (including
15 preparing corporate charters, partnership
16 agreements, and basic contracts, assistance
17 with patents, trademarks, and copyrights, and
18 technology acquisition services), or providing
19 programming for entrepreneurs housed in an
20 incubator;

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

1 (3) shall use 10 percent for research regarding
2 best practices for incubator programs, including the
3 development of a benchmarking system based on
4 uniform measures, and for dissemination of informa-
5 tion regarding such practices.

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

10 (d) RECIPIENTS.—The Secretary shall make an
11 award—

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

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

1 **SEC. 5. USES OF FUNDS.**

2 Funds awarded under section 4(b)(1)(B) may be
3 used for—

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

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

15 (3) hiring staff to coordinate the activities de-
16 scribed in paragraph (1) or (2) or for curriculum de-
17 velopment.

18 **SEC. 6. APPLICATIONS.**

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

23 (b) CONTENTS.—Each application shall contain an
24 assurance that the activities to be assisted—

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

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

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

12 (d) CONSIDERATION.—

13 (1) IN GENERAL.—In addition to applications
14 from other appropriate sources, the Secretary may
15 give consideration to funding applications under this
16 Act that support—

17 (A) the building of new incubators;

18 (B) incubators located in economically dis-
19 tressed areas;

20 (C) incubators with successful graduation
21 rates for tenant companies;

22 (D) incubators that have shown demon-
23 strable economic benefits in their surrounding
24 communities;

1 (E) incubators that work with faculty en-
2 trepreneurs or university-based research; or

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

8 (2) DEFINITION OF CONSIDERATION.—In this
9 subsection, the term “consideration” does not mean
10 priority.

11 **SEC. 7. MATCHING FUNDS.**

12 Each entity receiving Federal assistance under sec-
13 tion 4(b)(1) shall contribute matching funds, in an
14 amount equal to the amount of Federal assistance received
15 under this Act, toward the costs of the activities assisted
16 under this Act. The non-Federal share required under this
17 section may be provided in the form of in-kind contribu-
18 tions.

19 **SEC. 8. REPORT.**

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

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

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

5 (3) describes factors leading to any success of
6 incubator businesses;

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

9 (5) contains a comparison of academic-affiliated
10 incubators of specific missions and ages supported
11 under this Act with incubators with similar missions
12 and ages that are not supported under this Act.

13 **SEC. 9. AUTHORIZATION OF APPROPRIATIONS.**

14 There are authorized to be appropriated to carry out
15 this Act \$20,000,000 for each of fiscal years 2003, 2004,
16 and 2005.

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