

108TH CONGRESS  
1ST SESSION

# H. R. 2314

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

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## IN THE HOUSE OF REPRESENTATIVES

JUNE 3, 2003

Mr. TIERNEY (for himself and Mr. SHIMKUS) introduced the following bill;  
which was referred to the Committee on Education and the Workforce

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## 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 2003”.

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

9               (1) Business incubators housed in academic set-  
10       tings provide unique educational opportunities for  
11       students, provide entrepreneurs with enhanced ac-

1       cess to a skilled workforce, and bring a wealth of re-  
2       sources to business, academia, and communities.

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

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

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

17          (5) Business incubators help academic institu-  
18      tions contribute to local goals of sustaining economic  
19      development in their surrounding communities.

20          (6) Education in entrepreneurship and other  
21      business formation skills is essential to business suc-  
22      cess and sustainable economic development.

23 **SEC. 2. PURPOSE.**

24        The purpose of this Act is to encourage entrepreneur-  
25      ship by increasing the role for academia in entrepreneur-

1 ship by providing space and expertise in an academic set-  
2 ting to house and support new and emerging small busi-  
3 nesses.

4 **SEC. 3. DEFINITIONS.**

5 In this Act:

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

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

23 (3) SECRETARY.—The term “Secretary” means  
24 the Secretary of Education.

1 **SEC. 4. PROGRAM AUTHORIZED.**

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

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

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

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

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

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

23 (3) shall use 10 percent for research regarding  
24 best practices for incubator programs, including the  
25 development of a benchmarking system based on

1 uniform measures, and for dissemination of informa-  
2 tion regarding such practices.

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

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

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

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

21 **SEC. 5. USES OF FUNDS.**

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

24 (1) curriculum, training, or technical assistance  
25 developed by academic faculty with participation

1 from entrepreneurship experts and local government  
2 leaders;

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

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

13 **SEC. 6. APPLICATIONS.**

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

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

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

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

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

7           (d) CONSIDERATION.—

8                 (1) IN GENERAL.—In addition to applications  
9 from other appropriate sources, the Secretary may  
10 give consideration to funding applications under this  
11 Act that support—

12                         (A) the building of new incubators;

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

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

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

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

22                         (F) incubators located in rural, inner-city  
23 areas, or Indian reservations or pueblos where  
24 the presence of an incubator may enhance and

1           diversify the area’s economy through expanded  
2           technology commercialization.

3           (2) DEFINITION OF CONSIDERATION.—In this  
4           subsection, the term “consideration” does not mean  
5           priority.

6 **SEC. 7. MATCHING FUNDS.**

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

14 **SEC. 8. REPORT.**

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

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

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

24               (3) describes factors leading to any success of  
25               incubator businesses;

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

3           (5) contains a comparison of academic-affiliated  
4 incubators of specific missions and ages supported  
5 under this Act with incubators with similar missions  
6 and ages that are not supported under this Act.

7 **SEC. 9. AUTHORIZATION OF APPROPRIATIONS.**

8           There are authorized to be appropriated to carry out  
9 this Act \$20,000,000 for each of fiscal years 2004, 2005,  
10 and 2006.

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