

109<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION

# S. 2396

To direct the Administrator of the Small Business Administration to establish a pilot program to make grants to eligible entities for the development of peer learning opportunities for second-stage small business concerns.

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## IN THE SENATE OF THE UNITED STATES

MARCH 9, 2006

Mr. SANTORUM (for himself and Mr. ALLEN) introduced the following bill; which was read twice and referred to the Committee on Small Business and Entrepreneurship

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## A BILL

To direct the Administrator of the Small Business Administration to establish a pilot program to make grants to eligible entities for the development of peer learning opportunities for second-stage small business concerns.

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 “Second-Stage Small  
5       Business Development Act of 2006”.

6       **SEC. 2. PURPOSE.**

7       The purpose of this Act is to establish a 4-year pilot  
8       program to—

1           (1) identify second-stage small business con-  
2           cerns that have the capacity for significant business  
3           growth and job creation;

4           (2) facilitate business growth and job creation  
5           by second-stage small business concerns through the  
6           development of peer learning opportunities;

7           (3) utilize the network of small business devel-  
8           opment centers to expand access to peer learning op-  
9           portunities for second-stage small business concerns;  
10          and

11          (4) assist businesses owned by minority individ-  
12          uals, service-disabled veterans, and women.

13 **SEC. 3. DEFINITIONS.**

14          In this Act:

15           (1) ADMINISTRATOR.—The term “Adminis-  
16           trator” means the Administrator of the Small Busi-  
17           ness Administration.

18           (2) COMMUNITY COLLEGE.—The term “commu-  
19           nity college” has the meaning given that term in sec-  
20           tion 3301(3) of the Higher Education Act of 1965  
21           (20 U.S.C. 7011(3)).

22           (3) ELIGIBLE ENTITIES.—The term “eligible  
23           entity” means an entity that—

1 (A) is eligible to receive funding under sec-  
 2 tion 21 of the Small Business Act (15 U.S.C.  
 3 648); and

4 (B) submits to the Administrator an appli-  
 5 cation that includes—

6 (i) a plan to—

7 (I) offer peer learning opportuni-  
 8 ties to second-stage small business  
 9 concerns; and

10 (II) transition to providing such  
 11 opportunities using non-governmental  
 12 funding; and

13 (ii) any other information and assur-  
 14 ances that the Administrator may require.

15 (4) HISTORICALLY BLACK COLLEGE.—The term  
 16 “historically Black college” means a part B institu-  
 17 tion, as defined in section 322(2) of the Higher  
 18 Education Act of 1965 (20 U.S.C. 1061(2)).

19 (5) HISPANIC-SERVING INSTITUTION.—The  
 20 term “Hispanic-serving institution” has the meaning  
 21 given that term in section 502(a)(5) of the Higher  
 22 Education Act of 1965 (20 U.S.C. 1101a(a)(5)).

23 (6) MINORITY INSTITUTION.—The term “mi-  
 24 nority institution” has the meaning given that term

1 in section 365(3) of the Higher Education Act of  
2 1965 (20 U.S.C. 1067k(3)).

3 (7) PEER LEARNING OPPORTUNITIES.—The  
4 term “peer learning opportunities” means formally  
5 organized peer groups of owners, presidents and  
6 chief executive officers in non-competing second-  
7 stage business concerns, meeting regularly with a  
8 professionally trained facilitator.

9 (8) PILOT PROGRAM.—The term “pilot pro-  
10 gram” means the program established under section  
11 4(a).

12 (9) SECOND-STAGE SMALL BUSINESS CON-  
13 CERN.—The term “second-stage small business con-  
14 cern” means a small business concern that—

15 (A) has experienced high growth dem-  
16 onstrated by—

17 (i) an average annual revenue or em-  
18 ployee growth rate of at least 15 percent  
19 during the preceding 3 years; or

20 (ii) any 3 of the following:

21 (I) Owning proprietary intellec-  
22 tual property.

23 (II) Addressing an underserved  
24 or growing market.

1 (III) Having a sustainable com-  
2 petitive advantage.

3 (IV) Exporting goods or services  
4 outside of its community.

5 (V) Having a product or service  
6 that is scalable to a large market.

7 (VI) Ownership by minority indi-  
8 viduals, service-disabled veterans, or  
9 women; and

10 (B) does not exceed the size standard for  
11 the North American Industrial Classification  
12 System code of such concern, as established  
13 pursuant to section 3(a) of the Small Business  
14 Act (15 U.S.C. 632(a)).

15 (10) SMALL BUSINESS CONCERN.—The term  
16 “small business concern” has the meaning given  
17 that term under section 3 of the Small Business Act  
18 (15 U.S.C. 632).

19 (11) STATE.—The term “State” means each of  
20 the several States, the District of Columbia, the  
21 Commonwealth of Puerto Rico, the Virgin Islands,  
22 Guam, and American Samoa.

23 **SEC. 4. PILOT PROGRAM.**

24 (a) ESTABLISHMENT.—The Administrator shall es-  
25 tablish and carry out a pilot program to make grants to

1 eligible entities for the development of peer learning op-  
2 portunities for second-stage small business concerns in ac-  
3 cordance with this Act.

4 (b) SELECTION OF GRANT RECIPIENTS.—

5 (1) IN GENERAL.—The Administrator shall se-  
6 lect 2 eligible entities from each of the 10 regions  
7 described in paragraph (3) to receive grants.

8 (2) CRITERIA FOR SELECTION.—The Adminis-  
9 trator shall evaluate the plans described in section  
10 3(3) submitted by eligible entities and select eligible  
11 entities to receive grants on the basis of the merit  
12 of such plans.

13 (3) REGIONS DESCRIBED.—The regions de-  
14 scribed in this paragraph are as follows:

15 (A) REGION 1.—Maine, Massachusetts,  
16 New Hampshire, Connecticut, Vermont, and  
17 Rhode Island.

18 (B) REGION 2.—New York, New Jersey,  
19 Puerto Rico, and the Virgin Islands.

20 (C) REGION 3.—Pennsylvania, Maryland,  
21 West Virginia, Virginia, the District of Colum-  
22 bia, and Delaware.

23 (D) REGION 4.—Georgia, Alabama, North  
24 Carolina, South Carolina, Mississippi, Florida,  
25 Kentucky, and Tennessee.

1 (E) REGION 5.—Illinois, Ohio, Michigan,  
2 Indiana, Wisconsin, and Minnesota.

3 (F) REGION 6.—Texas, New Mexico, Ar-  
4 kansas, Oklahoma, and Louisiana.

5 (G) REGION 7.—Missouri, Iowa, Nebraska,  
6 and Kansas.

7 (H) REGION 8.—Colorado, Wyoming,  
8 North Dakota, South Dakota, Montana, and  
9 Utah.

10 (I) REGION 9.—California, Guam, Hawaii,  
11 Nevada, Arizona, and American Samoa.

12 (J) REGION 10.—Washington, Alaska,  
13 Idaho, and Oregon.

14 (4) CONSULTATION.—If small business develop-  
15 ment centers have formed an association to pursue  
16 matters of common concern as authorized under sec-  
17 tion 21(a)(3)(A) of the Small Business Act (15  
18 U.S.C. 648(a)(3)(A)), the Administrator shall con-  
19 sult with such association and give substantial  
20 weight to the recommendations of such association  
21 in selecting the grant recipients.

22 (5) DEADLINE FOR INITIAL SELECTIONS.—The  
23 Administrator shall make selections under paragraph  
24 (1) not later than 60 days after the promulgation of  
25 regulations under section 5.

1 (c) USE OF FUNDS.—An eligible entity that receives  
2 a grant under the pilot program shall use the grant to—

3 (1) identify second-stage small business con-  
4 cerns in the service delivery areas of the eligible enti-  
5 ty; and

6 (2) establish and conduct peer learning oppor-  
7 tunities for such second-stage small business con-  
8 cerns.

9 (d) AMOUNT OF GRANT.—

10 (1) IN GENERAL.—Except as provided in para-  
11 graph (2), a grant under the pilot program shall be  
12 in an amount that does not exceed the product ob-  
13 tained by multiplying—

14 (A) the amount made available for grants  
15 under the pilot program for the fiscal year for  
16 which the grant is made; and

17 (B) the ratio that the population of the  
18 State in which the eligible entity is located  
19 bears to the aggregate population the States in  
20 which eligible entities receiving grants for that  
21 fiscal year are located.

22 (2) MINIMUM AMOUNT OF GRANT.—A grant  
23 under the pilot program shall be in an amount not  
24 less than \$50,000.

1 (e) MATCHING REQUIREMENT.—As a condition of a  
2 grant under the pilot program, the Administrator shall re-  
3 quire that a matching amount be provided from sources  
4 other than the Federal Government that—

5 (1) is equal to the amount of the grant, or in  
6 the case of an eligible entity that is a community  
7 college, historically Black college, Hispanic-serving  
8 institution, or other minority institution, is equal to  
9 50 percent of the amount of the grant;

10 (2) is not less than 50 percent cash;

11 (3) is not more than 50 percent comprised of  
12 indirect costs and in-kind contributions; and

13 (4) does not include any indirect cost or in-kind  
14 contribution derived from any Federal program.

15 (f) QUARTERLY REPORT TO ADMINISTRATOR.—

16 (1) IN GENERAL.—Each eligible entity that re-  
17 ceives a grant under the pilot program shall submit  
18 to the Administrator a quarterly report that in-  
19 cludes—

20 (A) a summary of the peer learning oppor-  
21 tunities established by the eligible entity using  
22 grant funds;

23 (B) the number of second-stage small busi-  
24 ness concerns assisted using grant funds; and

1 (C) in the case of an eligible entity that re-  
2 ceives a grant for a second fiscal year or any  
3 subsequent fiscal year—

4 (i) any measurable economic impact  
5 data resulting from the peer learning op-  
6 portunities established using grant funds;  
7 and

8 (ii) the number of peer learning op-  
9 portunities established by the eligible enti-  
10 ty that have transitioned from operating  
11 using Government funds to operating with-  
12 out using Government funds.

13 (2) FORM OF REPORT.—The report required  
14 under paragraph (1) shall be transmitted in elec-  
15 tronic form.

16 (g) DATA REPOSITORY AND CLEARINGHOUSE.—In  
17 carrying out the pilot program, the Administrator shall act  
18 as the repository of and clearinghouse for data and infor-  
19 mation submitted by the eligible entities.

20 (h) ANNUAL REPORT ON PILOT PROGRAM.—Not  
21 later than November 1 of each year, the Administrator  
22 shall submit to the President and to Congress, a report  
23 evaluating the success of the pilot program during the pre-  
24 ceding fiscal year, which shall include the following:

1           (1) A description of the types of peer learning  
2 opportunities provided with grant funds.

3           (2) The number of second-stage small business  
4 concerns assisted with grant funds.

5           (3) For fiscal year 2007 and each subsequent  
6 fiscal year of the pilot program—

7                 (A) data regarding the economic impact of  
8 the peer learning opportunities provided with  
9 grant funds; and

10                (B) the number of peer learning opportuni-  
11 ties established by grant recipients that have  
12 transitioned from operating using Government  
13 funds to operating without using Government  
14 funds.

15           (i) PRIVACY REQUIREMENT.—

16                 (1) IN GENERAL.—A small business develop-  
17 ment center, consortium of small business develop-  
18 ment centers, or contractor or agent of a small busi-  
19 ness development center shall not disclose the name,  
20 address, or telephone number of any individual or  
21 small business concern receiving assistance under  
22 this section without the consent of such individual or  
23 small business concern, unless—

24                 (A) the Administrator is ordered to make  
25 such a disclosure by a court in any civil or

1 criminal enforcement action initiated by a Fed-  
2 eral or State agency; or

3 (B) the Administrator considers such a  
4 disclosure to be necessary for the purpose of  
5 conducting a financial audit of a small business  
6 development center, but a disclosure under this  
7 subparagraph shall be limited to the informa-  
8 tion necessary for such audit.

9 (2) ADMINISTRATOR USE OF INFORMATION.—

10 The privacy requirement under this subsection shall  
11 not—

12 (A) restrict Administrator access to pro-  
13 gram activity data; or

14 (B) prevent the Administrator from using  
15 client information to conduct client surveys.

16 (j) EVALUATION AND REPORT.—Not later than 3  
17 years after the establishment of the pilot program, the  
18 Comptroller General of the United States shall—

19 (1) conduct an evaluation of the pilot program;  
20 and

21 (2) transmit to Congress and the Administrator  
22 a report containing the results of such evaluation  
23 along with any recommendations as to whether the  
24 pilot program, with or without modification, should

1 be extended to include the participation of all small  
2 business development centers.

3 (k) **TERMINATION.**—The pilot program shall termi-  
4 nate on September 30, 2010.

5 **SEC. 5. REGULATIONS.**

6 After providing notice and an opportunity for com-  
7 ment and after consulting with the association described  
8 in section 4(b)(5) (if any such association has been  
9 formed), the Administrator shall promulgate final regula-  
10 tions to carry out this Act, including regulations that es-  
11 tablish—

12 (1) standards relating to the establishment and  
13 conduct of peer learning opportunities to be provided  
14 by grant recipients, including the number of individ-  
15 uals that may participate in a peer group that is  
16 part of a peer learning opportunity;

17 (2) standards relating to the educational, tech-  
18 nical, and professional competency of any facilitator  
19 who delivers peer learning opportunities under the  
20 pilot program; and

21 (3) requirements for transitioning peer learning  
22 opportunities funded under the pilot program to  
23 non-governmental funding.

1 **SEC. 6. AUTHORIZATION OF APPROPRIATIONS.**

2 (a) IN GENERAL.—There are authorized to be appro-  
3 priated to carry out this Act, \$1,500,000 for each of fiscal  
4 years 2007 through 2010.

5 (b) LIMITATION ON USE OF OTHER FUNDS.—The  
6 Administrator shall carry out this Act using only amounts  
7 appropriated in advance specifically for the purpose of car-  
8 rying out this Act.

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