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VOCATIONAL AND TECHNICAL ENTREPRENEURSHIP DEVELOPMENT ACT OF 2001

OCTOBER 9, 2002.—Ordered to be printed

Mr. KERRY, from the Committee on Small Business and
Entrepreneurship, submitted the following

R E P O R T

[To accompany H.R. 2666]

The Committee on Small Business and Entrepreneurship to which was referred the bill (H.R. 2666) to amend the Small Business Act to direct the Administrator of the Small Business Administration to establish a vocational and technical entrepreneurship development program, having considered the same, reports favorably thereon without amendment and recommends that the bill do pass.

On July 24, 2002, the Committee on Small Business and Entrepreneurship, considered H.R. 2666, the “Vocational and Technical Entrepreneurship Development Act of 2001.” H.R. 2666 would establish a three-year pilot project providing Small Business Administration (SBA) grants to Small Business Development Centers (SBDCs) for technical assistance to secondary schools and post-secondary vocational and technical schools, to develop and implement curricula to promote vocational and technical entrepreneurship. Having considered H.R. 2666, the Committee reports favorably thereon without further amendment and recommends that the bill do pass.

I. INTRODUCTION

Many persons within the United States have technical and vocational skills, but do not have business experience or training to help them succeed in the small business community. Presently, small businesses employ mechanics, technicians, carpenters, plumbers, machinists, and draftsmen. However, H.R. 2666, the “Vocational and Technical Entrepreneurship Development Act of 2001,” is needed to provide the essential training and business

counseling necessary for these skilled workers to start their own businesses, to survive in the business world, and to grow. Many who work in the trade sector of construction, plumbing, etc. enter these professions with the goal of one day starting a business. Unfortunately, too many aspiring business owners who partake in career training or vocational training in certain trades, fail to obtain the necessary business education to develop and grow their newly formed business. This initiative would develop a program that allows workers within the trade industries to move towards starting a new business.

The bill establishes, through a business-education partnership, a “vocational entrepreneurship development demonstration program,” under which the Small Business Administration (SBA) would award grants, through Small Business Development Centers (SBDCs), to provide technical assistance to high schools and technical career institutes to promote small business development in their curricula. The SBDC Program is designed to deliver such up-to-date counseling, training and technical assistance in all aspects of small business management and is the ideal candidate to provide such a program.

In establishing these needed services, H.R. 2666 relies upon the present infrastructure of the SBDCs, which has proven to deliver services that greatly enhance the chances of a small business surviving as compared with those who do not receive such assistance. The SBDCs provide a focal point for studies, research, and counseling concerning the managing, financing, and operation of small business enterprises, including information retrieval, coordination of federal and state government services, and referral to experts. Therefore, the Committee believes that the SBDC program can serve a greater number of potential entrepreneurs, by working with institutions, both at the secondary and post-secondary level, that provide vocational and technical education.

Historically, the SBDCs have focused on counseling entrepreneurs or small business owners that are in a position to either start their own business or take it to the next level. However, a limited number of centers have begun sharing their knowledge to provide vocational students, or “future entrepreneurs,” the proper business tools while learning their trade skills. Thus, these future entrepreneurs can begin their own business venture after graduating with their new skills instead of working for someone else, perhaps at a large firm. The Committee believes that the centers can provide an effective mechanism for dispensing information and advice on developing and implementing entrepreneurial curricula. Therefore, the Committee believes that a targeted pilot program to determine how assistance with entrepreneurial curricula by selected small business development centers will operate is a preferred strategy to generally requiring such assistance be provided by all centers throughout the entire SBDC network.

II. LEGISLATIVE HISTORY

On July 19, 2001, the Subcommittee on Workforce, Empowerment and Government Programs of the House Committee on Small Business held a hearing on pending legislation, including H.R. 2666, the “Vocational and Technical Entrepreneurship Develop-

ment Act of 2001.” The hearing demonstrated a need for expansion of the services to other locations.

On August 1, 2001, the House Committee on Small Business considered H.R. 2666, passed it without amendment and ordered it reported. On October 2, 2001, the full House considered H.R. 2666 under suspension of the rules. It was subsequently agreed to by voice vote.

During consideration of H.R. 2666 in the Senate Committee on Small Business and Entrepreneurship on July 24, 2002, the Senate Committee’s Ranking Republican, Senator Christopher S. Bond, raised concerns that the Senate Committee had not adequately considered the National Small Business Regulatory Assistance Act. In response to these concerns, the Committee Chairman, Senator John F. Kerry, proposed holding a roundtable on the legislation to alleviate these concerns in order to move forward with the Committee vote. The Ranking Republican agreed and the legislation was passed without amendment by the Senate Committee.

On August 1, 2002, the Senate Committee held a roundtable titled “Promoting Small Business Regulatory Compliance and Entrepreneurial Education—the Role of the SBDC Network.” During this roundtable, the Senate Committee received evidence that H.R. 2666 would provide adequate resources to Small Business Development Centers (SBDCs) so that they may provide technical assistance to secondary schools and post-secondary vocational and technical schools, to develop and implement curricula to promote vocational and technical entrepreneurship. Small business representatives at the roundtable also stressed the need to provide such assistance as an important addition to curricula that is merely skills based.

Small business groups such as the National Small Business United support H.R. 2666, as well as leading educational institutions, such as the Wharton School of Business at the University of Pennsylvania, and the Association of Small Business Development Centers.

III. ANALYSIS OF H.R. 2666, THE “VOCATIONAL AND TECHNICAL ENTREPRENEURSHIP DEVELOPMENT ACT OF 2001.”

Purpose

The purpose of H.R. 2666, the “Vocational and Technical Entrepreneurship Development Act of 2001,” is to assist the development and implementation of curricula that will encourage skilled persons to start their own businesses and to provide needed entrepreneurial training to support the success of such businesses. The Act provides the necessary entrepreneurial support to expand the career opportunities for persons receiving vocational training and, thus use their newly gained skills to become the successful owners of their own business.

Grant process

The Administrator of the Small Business Administration (SBA) is required to make grants to state Small Business Development Centers (SBDCs). The minimum amount of a grant under the pilot program is \$200,000.

Each applicant wishing to apply for a grant must submit an application, as directed by the Administrator, which includes an outline of the applicant's goals and objectives for the assistance to be provided and the educational curricula to be implemented with grant funds.

The Committee expects the Administrator to consider the quality of the proposed programs in determining which centers are selected to participate in the pilot program provide a baseline by which the Administrator and the Congress can evaluate the success of the program.

Grants are to be awarded to state SBDCs to carry out the pilot program on a statewide basis.

It is the desire of the Committee that State small business development centers place particular focus on helping underserved populations in the area of vocational and technical entrepreneurship training.

Reporting requirements

Those SBDCs receiving grants under the pilot program must report to the SBA within 18 months of receiving the grant monies, detailing how all the grant funds were used. In addition, not later than March 31, 2004, the SBA must conduct an evaluation of the program and report to Congress the results of each such evaluation.

Role of the Association of Small Business Development Centers

The Act designates the Association of Small Business Development Centers as a clearinghouse for the collection of information and expertise regarding vocational and technical entrepreneurship programs.

The Committee expects the Association of Small Business Development Centers to act as the repository and clearinghouse.

Authorization level

The pilot program is authorized for 3 years at \$7 million per year. The committee does not expect an appropriation for this pilot program to reduce the core funding for the regular 4SBDC program.

IV. COMMITTEE VOTE

In compliance with rule XXVI(7)(b) of the Standing Rules of the Senate, the following votes were recorded on July 24, 2002. A motion by Senator Kerry to adopt H.R. 2666, the "Vocational and Technical Entrepreneurship Development Act of 2001," was approved by an 18-1 recorded vote, with the following Senators voting in the affirmative: Kerry, Bond, Levin, Harkin, Lieberman, Wellstone, Cleland, Landrieu, Edwards, Cantwell, Carnahan, Burns, Bennett, Snowe, Fitzgerald, Crapo, Allen and Ensign. Senator Enzi voted in the negative.

V. EVALUATION OF REGULATORY IMPACT

In compliance with rule XXVI(11)(b) of the Standing Rules of the Senate, it is the opinion of the Committee that no significant additional regulatory impact will be incurred in carrying out the provisions of this legislation. There will be no additional impact on the

personal privacy of companies or individuals who make use of the services provided.

VI. CHANGES IN EXISTING LAW

In the opinion of the Committee, it is necessary to dispense with the requirement of rule XXVI (12) of the Standing Rules of the Senate in order to expedite the business of the Senate.

VII. COST ESTIMATE

In compliance with rule XXVI(11)(a)(1) of the Standing Rules of the Senate, the Committee estimates the cost of the legislation will be equal to the amounts indicated by the Congressional Budget Office in the following letter.

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, July 30, 2002.

Hon. JOHN F. KERRY,
Chairman, Committee on Small Business and Entrepreneurship,
U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 2666, the Vocational and Technical Entrepreneurship Development Act of 2001.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Ken Johnson.

Sincerely,

BARRY. B. ANDERSON
(For Dan L. Crippen, Director.)

Enclosure.

H.R. 2666—Vocational and Technical Entrepreneurship Development Act of 2001

Summary: H.R. 2666 would require the Small Business Administration (SBA) to issue grants to small business development centers (SBDCs) so that they can help schools design curricula for teaching vocational and technical entrepreneurship. SBDCs are jointly funded by the private sector, schools, and federal, state, and local governments to provide management assistance to current and prospective small business owners.

H.R. 2666 would authorize the appropriation of \$7 million a year through 2004 to fund the new program. CBO estimates that implementing the act would cost \$14 million over the 2003–2007 period, assuming the appropriation of the authorized amounts. The act would not affect direct spending or receipts; therefore, pay-as-you-go procedures would not apply.

H.R. 2666 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). The bill would benefit state, local, or tribal governments receiving grants under this bill, and any costs they incur would be voluntary.

Estimated cost to the Federal Government: The estimated budgetary impact of H.R. 2666 is shown in the following table. The costs of this legislation fall within budget function 370 (commerce and housing credit). For this estimate, CBO assumes that the authorized amounts will be appropriated each year beginning in 2003,

and that outlays will follow historical spending patterns for similar SBA programs.

| | By fiscal year, in millions of dollars— | | | | |
|--|---|------|------|------|------|
| | 2003 | 2004 | 2005 | 2006 | 2007 |
| CHANGES IN SPENDING SUBJECT TO APPROPRIATION | | | | | |
| Authorization level | 7 | 7 | 0 | 0 | 0 |
| Estimated outlays | 5 | 7 | 2 | 0 | 0 |

Pay-as-you-go considerations: None.

Intergovernmental and private-sector impact: H.R. 2666 contains no intergovernmental or private-sector mandates as defined in UMRA. The bill would benefit state, local, or tribal governments receiving grants under this bill, and any costs they incur would be voluntary.

Previous CBO estimate: On August 15, 2001, CBO transmitted a cost estimate for H.R. 2666 as ordered reported by the House Committee on Small Business on August 1, 2001. The two versions of the legislation are very similar. CBO estimated that the prior version of H.R. 2666 would cost about \$20 million over the 2002–2006 period, subject to the availability of appropriated funds. The higher estimated costs for the House version reflect CBO’s assumption that funds would be appropriated for the program for three years (beginning in 2002), rather than our current assumption of two years (beginning in 2003).

Estimate prepared by: Federal cost: Ken Johnson, Impact on state, local, and tribal governments: Greg Waring; Impact on the private sector: Cecil McPherson.

Estimate approved by: Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.

VIII. SECTION-BY-SECTION ANALYSIS

Section 1. Short title

The section establishes the short title as the “Vocational and Technical Entrepreneurship Development Act of 2001.”

Section 2. Vocational and Technical Entrepreneurship Development Program

This section amends the Small Business Act by adding a new section at the end titled: “Vocational and Technical Entrepreneurship Development Program.”

Subsection (a) defines the terms: “Administrator,” “program,” and “small business development center.”

Subsection (b) requires the Administrator to establish a program by which the Administrator makes grants to Small Business Development Centers to enable such centers to provide technical assistance to secondary schools, or to post-secondary vocational or technical schools, for the development and implementation of curricula designed to promote vocational and technical entrepreneurship.

Subsection (c) establishes the minimum grant that the Administrator can make with respect to the pilot program as not less than \$200,000.

Subsection (d) requires the Administrator to design a grant application that must be completed by any Small Business Development Center seeking a grant. The application shall include infor-

mation regarding the applicant's goals and objectives for the educational programs to be funded.

Subsection (e) requires the Administrator, as a condition of each grant under the program, that the grantee shall transmit to the Administrator, within 18 months after receipt of grant funds, a report describing how the grant funds were used.

Subsection (f) permits the Administrator to enter into a cooperative agreement or contract with a small business development center receiving a grant under this section to provide additional assistance that furthers the purposes of the program.

Subsection (g) requires the Administrator to transmit a report to Congress, no later than March 31, 2004, that evaluates the program.

Subsection (h) requires the Administrator to select an association established under section 21(a)(3)(A) of the Small Business Act to act as a clearinghouse of information and expertise regarding vocational and technical entrepreneurship education programs. In each fiscal year, 2002, 2003, and 2004, the Administrator shall provide additional assistance to the association selected to serve as the clearinghouse.

Subsection (i) authorizes \$7,000,000 be appropriated for each of the fiscal years 2002, 2003, and 2004. The funds are to remain available until expended.