

Week of January 9 - 15, 2006

Federal Budget Update

As last year came to a close, Congress was putting the finishing touches on this year's (FY 2006) appropriations. In many ways, 2005 was a reprise of previous years—at least when it comes to federal programs focused on technology, innovation, and entrepreneurship. As in past years, many key programs faced elimination or major cutbacks. For example, the Commerce Department's Advanced Technology Program was zeroed out in the Administration's budget, and most federal economic development programs faced major cuts and consolidation via the Strengthening America's Communities Initiative (SACI). Continuing the pattern of past years, Congress restored funding or prevented elimination of most of these programs. Here are a few highlights:

Strengthening America's Communities Initiative: No parts of the SACI proposal were enacted, but the plan will likely be revisited this year.

Department of Commerce * The Advanced Technology Program: Will receive \$80 million (a drop of \$60.4 million from last year).

* **Hollings Manufacturing Extension Partnership:** Funded at \$106 million, a slight decrease from the previous year.

* **Economic Development Administration:** Funded at last year's level of \$284 million.

Small Business Administration At first glance, SBA's FY 2006 budget picture doesn't look good. The overall budget \$456 million budget dropped significantly, down \$137 million from the previous year. However, these reductions do not come from direct program cuts. Instead, Congress opted to avoid appropriating additional funds for SBA's disaster relief program. SBA is instead using funds left over from previous years or those appropriated specifically for hurricane relief. In addition, SBA is no longer offering a federal subsidy (which amounted to \$79 million last year) to guarantee loans for its 7(a) loan program. This program will now be exclusively funded from user fees on lenders and borrowers who will continue to face the higher fees first imposed last year. Other popular SBA programs such as the Small Business Development Centers, various microloan initiatives, and the Women's Business Center program were all funded at or near spending levels for the previous year.

To review the various FY 2006 appropriations bills, visit the Library of Congress' Thomas website at <http://thomas.loc.gov>

Creating Collaborative Advantage

A new article in the Winter 2006 edition of *Issues in Science and Technology* argues that American policymakers need a new approach to supporting innovation. The authors, Leonard Lynn and Hal Salzman, report on their studies of engineering research centers across the US. They contend that many suggested reforms, such as increasing US public spending on basic research, fail to recognize key structural shifts in the global economy. The US can no longer strive to be 'number one' in all research areas. Instead, it must assume a more collaborative stance that seeks opportunities for mutual technological gain and development. As technology skills and knowledge become diffused around the world, US researchers will need new skills that allow them to collaborate across borders. Lynn and Salzman recommend that training in collaboration and communication become a central part of all science and engineering training. They also support more open scientific exchange across borders as well as immigration policies that allow more open circulation of researchers and scientific talent.

The article, "Collaborative Advantage," by Leonard Lynn and Hal Salzman, appears in the Winter 2006 edition of *Issues in Science and Technology*. This research was funded in part by the Kauffman Foundation. The report is available at: http://www.kauffman.org/pdf/collaborative_advantage_12_05.pdf

More on Katrina Relief

In one of its last actions before adjournment, Congress passed a major legislative package designed to expedite recovery for the Gulf Coast region. The biggest piece of the relief effort comes in the form of a \$29 billion package that includes \$2.9 billion for the Corps of Engineers (for flood protection) and \$11.5 billion for the targeted Community Development Block grants to spur local economic development activity. In addition, Congress also enacted the Gulf Opportunity Zone Act of 2005. The package creates a new "opportunity zone" in the areas of Alabama, Louisiana and Mississippi hit by hurricane Katrina.

These regions and local entrepreneurs will now be eligible for a host of special tax incentives and other benefits. The list of programs is quite large, but some examples of these incentives include:

Fifty-percent bonus depreciation for new business property investments.

A doubling (from \$100,000 to \$200,000) of eligible Section 179 expensing. Small businesses will be allowed to deduct up to \$200,000 for new business investments.

New Markets Tax Credit: The region will be eligible for up to \$1 billion of credits for investments in Community Development entities involved in rebuilding.

To learn more about the Gulf Opportunity Zone program, visit <http://www.whitehouse.gov/news/releases/2005/12/20051221-10.html>

NFIB Young Entrepreneurs Awards

If you're a young entrepreneur or you know of one, you might want to check out the National Federation for Independent Business' (NFIB) Young Entrepreneur Awards program. The program honors 400 young entrepreneurs from around the US, and the national champion will receive a \$10,000 college scholarship. The competition is open to all high school seniors, but candidates must be nominated by an NFIB member. The application deadline is March 15, 2006.

To learn more about the NFIB Young Entrepreneur Awards and to download an application, visit http://www.nfib.com/object/IO_25328.html

Concerned about the rising cost of health care?

For the past few years, survey after survey has shown the rising cost of health care at the forefront of entrepreneurs' minds. A nationwide initiative is looking to address those concerns and attempt to find solutions to provide "health care that works for all Americans." The Citizens' Health Care Working Group, a nonpartisan group authorized by the Medicare Prescription Drug, Improvement and Modernization Act of 2003, is charged with engaging the public in a nationwide discussion of options to address the current problems in health care. Participants in community meetings across the country will help formulate a set of recommendations that will be reviewed during Congressional hearings by two Senate Committees: Finance; and Health, Education, Labor, and Pensions – and three House Committees: Ways and Means; Energy and Commerce; and, Education and the Workforce. Fifteen cities have already been selected to host community meetings. For a full list – and to register for a meeting near you – visit www.citizenshealthcare.gov/register.

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