



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

August 15, 2001

### **H.R. 1860** **Small Business Technology Transfer Program** **Reauthorization Act of 2001**

*As ordered reported by the House Committee on Small Business on August 1, 2001*

#### **SUMMARY**

H.R. 1860 would change the expiration date of the Small Business Technology Transfer (STTR) program from 2001 to 2009. The STTR program requires federal agencies with annual appropriations for extramural research of more than \$1 billion to set aside a portion of their extramural research budget for cooperative research between small businesses and a federal laboratory or nonprofit research institution. H.R. 1860 also would modify the STTR program in several ways, including a gradual increase in the percentage of extramural research funds that would be set aside for the program.

Assuming appropriation of the necessary amounts, CBO estimates that implementing H.R. 1860 would cost about \$26 million over the 2002-2006 period. H.R. 1860 would not affect direct spending or receipts; therefore, pay-as-you-go procedures would not apply.

H.R. 1860 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). The bill would benefit state colleges and universities that participate in the STTR program, and any related costs would be incurred voluntarily.

#### **ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The estimated budgetary impact of H.R. 1860 is shown in the following table. The costs of this legislation fall within budget functions 370 (commerce and housing credit), 250 (general science, space, and technology), 050 (national defense), 270 (energy), and 550 (health).

	By Fiscal Year, in Millions of Dollars					
	2001	2002	2003	2004	2005	2006
<b>SPENDING SUBJECT TO APPROPRIATION</b>						
STTR Spending Under Current Law						
Budget Authority <sup>a</sup>	4	0	0	0	0	0
Estimated Outlays	4	1	0	0	0	0
Proposed Changes						
Estimated Authorization Level	0	5	4	6	6	6
Estimated Outlays	0	4	4	6	6	6
STTR Spending Under H.R. 1860						
Estimated Authorization Level	4	5	4	6	6	6
Estimated Outlays	4	5	4	6	6	6

a. The 2001 level is the amount that CBO estimates was appropriated to administer the STTR program in 2001.

## **BASIS OF ESTIMATE**

The five federal agencies that currently participate in the program are the Department of Defense, the Department of Energy, the Department of Health and Human Services, the National Aeronautics and Space Administration, and the National Science Foundation. Program oversight is conducted by the Small Business Administration (SBA). The costs of the STTR program to the participating agencies consist primarily of salaries and expenses for personnel to evaluate grant applications, associated overhead costs, printing costs, and mailing expenses. The costs associated with administering awards through the STTR program are slightly higher than administering the same awards through regular program channels.

Based on information from SBA and the participating agencies, CBO estimates that administering the STTR program will cost a total of about \$4 million this year. Therefore, CBO estimates that extending the current program through 2009 would cost these agencies approximately that amount each year, assuming appropriation of the necessary amounts.

In addition, H.R. 1860 would increase the percentage of the agencies' extramural research budgets that would be set aside for the STTR program starting in 2004. Based on information from the affected agencies, CBO expects that this provision would cause the number of applications for STTR grants to increase, thereby increasing the administrative cost of the program. Based on information from SBA and the participating agencies, CBO

estimates that this expansion would cost an additional \$2 million a year during the 2004-2006 period, subject to the appropriation of the necessary funds.

Finally, H.R. 1860 would modify the STTR program in three other ways. The bill would expand the program's outreach efforts to small businesses and the research community. The legislation also would alter and expand the data that the participating agencies would have to report to SBA each year as part of its oversight responsibilities. Finally, H.R. 1860 would require SBA to issue a regulation that would establish a model legal agreement for small businesses and research institutions participating in STTR projects to delineate their intellectual property rights. Based on information from the affected agencies, CBO estimates that implementing these three provisions would cost about \$500,000 in 2002 and negligible amounts in 2003 and each year thereafter, subject to the availability of appropriated funds.

**PAY-AS-YOU-GO CONSIDERATIONS:** None.

## **INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT**

H.R. 1860 contains no intergovernmental or private-sector mandates as defined in UMRA. The bill would benefit state colleges and universities that participate in the STTR program, and any related costs would be incurred voluntarily.

## **PREVIOUS CBO ESTIMATE**

On August 2, 2001, CBO transmitted a cost estimate for S. 856, the Small Business Technology Transfer Program Reauthorization Act of 2001, as ordered reported by the Senate Committee on Small Business on July 19, 2001. S. 856 is very similar to H.R. 1860, with two exceptions. S. 856 would reauthorize the STTR program for an additional year and would not require the SBA to issue new regulations related to the intellectual property rights. Therefore, CBO estimates that the cost of implementing H.R. 1860 would be slightly higher than for S. 856 over the 2002-2006 period, but would be slightly lower over the 2002-2011 period, assuming the appropriation of the necessary amounts.

**ESTIMATE PREPARED BY:**

Federal Costs: Ken Johnson

Impact on State, Local, and Tribal Governments: Susan Sieg Tompkins

Impact on the Private Sector: Cecil McPherson

**ESTIMATE APPROVED BY:**

Peter H. Fontaine

Deputy Assistant Director for Budget Analysis