



CONGRESSIONAL BUDGET OFFICE  
COST ESTIMATE

April 5, 2000

**H.R. 2392**  
**Small Business Innovation Research Program**  
**Reauthorization Act of 2000**

*As ordered reported by the Senate Committee on Small Business on March 21, 2000*

**SUMMARY**

The Small Business Innovation Research (SBIR) program requires federal agencies with extramural research expenditures of more than \$100 million to set aside 2.5 percent of their research and development budgets for small business. (In general, extramural expenditures are defined as expenditures for activities not performed by agency employees.) H.R. 2392 would extend the expiration date of the SBIR program from 2000 to 2010 and would require the affected federal agencies to include activities related to the SBIR program in their annual performance plans. Finally, H.R. 2392 would establish the Federal and State Technology Partnership (FAST) program to provide matching grants with states to assist high-technology small businesses.

Assuming appropriation of the amounts specified for the FAST program and amounts necessary to maintain the SBIR program at the level provided in 2000, CBO estimates that implementing the act would cost \$93 million over the 2001-2005 period, subject to appropriation of the necessary amounts. Alternatively, if appropriations for the SBIR program are increased to keep pace with anticipated inflation, CBO estimates that implementing the FAST program and extending the SBIR program would cost \$101 million over the 2001-2005 period.

H.R. 2392 would not affect direct spending or receipts; therefore, pay-as-you-go procedures would not apply. The act contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). Any costs to state governments would be the result of complying with new grant conditions. Local and tribal governments would not be directly affected by the act.

## ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 2392 is shown in the following table. The costs of this legislation fall within several budget functions.

	By Fiscal Year, in Millions of Dollars					
	2000	2001	2002	2003	2004	2005
<b>SPENDING SUBJECT TO APPROPRIATION</b>						
<b>Without adjustments for inflation</b>						
SBIR Spending Under Current Law						
Estimated Authorization Level <sup>a</sup>	10	0	0	0	0	0
Estimated Outlays	10	1	0	0	0	0
Proposed Changes						
Estimated Authorization Level	0	20	20	20	20	20
Estimated Outlays	0	14	19	20	20	20
SBIR and FAST Spending Under H.R. 2392						
Estimated Authorization Level <sup>a</sup>	10	20	20	20	20	20
Estimated Outlays	10	15	19	20	20	20
<b>With adjustments for inflation</b>						
SBIR Spending Under Current Law						
Estimated Authorization Level <sup>a</sup>	10	0	0	0	0	0
Estimated Outlays	10	1	0	0	0	0
Proposed Changes						
Estimated Authorization Level	0	21	22	22	22	23
Estimated Outlays	0	15	20	22	22	23
SBIR and FAST Spending Under H.R. 2392						
Estimated Authorization Level <sup>a</sup>	10	21	22	22	22	23
Estimated Outlays	10	16	20	22	22	23

a. The 2000 level is the amount appropriated for that year for the SBIR program.

## BASIS OF ESTIMATE

The Small Business Administration (SBA) currently has a small office devoted to the SBIR program. Other agencies that maintain at least a part-time SBIR staff include the

Departments of Agriculture, Commerce, Defense, Education, Energy, Health and Human Services, and Transportation, as well as the Environmental Protection Agency, the National Aeronautics and Space Administration, and the National Science Foundation. The SBIR office structures of these agencies vary. Some agencies have a small full-time staff devoted to the SBIR program, with other staff assisting as part of their other duties; some have several employees working part-time on the program. Program costs consist primarily of personnel, overhead, printing, mailing, and in the case of some agencies, contractors' costs.

H.R. 2392 would extend the SBIR program through 2010. Based on information from SBA and the other affected agencies, CBO estimates that implementing the SBIR program would cost about \$10 million a year in 2000 dollars, (less than \$500,000 of that total would be for SBA). CBO expects federal agencies would continue to make extramural research expenditures under current law regardless of the SBIR program.

H.R. 2392 would establish the FAST program to provide matching grants with states to assist high-technology businesses. The act would authorize \$10 million a year over the 2001-2005 period to implement the program. Based on the historical spending patterns of SBA's other business assistance programs, CBO estimates implementing this provision would cost \$44 million over the 2001-2005 period.

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

### **ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS**

H.R. 2392 contains no intergovernmental mandates as defined in UMRA. The act would create the Federal and State Technology Partnership program, a new matching-grant program to encourage states to assist in the development of high-technology small businesses. The amount that participating states would be required to match would be determined by a sliding-scale based on the amount of SBIR funds awarded to businesses in that state. Any costs to state governments to provide matching funds to participate in the FAST program would be incurred voluntarily.

### **ESTIMATED IMPACT ON THE PRIVATE SECTOR**

The act contains no new private-sector mandates as defined in UMRA.

## **PREVIOUS CBO COST ESTIMATE**

On July 15, 1999, CBO transmitted a cost estimate at H.R. 2392, as ordered reported by the House Committee on Small Business on July 1, 1999. CBO estimated the House version would cost \$42 million over the 2001-2004 period. It did not include the FAST program that would be authorized by the Senate version of the legislation.

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