



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

May 18, 2011

### **H.R. 1425** **Creating Jobs Through Small Business Innovation Act of 2011**

*As ordered reported by the House Committee on Science, Space, and Technology  
on May 4, 2011*

#### **SUMMARY**

H.R. 1425 would extend and expand programs that require certain federal agencies to set aside portions of their research and development budgets for small businesses. The bill also would require participating agencies to collect and report information about program participants that would be used both for program evaluation and for business development. In addition, H.R. 1425 would authorize the Government Accountability Office (GAO) and the National Academy of Sciences (NAS) to study the operation and effectiveness of the programs.

Based on information from the Small Business Administration (SBA) and other participating agencies, CBO estimates that implementing H.R. 1425 would cost \$14 million over the 2012-2016 period, subject to appropriation of the necessary amounts. Pay-as-you-go procedures do not apply to this legislation because it would not affect direct spending or revenues.

H.R. 1425 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

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

The estimated budgetary impact of H.R. 1425 is shown in the following table. The costs of this legislation fall within several budget functions, including 050 (national defense), 250 (general science, space, and technology), and 550 (health).

	By Fiscal Year, in Millions of Dollars					2012- 2016
	2012	2013	2014	2015	2016	
<b>CHANGES IN SPENDING SUBJECT TO APPROPRIATION</b>						
National Academy of Science Study						
Estimated Authorization Level	6	0	0	0	8	14
Estimated Outlays	1	2	2	1	1	7
Additional Agency Activities						
Estimated Authorization Level	3	2	1	1	1	8
Estimated Outlays	2	2	1	1	1	7
Total Changes Under H.R. 1425						
Estimated Authorization Level	9	2	1	1	9	22
Estimated Outlays	3	4	3	2	2	14

## **BASIS OF ESTIMATE**

Under current law, the Small Business Innovation Research (SBIR) program requires federal agencies with extramural budgets for research and development (R&D) that exceed \$100 million per year to set aside 2.5 percent of that budget for contracts with small businesses. (Extramural budgets consist of expenditures for activities not performed by agency employees.) Likewise, the Small Business Technology Transfer (STTR) program requires federal agencies with extramural budgets for R&D that exceed \$1 billion per year to set aside 0.3 percent of that budget for cooperative research between small businesses and a federal laboratory or nonprofit research institution. Eleven agencies currently participate in one or both programs, including the Departments of Defense, Health and Human Services, Energy, Agriculture, and Homeland Security, as well as the National Aeronautics and Space Administration, the National Science Foundation, and the Environmental Protection Agency.

The cost of those programs to the participating agencies consists primarily of personnel and associated overhead expenses to solicit applications, award contracts, prepare reports, and track outcomes. The organizational structure of the program offices varies. Some agencies have full-time staff members devoted to the SBIR and STTR programs, with other staff assisting as part of their duties; other agencies, however, have employees working part-time on the program.

For this estimate, CBO assumes that the bill will be enacted before the end of fiscal year 2011 and that the necessary funds will be appropriated near the start of each year. Based on information from SBA and participating agencies, CBO estimates that implementing

H.R. 1425 would cost \$14 million over the 2012-2016 period, assuming appropriation of the necessary amounts.

### **National Academy of Sciences Study**

H.R. 1425 would direct certain agencies participating in the SBIR program to enter into an agreement with the NAS for the National Research Council to study the degree to which the SBIR and STTR programs have stimulated innovation and encouraged the use of small businesses to meet federal R&D needs. Reports presenting results of the studies would be due four years after enactment and every four years thereafter. Using those results, NAS also would develop recommendations for improving the SBIR and STTR programs. Based on information from NAS, CBO estimates that conducting the studies as required by H.R. 1425 would cost \$7 million over the 2012-2016 period.

### **Additional Agency Activities**

H.R. 1425 would require SBA to upgrade the data systems used to consolidate information from participating agencies and evaluate their performance. The bill also would require SBA to develop new performance measures and regulations to reflect changes in the SBIR and STTR programs. Based on information from SBA, CBO estimates that those new efforts would cost \$5 million over the 2012-2016 period, assuming appropriation of the necessary amounts.

The bill also would require GAO to conduct several studies for the Congress, including one to determine whether the agencies participating in the SBIR and STTR programs are complying with the programs' requirements to allocate a specific portion of their R&D budgets and another to assess whether agencies participating in the SBIR program are sufficiently protecting the intellectual property rights of the small businesses that receive awards under the program. CBO estimates that conducting such studies would cost about \$2 million over the 2012-2016 period, subject to the availability of appropriated funds.

### **Reauthorization and Expansion of the SBIR and STTR Programs**

The bill would extend both the SBIR and STTR programs through 2014. Under current law, both programs are scheduled to terminate on May 31, 2011, when a temporary reauthorization of all SBA programs expires.

To cover the administrative costs of the programs, H.R. 1425 would establish a three-year pilot program that would authorize participating agencies to use up to 3 percent of the R&D amounts set aside for the SBIR program, rather than paying those costs from general operating funds. The pilot program also would allow agencies to use R&D funds to provide outreach and technical assistance to recipients of awards and to carry out additional duties as required under the bill. CBO estimates that the amount allocated for administrative

expenses under the pilot program would fully offset such costs incurred by participating agencies in 2012, 2013, and 2014, when authorization for the programs would expire.

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

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

H.R. 1425 contains no intergovernmental or private-sector mandates as defined in UMRA. The bill would create a grant program to assist public universities in the commercialization of research and technology. Any costs to universities would be incurred voluntarily.

## **PREVIOUS CBO ESTIMATE**

On March 11, 2011, CBO transmitted a cost estimate for S. 493, the SBIR/STTR Reauthorization Act of 2011, as ordered reported by the Senate Committee on Small Business and Entrepreneurship on March 9, 2011. The Senate bill would extend the programs through 2019 and raise the amounts that participating agencies would set aside for the SBIR and STTR programs. The Senate bill also would authorize funds for the Federal and State Technology Partnership Program.

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