



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

August 31, 2016

H.R. 4783 **Commercializing on Small Business Innovation Act of 2016**

As reported by the House Committees on Small Business July 25, 2016

SUMMARY

H.R. 4783 would reauthorize appropriations through 2022 for the Small Business Innovation Research (SBIR) and the Small Business Technology Transfer (STTR) programs. Those programs help small businesses compete for research and development contracts. The bill also would authorize agencies to use a portion of the amounts available to them for research and development on the administrative costs of the SBIR and STTR programs. In addition, H.R. 4783 would direct each federal agency participating in the SBIR program to use a certain percentage of the amount set aside for small businesses on awards to certain participants in the program to move them towards commercialization and would direct the Government Accountability Office (GAO) to produce an assessment of the results of that program.

Based on information about the operation of the STTR and SBIR programs from the Small Business Association (SBA) and other participating agencies, CBO estimates that implementing H.R. 4783 would cost \$38 million over the 2017-2021 period, assuming appropriation of the necessary amounts. Pay-as-you-go procedures do not apply to this legislation because enacting it would not affect direct spending or revenues.

CBO estimates that enacting H.R. 4783 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2027.

H.R. 4783 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effect of H.R. 4783 is shown in the following table. The costs of this legislation fall within budget function 370 (commerce and housing credit).

	By Fiscal Year, in Millions of Dollars					2017- 2021
	2017	2018	2019	2020	2021	
INCREASES IN SPENDING SUBJECT TO APPROPRIATION						
Authorize the SBIR and STTR Programs						
Estimated Authorization Level	0	10	10	10	10	40
Estimated Outlays	0	8	9	10	10	37
Other Costs						
Estimated Authorization Level	*	*	*	0	0	1
Outlays	*	*	*	0	0	1
Total Changes						
Estimated Authorization Level	0	10	10	10	10	41
Estimated Outlays	0	8	9	10	10	38

Notes: SBIR= Small Business Innovation Research; STTR=Small Business Technology Transfer; *=between zero and \$500,000; components may not sum to totals because of rounding.

BASIS OF ESTIMATE

Under current law, the SBIR program requires federal agencies with extramural budgets for research and development (R&D) that exceed \$100 million per year to set aside 3 percent of that budget for contracts with small businesses. (Extramural budgets consist of expenditures for activities not performed by agency employees.) Likewise, the STTR program requires federal agencies with extramural budgets for R&D that exceed \$1 billion per year to set aside 0.45 percent of that budget for cooperative research between small businesses and a federal laboratory or nonprofit research institution. Eleven agencies currently participate in at least one of those 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.

For participating agencies, the cost of those programs consists primarily of personnel and associated overhead expenses to solicit applications, 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 near the end of 2016, that the necessary amounts will be appropriated each year, and that spending will follow historical patterns.

Authorization and Expansion of the SBIR and STTR Programs

H.R. 4783 would authorize both the SBIR and STTR programs through fiscal year 2022. Under current law, both programs are scheduled to terminate at the end of fiscal year 2017. The bill also would increase the amount that each participating agency would set aside out of its R&D budget for each program starting in fiscal year 2018. The SBA spent approximately \$10 million in 2015 to administer the two programs. On that basis, CBO estimates that it would cost the SBA \$37 million over the 2018-2021 period to coordinate with participating agencies and administer those programs.

H.R. 4783 also would extend a pilot program through fiscal year 2022 that authorizes 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. That authorization will expire at the end of fiscal year 2017. Because the pilot program would not affect the underlying costs of administering the program, CBO estimates that extending the pilot program would have no budgetary effect.

Other Costs

Based on information from the SBA, CBO estimates that it would require one additional person to update SBA rules and policy directives to implement H.R. 4783. The bill also would require GAO to conduct an assessment of the commercialization pilot program. Based on the costs of similar reports conducted by GAO, CBO estimates that the increased costs to conduct the required assessment would be less than \$500,000.

PAY-AS-YOU-GO CONSIDERATIONS: None.

INCREASE IN LONG-TERM DIRECT SPENDING AND DEFICITS

CBO estimates that enacting H.R. 4783 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2027.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 4783 contains no intergovernmental or private-sector mandate as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

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