



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

September 9, 2016

S. 2812

SBIR and STTR Reauthorization and Improvement Act of 2016

*As reported by the Senate Committee on Small Business and Entrepreneurship
on May 24, 2016*

SUMMARY

S. 2812 would permanently authorize and expand 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 federal agencies to use a portion of their funding for research and development to cover administrative costs of the SBIR and STTR programs. S. 2812 also would direct the Small Business Association (SBA) to develop a pilot program to provide grants to establish regional collaboratives to help small businesses increase their competitiveness for awards from these programs and would authorize a variety of other activities.

Based on information from the SBA and other affected agencies, CBO estimates that implementing S. 2812 would cost \$166 million over the 2017-2021 period; such spending would be subject to appropriation. Pay-as-you-go procedures do not apply to this legislation because it would not affect direct spending or revenues.

CBO estimates that enacting S. 2812 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2027.

S. 2812 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effect of S. 2812 is shown in the following table. The costs of this legislation fall primarily within budget functions 370 (commerce), 050 (national defense), 250 (general science, space, and technology), and 550 (health).

	By Fiscal Year, in Millions of Dollars					2017- 2021
	2017	2018	2019	2020	2021	
INCREASES IN SPENDING SUBJECT TO APPROPRIATION						
Permanent Authorization and Expansion of the SBIR and STTR Programs						
Estimated Authorization Level	0	10	10	10	10	40
Estimated Outlays	0	8	9	10	10	37
Regional SBIR and STTR State Collaborative Initiative Pilot Program						
Estimated Authorization Level	13	16	17	20	21	87
Estimated Outlays	10	15	16	19	20	80
Federal and State Technology Partnership Program						
Authorization Level	10	10	10	10	10	50
Estimated Outlays	8	9	10	10	10	47
Additional Agency Activities						
Estimated Authorization Level	1	1	*	*	*	2
Estimated Outlays	1	1	*	*	*	2
Total Changes						
Estimated Authorization Level	24	37	37	40	41	179
Estimated Outlays	19	33	35	39	40	166

Notes: SBIR= Small Business Innovation Research; STTR=Small Business Technology Transfer; FAST=Federal and State Technology Partnership; *=between zero and less than \$500,000

BASIS OF ESTIMATE

For this estimate, CBO assumes that the bill will be enacted near the end of fiscal year 2016, that the necessary amounts will be appropriated, and that spending will follow historical patterns.

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 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.

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.

Permanent Authorization and Expansion of the SBIR and STTR Programs

S. 2812 would permanently authorize the SBIR and STTR programs. Under current law, both programs are scheduled to terminate at the end of fiscal year 2017. The bill would increase the amount of extramural R&D funding that each participating agency sets aside 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.

S. 2812 also would extend, through fiscal year 2021, a pilot program that authorizes participating agencies to use up to 3 percent of the R&D amounts set aside for the SBIR program for administrative costs, rather than paying those costs from general operating funds. Under current law, the authority for that pilot program is scheduled to expire at the end of fiscal year 2017. Because the pilot program would not affect the underlying costs of administering the SBIR program, CBO estimates that extending the pilot program would have no budgetary effect.

Regional SBIR and STTR State Collaborative Initiative Pilot Program

S. 2812 would direct the SBA to establish and operate, through fiscal year 2021, a pilot program to provide grants to research institutions and small business that collaborate to improve small businesses' chances of successfully competing for awards under the SBIR and STTR programs. The bill would authorize the SBA to use a portion of funds dedicated to those programs by each participating agency to cover its costs to administer the proposed pilot program.

Based on information from the SBA and several participating agencies about the size of their extramural R&D budgets and their respective administrative costs, CBO estimates that implementing the pilot program would cost \$80 million over the 2017-2021 period, assuming appropriation of the necessary amounts.

Federal and State Technology Partnership Program

S. 2812 would authorize the appropriation of \$10 million for each of fiscal years 2017 through 2021 to fund the Federal and State Technology (FAST) Partnership Program. Through that program, the SBA awards grants to support efforts by colleges and universities as well as business development centers to provide technical assistance and other support to small businesses competing for awards under the SBIR and STTR programs. Based on information from the SBA and historical trends for spending related to the FAST program, CBO estimates that implementing this provision would cost \$47 million over the 2017-2021 period, assuming appropriation of the authorized amounts.

Other Provisions

CBO estimates that implementing a variety of other provisions of S. 2812 would involve modest costs. Those provisions would:

- Authorize grants to small businesses to support internships for recent graduates from the fields of science, technology, engineering, or math who belong to underrepresented populations;
- Require the SBA to form an interagency committee to recommend ways to improve data collection across federal agencies participating in the SBIR and STTR programs;
- Direct the SBA to make numerous changes to its policy directives for the SBIR and STTR programs; and
- Require the Government Accountability Office to complete certain reports related to the SBIR and STTR programs and federal agencies' compliance with goals for awarding contracts to small businesses.

Based on information from the SBA and other affected agencies, CBO estimates that implementing those provisions would cost a total of \$2 million over the 2017-2021 period, assuming the availability for appropriated funds.

PAY-AS-YOU-GO CONSIDERATIONS: None.

INCREASE IN LONG TERM DIRECT SPENDING AND DEFICITS

CBO estimates that enacting S. 2812 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

S. 2812 contains no intergovernmental or private-sector mandates as defined in UMRA. Reauthorizing the FAST program would benefit states that help develop small businesses focused on technology. States also would benefit from a pilot program established in the bill that would provide grants to multi-state collaboratives that address the needs of small businesses. Any costs to state governments, including matching contributions, would result from complying with conditions of assistance.

PREVIOUS CBO ESTIMATE

CBO has transmitted estimates for two other bills with provisions that are similar to provisions of S. 2812.

On July 15, 2016, CBO transmitted a cost estimate for S. 2136, the Improving Small Business Innovative Research and Technologies Act of 2015, as reported by the Senate Committee on Small Business and Entrepreneurship on December 3, 2015. S. 2812 would reauthorize the FAST program through 2017 and establish a one-year Regional SBIR and STTR State Collaborative Initiative Pilot Program. Our estimate of spending for those programs under S. 2812 is larger because S. 2812 would authorize them for a longer period of time.

On August 31, 2016, CBO transmitted a cost estimate for H.R. 4783, the Commercializing on Small Business Innovation Act of 2016, as reported by the House Committee on Small Business on July 25, 2016. H.R. 4783 would reauthorize the SBIR and STTR programs through fiscal year 2022, and our estimates of spending for those activities over the 2017-2021 period is the same as under S. 2812.

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