



CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

September 7, 2017

H.R. 2763
**Small Business Innovation Research and Small Business Technology
Transfer Improvements Act of 2017**

As ordered reported by the House Committee on Small Business on June 15, 2017

H.R. 2763 would make several changes to the operations of the Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs. Based on an analysis of information from the Small Business Administration (SBA) and participating agencies, CBO estimates that implementing the bill would cost \$24 million over the 2018-2022 period; such spending would be subject to the availability of appropriated funds.

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 3.2 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. Under current law, a pilot program authorizes participating agencies to use up to 3 percent of the R&D amounts set aside for the SBIR program to cover the costs of certain authorized activities in administering the SBIR and STTR programs rather than paying those costs from general operating funds. That authorization will expire at the end of fiscal year 2017.

H.R. 2763 would extend that pilot program through fiscal year 2022. Because the pilot program would not affect the underlying costs of administering the SBIR or STTR programs, CBO estimates that extending the pilot program would have no budgetary effect.

H.R. 2763 also would require participating agencies to create a new pilot program to allocate up to 5 percent of their SBIR funding for awards to move technologies toward commercialization if the SBA determines that agencies do not already operate a similar program. The Government Accountability Office (GAO) would be required to develop a report on the results of the program after three years and recommendations for improvements. Based on an analysis of information from the SBA and several participating

agencies, CBO estimates that implementing the provisions would cost \$5 million over the 2018-2022 period for agencies to develop a new pilot program or to adapt current programs to comply with requirements of the bill; such spending would be subject to the availability of appropriated funds. Based on the costs of similar reports, CBO estimates that any increased costs to GAO to create the report would be insignificant.

Finally, H.R. 2763 would expand the duties of procurement center representatives at the SBA and Offices of Small and Disadvantaged Business Utilization (OSDBU) at participating agencies to include providing technical assistance to small businesses participating in SBIR and STTR programs. Based on an analysis of information from the SBA and participating agencies, CBO estimates that implementing those changes would cost \$19 million over the 2018-2022 period for participating agencies to each hire three additional employees to assist small businesses in the SBIR and STTR programs and to coordinate with the SBA; such spending also would be 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.

CBO estimates that enacting H.R. 2763 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2028.

H.R. 2763 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would not affect the budgets of state, local, or tribal governments

On August 17, 2017, CBO transmitted a cost estimate for H.R. 2763, the Small Business Innovation Research and Small Business Technology Transfer Improvements Act of 2017, as ordered reported by the House Committee on Science, Space and Technology on June 22, 2017. That version of the bill did not include provisions that directed agencies participating in the SBIR program to develop a new pilot program, expanded the duties of employees at the SBA and at Offices of Small and Disadvantaged Business Utilization, and required agencies and the SBA to meet annually and for the SBA to develop an annual report. That version of the bill also contained a provision that required agencies participating in the STTR program to develop a new grant program which is not in this version. CBO's cost estimates for the two versions of the bill reflect those differences.

The CBO staff contact for this estimate is Stephen Rabent. The estimate was approved by Theresa Gullo, Assistant Director for Budget Analysis.