



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

October 2, 2018

H.R. 6368 **Encouraging Small Business Innovators**

As passed by the House of Representatives on September 25, 2018

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 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 Small Business Technology Transfer (STTR) program requires federal agencies with extramural budgets for R&D that exceed \$1 billion per year to set aside 0.45 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. H.R. 6368 would expand the definition of R&D to include the testing and evaluation of certain activities.

The act also would direct the Small Business Administration (SBA) to increase the past performance ratings of small businesses that have participated in the SBIR or STTR programs and that serve as a mentor to a small business that seeks to participate in one of those programs. Lastly, H.R. 6368 would amend the Federal Acquisition Regulations to define an assisted acquisition and allow the General Services Administration (GSA) to assist agencies with SBIR or STTR contract awards.

Using information from the SBA, CBO estimates that expanding the scope of the definition of research and development would not affect the number of agencies currently participating in the SBIR or STTR programs; however, it would increase the amount that each agency would be required to set aside for small business contracts. Because the act would require agencies to set-aside money for small business contracts that they would still otherwise spend and because the change would not affect the underlying costs of administering the SBIR or STTR programs, CBO estimates that implementing those provisions would have no significant cost.

Using information from the SBA and GSA, CBO estimates that implementing the legislation would cost \$1 million over the 2019-2023 period for the SBA to update program rules and increase past performance ratings and for GSA to provide additional assistance on contract awards; such spending would be subject to the availability of appropriated funds.

Enacting H.R. 6368 would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply.

CBO estimates that enacting H.R. 6368 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2029.

H.R. 6368 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act.

The CBO staff contact for this estimate is Stephen Rabent. The estimate was reviewed by H. Samuel Papenfuss, Deputy Assistant Director for Budget Analysis.