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IMPROVING SMALL BUSINESS INNOVATION AND TECHNOLOGIES RESEARCH ACT OF 2015

DECEMBER 20, 2016.—Ordered to be printed

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Mr. VITTER, from the Committee on Small Business and Entrepreneurship, submitted the following

R E P O R T

[To accompany S. 2136]

The Committee on Small Business and Entrepreneurship, to which was referred the bill (S. 2136) to establish the Regional SBIR State Collaborative Initiative Pilot Program, and for other purposes, having considered the same, reports favorably thereon with an amendment, and recommends that the bill, as amended, do pass.

I. INTRODUCTION

The Improving Small Business Innovation and Technologies Research Act of 2015 (S. 2136) was introduced by Senator Vitter, with Senator Enzi, on October 6, 2015. Senator Coons is also a cosponsor.

S. 2136 seeks to amend the Small Business Act to extend the requirement that allows federal agencies required to conduct a Small Business Innovation Research (SBIR) Program to use up to 3% of its SBIR funds for the administration of its SBIR or Small Business Technology Transfer (STTR) Program as well as other specified costs.

The bill also establishes the Regional SBIR State Collaborative Initiative Pilot Program. This program shall provide one-year renewable awards to a regional collaborative to address the needs of small businesses. This shall be done in order for small businesses to be more competitive in the proposal and selection process of

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SBIR and STTR Program awards, and to increase technology transfer and commercialization.

The legislation also reauthorizes the Federal and State Technology Partnership (FAST) Program. This includes Mentoring Networks and the mentoring database.

II. HISTORY (PURPOSE AND NEED FOR LEGISLATION)

The Small Business Innovation Research (SBIR) Program was created under the Small Business Innovation Development Act of 1982. SBIR was created in order to increase the role of small businesses in federally funded research and development (R&D) with the potential for commercialization. The Program has four main goals: to stimulate technological innovation, to meet federal R&D needs, to foster participation in innovation by disadvantaged persons, and to increase private-sector commercialization of innovation that comes from federal R&D. There are currently eleven federal agencies that participate in the SBIR Program.

The Small Business Technology Transfer (STTR) Program was modeled after the SBIR Program as another way to expand opportunities for small businesses to participate in federal R&D projects. The program was established by the Small Business Technology Transfer Act of 1992 and has been reauthorized numerous times since. The major goal of the STTR program is to facilitate the transfer of technology through cooperation between research institutions and small businesses. Currently, 5 federal agencies participate in the STTR Program which is administered individually by the participating agency.

The bill addresses two main policy issues. First, it addresses the concern raised by stakeholders that federal agencies participating in the SBIR and STTR programs did not have assurance that they would be able to use program funds to carry out the administrative aspects of the programs that they have been charged with running. Second, this bill addresses challenges that low participation states have had in competing for SBIR/STTR contracts. S. 2136 creates the Regional SBIR State Collaborative Initiative Pilot Program. These one-year awards of up to $300,000 per state, renewable annually for up to three years, will help small businesses located in the bottom half of states for SBIR funding gain the skills needed to successfully compete for and win SBIR and STTR grants. S. 2136 has passed the Committee two times. By unanimous voice vote on October 7, 2015, and as part of S. 2812, on May 11, 2016.

Lastly, the bill extends the FAST program through fiscal year 2017. The FAST program was created to support the development of small high-technology firms, including SBIR and STTR firms, for economic development and to increase the number and technological competitiveness of SBIR/STTR applications from small business concerns in low-participation states. A major purpose of the program was to increase the geographic disbursement of SBIR and STTR projects around the country in a way that would protect the competitive integrity of the SBIR and STTR programs instead of resorting to state-by-state quotas. Congress wanted to increase the applications from the low-award states because of the correlation between applications and awards; a study from the U.S. Government Accountability Office (GAO) found that awards were proportionate to applications. Through the FAST program, Small Business Development Centers (SBDCs) or state entities, typically with expertise in technology transfer and economic development, compete for matching grants. These entities then provide technical assistance to small businesses to apply for and fulfill SBIR and STTR contracts, provide general support to build an ecosystem for research and development by small firms, and promote technology transfer from university research to technology-based small business concerns. S. 2136 would allow states to compete for FAST and the Regional Collaborative pilot, but prohibit any state from receiving assistance from both programs to prevent against fraud. The program first appeared in the Consolidated Appropriations Act of 2001 (15 U.S.C. § 657d(c)). The program was allowed to expire on September 30, 2005 but was reestablished in the Consolidated Appropriations Act of 2010.

III. HEARINGS AND ROUNDTABLES

In the 114th Congress:

In the 114th Congress, on January 28, 2016, issues related to the SBIR and STTR programs and the State Collaborative Initiative Pilot Program were addressed at a hearing in the Senate Committee on Small Business and Entrepreneurship entitled "Reauthorization of the SBIR/STTR Program: The Importance of Small Business Innovation to National and Economic Security". At the hearing, witnesses testified that more personnel were needed to administer the SBIR and STTR programs and that initiatives in the state were needed to complement outreach efforts of the 11 SBIR agencies and the SBA. Chairman Vitter briefly explained the State Collaborative Initiative Pilot Program.

IV. DESCRIPTION OF BILL

The Improving Small Business Innovative Research and Technologies Act of 2015 (S. 2136) amends the Small Business Act (15 U.S.C. 638) to establish a pilot program that will be known as the Regional SBIR State Collaborative Initiative Pilot Program. The Regional SBIR State Collaborative Initiative Pilot Program is designed to provided assistance to SBIR and STTR program participants in a number of ways. S. 2136 describes where the funding for the new pilot program will come from and the uses of the funds within the new program.

The legislation also amends section 34 of the Small Business Act (15 U.S.C. 657d) by extending the FAST program for 2016 and 2017.

V. COMMITTEE VOTE

In compliance with rule XXVI(7)(b) of the Standing Rules of the Senate, the following vote was recorded on October 7, 2015.[1]

A motion to adopt the Improving Small Business Innovative Research and Technologies Act of 2015, was approved unanimously by voice vote with the following Senators present: Vitter, Scott, Fischer, Gardner, Ernst, Enzi, Shaheen, Cantwell, Cardin, Booker, Hirono, and Peters.

[1] The bill also passed the Committee as part of S. 2812, the SBIR and STTR Reauthorization and Improvement Act of 2016, on May 11, 2016.

VI. COST ESTIMATE

In compliance with rule XXVI(11)(a)(1) of the Standing Rules of the Senate, the Committee estimates the cost of the legislation will be equal to the amounts discussed in the following letter from the Congressional Budget Office:

JULY 15, 2016.

Hon. DAVID VITTER, *Chairman,*
Committee on Small Business and Entrepreneurship,
U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for S. 2136, Improving Small Business Innovative Research and Technologies Act of 2015.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Stephen Rabent.

Sincerely,

KEITH HALL.

Enclosure.

S. 2136—Improving Small Business Innovation and Technologies Research Act of 2015

Summary: S. 2136 would authorize grants for 2017 to facilitate collaboration between research institutions and small businesses to help small businesses better compete for awards under the Small Business Innovation Research (SBIR) and the Small Business Technology Transfer (STTR) programs. The bill also would authorize agencies to use a portion of the amounts available to them for research and development for the administrative costs of the SBIR and STTR programs. Finally, S. 2136 would authorize appropriations for the Federal and State Technology Partnership program.

Based on information from the Small Business Administration (SBA) and agencies that participate in the SBIR and STTR programs, CBO estimates that implementing S. 2136 would cost $23 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 S. 2136 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2027.

S. 2136 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. 2136 is shown in the following table. The costs of this legislation fall within several budget functions including 370 (commerce), 050 (national defense), 250 (general science, space, and technology), and 550 (health).

	By fiscal year, in millions of dollars—					
	2017	2018	2019	2020	2021	2017–2021
INCREASES IN SPENDING SUBJECT TO APPROPRIATION						
Regional SBIR and STTR State Collaborative Initiative Pilot Program:						
Estimated Authorization Level	13	0	0	0	0	13

	By fiscal year, in millions of dollars—					
	2017	2018	2019	2020	2021	2017–2021
Estimated Outlays	10	2	1	0	0	13
Federal and State Technology Partnership Program:						
Authorization Level	10	0	0	0	0	10
Estimated Outlays	8	2	0	0	0	10
Total Changes:						
Estimated Authorization Level	23	0	0	0	0	23
Estimated Outlays	18	4	1	0	0	23

Note: SBIR = Small Business Innovation Research; STTR = Small Business Technology Transfer.

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 such funds 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, and that spending will follow historical patterns.

Regional SBIR and STTR state collaborative initiative pilot program

S. 2136 would establish a one-year program that would provide grants to research institutions and small businesses that collaborate to improve the ability of those small businesses to compete successfully for awards under the SBIR and STTR programs. Grant recipients would be expected to provide:

Opportunities for national experts to review the applications of small businesses competing for an award under the SBIR or STTR programs for the first time;

Mentors to assist applicants with the process of preparing and submitting a proposal for an award;

Outreach that is focused on certain small businesses, those owned and controlled by women, for example; and

Technical assistance to prepare applicants to compete more effectively for awards.

For 2017, S. 2136 would authorize each agency to use three percent of its research and development funding dedicated to the SBIR program for costs to administer the pilot program. The bill also would authorize the SBA to use a portion of funds dedicated to the program by each agency for its administrative costs. 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 one-year pilot program would cost $13 million over the 2017–2021 period.

Federal and State Technology Partnership Program

S. 2136 would authorize the appropriation of $10 million in 2017 to fund the Federal and State Technology Partnership program. That program awards grants to support the efforts of colleges and universities and 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 spending for the FAST program, CBO estimates that implementing this provision of S. 2136 would cost $10 million over the 2017–2021 period, assuming appropriation of the authorized amounts.

Pay-as-you-go considerations: None.

Increase in long-term direct spending and deficits: CBO estimates that enacting the bill 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. 2136 contains no intergovernmental or private-sector mandates as defined in UMRA. State, local, and tribal governments would benefit from assistance for research and other activities related to technology and small business. Any cost to those governments would be incurred voluntarily as a condition of receiving federal assistance.

Estimate prepared by: Federal Costs: Stephen Rabent; Impact on State, Local, and Tribal Governments: Leo Lex; Impact on the Private Sector: Logan Smith.

Estimate approved by: H. Samuel Papenfuss, Deputy Assistant Director for Budget.

VII. EVALUATION OF REGULATORY IMPACT

In compliance with rule XXVI(11)(b) of the Standing Rules of the Senate, it is the opinion of the Committee that no significant additional regulatory impact will be incurred in carrying out the provisions of this legislation. There will be no additional impact on the personal privacy of companies or individuals who utilize the services provided.

VIII. SECTION-BY-SECTION ANALYSIS

Section 1: Short title

This section provides the title the "Improving Small Business Innovative Research and Technologies Act of 2015."

Section 2: Regional SBIR State Collaborative Initiative Pilot Program

Section 2 of S. 2136 extends through fiscal year 2017 the requirement allowing federal agencies that are required to conduct an SBIR Program to use up to 3% of its SBIR funding for administration of its SBIR or STTR Program. This 3% may also be used for other administrative, oversight, and processing costs.

A Regional SBIR State Collaborative Initiative Pilot Program will be established. This program will award one-year renewable rewards, for up to three years, to a regional collaborative of entities frm multiple states. The Pilot Program is designed to address the needs of small businesses so that they may be more competitive in the proposal and selection for SBIR and STTR awards as well as increase the technology transfer and commercialization of those projects.

Section 3: FAST Program

This section reauthorizes the FAST Program for fiscal year 2017.