



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

April 22, 2008

H.R. 5819 **SBIR/STTR Reauthorization Act**

As reported by the House Committee on Small Business on April 18, 2008

SUMMARY

H.R. 5819 would extend programs that require certain agencies to set aside portions of their research and development budgets for small businesses. The bill also would authorize appropriations to improve efforts to develop products funded through those programs that can be sold commercially. Finally, the bill would require participating agencies to develop new databases for program evaluation and business development.

Based on information from the Small Business Administration (SBA) and other agencies, CBO estimates that implementing H.R. 5819 would cost \$263 million over the 2009-2013 period, subject to appropriation of the specified and necessary amounts. Enacting the bill would not affect direct spending or revenues.

H.R. 5819 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of is shown in the following table. The costs of this legislation fall within budget functions 050 (national defense), 250 (general science, space, and technology), 270 (energy), 300 (natural resources and environment), 350 (agriculture), 370 (commerce and housing credit), 400 (transportation), 500 (education, training, employment, and social services), 550 (health), and 750 (administration of justice).

	By Fiscal Year, in Millions of Dollars					
	2008	2009	2010	2011	2012	2013
SPENDING SUBJECT TO APPROPRIATION						
SBIR/STTR Spending Under Current Law						
Estimated Budget Authority ^a	30	0	0	0	0	0
Estimated Outlays	23	5	2	0	0	0
Proposed Changes						
Reauthorize SBIR/STTR Programs						
Estimated Authorization level	0	27	33	25	13	13
Estimated Outlays	0	21	30	27	16	14
Increase R&D Budget Set-asides						
Estimated Authorization level	0	8	9	7	3	3
Estimated Outlays	0	7	8	7	4	3
Commercialization Program						
Budget Authority	0	28	28	28	28	28
Estimated Outlays	0	4	16	24	28	28
FAST Program Reauthorization						
Budget Authority	0	10	10	0	0	0
Estimated Outlays	0	2	5	7	5	1
Additional Agency Activities						
Estimated Authorization level	0	6	0	0	0	0
Estimated Outlays	0	3	3	0	0	0
Total Proposed Changes						
Estimated Authorization Level	0	79	80	60	44	44
Estimated Outlays	0	37	62	65	53	46
Total SBIR/STTR Spending Under H.R. 5819						
Estimated Authorization Level ^a	30	79	80	60	44	44
Estimated Outlays	23	42	64	65	53	46

Notes: SBIR = Small Business Innovation Research; STTR = Small Business Technology Transfer; FAST = Federal and State Technology Partnership.

a. The 2008 level is the total amount CBO estimates was appropriated for that year for the SBIR and STTR programs.

BASIS OF ESTIMATE

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 to set aside 2.5 percent of that budget for contracts with small businesses. (Extramural expenditures are expenditures for activities not performed by agency employees.) Likewise, the Small Business Technology Transfer (STTR) program requires federal agencies with extramural budgets for research and development that exceed \$1 billion to set aside 0.3 percent of that budget for cooperative research between small businesses and a federal laboratory or nonprofit research institution. SBA is authorized to coordinate and monitor activities under both programs. Eleven agencies currently participate in one or both programs, including the Department of Defense, the Department of Health and Human Services, the Department of Energy, the Department of Agriculture, the National Aeronautics and Space Administration, the National Science Foundation, and the Environmental Protection Agency.

The cost of these programs to the participating agencies consists primarily of personnel and associated overhead costs to solicit applications, prepare reports, and track outcomes. The organizational structures of such program offices vary. Some agencies have a full-time staff member devoted to the SBIR and STTR programs, with other staff assisting as part of their other duties; some have employees working part-time on the program.

Under current law, the SBIR program is scheduled to terminate at the end of fiscal year 2008, and the STTR program is scheduled to terminate at the end of fiscal year 2009.

Based on information from SBA and participating agencies, CBO estimates that implementing H.R. 5819 would cost \$41 million in 2009 and \$263 million over the 2009-2013 period, assuming appropriation of the specified and necessary amounts.

Reauthorization of the SBIR and STTR Programs

The bill would extend both the SBIR and the STTR programs through fiscal year 2010. Based on information from SBA and participating agencies, CBO estimates that administering the two programs will cost about \$30 million this year (about \$2 million of that amount will be for SBA). CBO expects that federal agencies would continue to make extramural research expenditures under current law regardless of the SBIR and STTR programs and that participating agencies would continue to incur costs to administer existing contracts with small businesses for several years after the programs expire. CBO estimates

that extending the current SBIR and STTR programs through 2010 would cost \$108 million over the 2009-2013 period, assuming appropriation of the necessary amounts.

Commercialization Program

H.R. 5819 would authorize appropriations of \$28 million a year for a program to support agency efforts to assist small businesses participating in the SBIR program in developing products or services that could be sold to the government or in commercial markets. SBA would oversee this commercialization program—each agency participating in the SBIR program would be required to request funds from SBA to support its commercialization activities. Based on information from SBA and participating agencies, CBO estimates that implementing this provision would cost \$100 million over the 2009-2013 period, subject to appropriation of the specified amounts.

FAST Program Reauthorization

H.R. 5819 would reauthorize the Federal and State Technology (FAST) Partnership program to conduct outreach and provide technical assistance so as to increase the number small businesses participating in the SBIR program. The outreach activities would be directed to geographic areas that are under-represented in the SBIR program and to small businesses owned by women, veterans, and minorities. The bill would authorize the appropriation of \$10 million for each of fiscal years 2009 and 2010 to implement the program. Based on historical spending patterns of SBA's other business assistance programs, CBO estimates that implementing this provision would cost \$20 million over the 2009-2013 period, assuming appropriation of the specified amounts.

April 22, 2008

Honorable Nydia M. Velázquez
Chairwoman
Committee on Small Business
U.S. House of Representatives
Washington, DC 20515

Dear Madam Chairwoman:

The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 5819, the SBIR/STTR Reauthorization Act.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Susan Willie, who can be reached at 226-2860.

Sincerely,

Peter R. Orszag

Enclosure

cc: Honorable Steve Chabot
Ranking Member