



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

March 11, 2011

S. 493 **SBIR/STTR Reauthorization Act of 2011**

*As ordered reported by the Senate Committee on Small Business and Entrepreneurship
on March 9, 2011*

SUMMARY

S. 493 would extend and expand programs that require certain federal agencies to set aside portions of their research and development budgets for small businesses. The bill would require participating agencies to collect and report information about program participants that would be used both for program evaluation and for business development. S. 493 also would authorize the Government Accountability Office (GAO) and the National Academy of Sciences (NAS) to study the operation and effectiveness of the programs.

Based on information from the Small Business Administration (SBA) and other participating agencies, CBO estimates that implementing S. 493 would cost \$150 million over the 2012-2016 period, 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.

S. 493 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 S. 493 is shown in the following table. The costs of this legislation fall within several budget functions, including 050 (national defense), 250 (general science, space, and technology), and 550 (health).

	By Fiscal Year, in Millions of Dollars					2012- 2016
	2012	2013	2014	2015	2016	
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Reauthorize and Expand SBIR and STTR Programs						
Estimated Authorization Level	0	0	0	48	51	99
Estimated Outlays	0	0	0	38	48	86
Reauthorize FAST Program						
Authorization Level	15	15	15	15	15	75
Estimated Outlays	2	8	13	15	15	53
National Academy of Sciences Study						
Estimated Authorization Level	4	0	0	0	0	4
Estimated Outlays	1	1	1	1	0	4
Additional Agency Activities						
Estimated Authorization Level	3	2	1	1	1	8
Estimated Outlays	2	2	1	1	1	7
Total Changes						
Estimated Authorization Level	22	17	16	64	67	186
Estimated Outlays	5	11	15	55	64	150

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

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 per year to set aside 2.5 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 0.3 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.

The cost of those programs to the participating agencies 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 by the end of fiscal year 2011 and that the necessary funds will be appropriated near the start of each year. Based on information from SBA and participating agencies, CBO estimates that implementing S. 493 would cost \$150 million over the 2012-2016 period, assuming appropriation of the necessary amounts.

Reauthorization and Expansion of the SBIR and STTR Programs

The bill would extend both the SBIR and STTR programs through 2019. Under current law, both programs are scheduled to terminate on May 31, 2011, when a temporary reauthorization of all SBA programs expires.

S. 493 would increase the amount that each participating agency sets aside for R&D for the programs starting in fiscal year 2013. For SBIR, the set-aside would increase by 0.1 percent each year over the 2013-2023 period, ending at 3.5 percent of each participating agency's R&D budget. For STTR, the set-aside would increase by 0.1 percent every two years through 2017, ending at 0.6 percent of each participating agency's R&D budget. Based on information from SBA and the agencies, CBO expects that the expansion would increase, by more than a third, the number of applications received by both programs over the 2012-2016 period.

To cover the administrative costs of the programs, S. 493 would establish a three-year pilot program that would authorize participating agencies to use up to 3 percent of the R&D amounts set aside for the SBIR program, rather than paying those costs from general operating funds. The pilot program also would allow agencies to use R&D funds to provide outreach and technical assistance to recipients of awards and to carry out additional duties as required under the bill. CBO estimates that the amount allocated for administrative expenses under the pilot program would fully offset such costs incurred by participating agencies in 2012, 2013, and 2014. After the pilot program expires, CBO estimates that administering the expanded SBIR and STTR programs would cost \$86 million over the 2015-2016 period, assuming appropriation of the necessary amounts.

FAST Program Reauthorization

S. 493 would reauthorize the Federal and State Technology (FAST) Partnership program to improve the competitiveness of small businesses in technological fields. A portion of the funds made available under the program also would be available to conduct outreach and provide technical assistance to increase the number of small businesses participating in the SBIR program. The bill would authorize the appropriation of \$15 million for each of fiscal years 2012 through 2016 to implement the program. Based on historical spending patterns of SBA's other business assistance programs, CBO estimates that implementing this provision would cost \$53 million over the 2012-2016 period, assuming appropriation of the necessary amounts.

National Academy of Sciences Study

The bill would direct certain agencies participating in the SBIR program to enter into an agreement with the NAS for the National Research Council to study the degree to which the SBIR program has stimulated innovation and encouraged the use of small businesses to meet federal R&D needs. Using the study, NAS also would develop recommendations for improving the SBIR program. Based on information from NAS, CBO estimates that conducting a study as required by S. 493 would cost \$4 million over the 2012-2016 period.

Additional Agency Activities

S. 493 would require SBA to upgrade the data systems used to consolidate information from participating agencies and evaluate their performance. The bill also would require SBA to develop new performance measures and regulations to reflect changes in the SBIR and STTR programs. Based on information from SBA, CBO estimates that those new efforts would cost \$5 million over the 2012-2016 period, assuming appropriation of the necessary amounts.

The bill also would require GAO to conduct several studies for the Congress, including one to determine whether the agencies participating in the SBIR and STTR programs are complying with the programs' requirements to allocate a specific portion of their R&D budgets and another to assess whether agencies participating in the SBIR program are sufficiently protecting the intellectual property rights of the small businesses that receive awards under the program. CBO estimates that conducting such studies would cost about \$2 million over the 2012-2016 period, subject to the availability of appropriated funds.

PAY-AS-YOU-GO CONSIDERATIONS: None.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 493 contains no intergovernmental or private-sector mandates as defined in UMRA. The bill would reauthorize the FAST program, a matching-grant program to encourage states to assist in the development of high-technology small businesses. Any costs to state governments to provide matching funds would be incurred voluntarily.

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