



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 6, 2009

H.R. 2965 **Enhancing Small Business Research and Innovation Act of 2009**

As reported by the House Committee on Small Business on June 26, 2009

SUMMARY

H.R. 2965 would expand and extend the authority for programs that require certain federal 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 databases for program evaluation and business development purposes.

Based on information from the Small Business Administration (SBA) and other agencies, CBO estimates that implementing H.R. 2965 would cost \$272 million over the 2010-2014 period, subject to appropriation of the necessary amounts. Enacting the bill would not affect direct spending or revenues.

H.R. 2965 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 H.R. 2965 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					2010-
	2010	2011	2012	2013	2014	2014
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Reauthorize SBIR/STTR Programs						
Estimated Authorization Level	33	33	17	17	17	117
Estimated Outlays	25	32	22	18	17	114
Commercialization						
Authorization Level	28	28	28	28	28	140
Estimated Outlays	21	26	29	28	28	132
Outreach and Support Activities						
Authorization Level	10	10	0	0	0	20
Estimated Outlays	2	5	7	5	1	20
Additional Agency Activities						
Estimated Authorization Level	6	0	0	0	0	6
Estimated Outlays	3	3	0	0	0	6
Total Changes						
Estimated Authorization Level	77	71	45	45	45	283
Estimated Outlays	51	66	58	51	46	272

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

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 are made up 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 structures of the program offices vary. 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 fiscal year 2009 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 H.R. 2965 would cost \$272 million over the 2010-2014 period, assuming appropriation of the necessary amounts.

Reauthorization of the SBIR and STTR programs

The bill would extend both the SBIR and STTR programs through 2011. Under current law, the SBIR program is scheduled to terminate on July 31, 2009, and the STTR program is scheduled to terminate at the end of fiscal year 2009. H.R. 2965 would authorize the appropriation of \$28 million for each of fiscal years 2010 and 2011 for costs associated with the SBIR program's administration, oversight, and contract processing activities. In addition, we estimate that participating agencies would require additional appropriations of about \$5 million in each of years 2010 and 2011 for similar costs of the STTR program. CBO expects that participating agencies would continue to incur costs of about \$17 million per year to administer existing contracts with small businesses for several years after the programs would expire in 2011.

Based on information from SBA and participating agencies, CBO estimates that reauthorizing the two programs would cost \$114 million over the 2010-2014 period, assuming appropriation of the necessary amounts. About \$9 million of that amount would be for administrative costs incurred by the agencies to operate the STTR program, and \$6 million would be for SBA.

Commercialization Program

H.R. 2965 would authorize the appropriation of \$28 million annually for a program to support agency efforts to assist small businesses that have received SBIR awards to develop products or services that could be sold to the government or in commercial markets. SBA would oversee this 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 \$132 million over the 2010-2014 period, assuming appropriation of the authorized amounts.

Outreach and Support Activities

H.R. 2965 would establish a program to conduct research and provide technical assistance to increase the number of small businesses participating in the SBIR program. The outreach activities would be directed to geographic areas that are under-represented in the 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 2010 and 2011 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 2010-2014 period, assuming appropriation of the authorized amounts.

Additional Agency Activities

H.R. 2965 would require each agency that participates in the SBIR or STTR program to collect more information from SBIR awardees to be included in a database used by the agency for program evaluation. The bill also would require agencies to develop a new database, available to the public, that would be used to help businesses that receive awards or contracts under either program to attract customers for the products or services developed with those awards. Based on information from the participating agencies, CBO estimates that implementing those provisions to create and update databases for each participating agency would cost about \$6 million over the 2010-2014 period.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 2965 contains no intergovernmental or private-sector mandates as defined in UMRA. The bill would authorize a program to encourage states to assist in the development of high-technology small businesses. Any costs to state governments of providing matching funds to participate in the program would be incurred voluntarily.

PREVIOUS CBO ESTIMATE

On June 22, 2009, CBO transmitted an estimate for S. 1233, the SBIR/STTR Reauthorization Act of 2009, as reported by the Senate Committee on Small Business and Entrepreneurship on June 18, 2009. The House legislation differs in several ways from the Senate version. Specifically, it would: reauthorize the SBIR and STTR programs for a shorter period of time; not increase the amount of agency R&D budgets that would be set aside for those programs; and authorize a commercialization program. S. 1233, however, contains an authorization of appropriations for a workforce development program that is not included in H.R. 2965. CBO estimates that implementing the provisions of S. 1233 would cost \$229 million over the 2010-2014 period.

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