

Strengthen Federal Innovation Programs

Problem:

The highly successful Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs were reauthorized last year by the SBIR/STTR Extension Act of 2022 for three years, pushing the termination date to September 30, 2025. While this legislation was successful in preventing a lapse, the SBIR & STTR programs will likely face the same challenges to reauthorization in this Congress as in the previous. More must be done to ensure the long-term stability and viability of these programs and sustain a strong small-business presence across the federal government's various programs targeting small research and development (R&D) companies.

- The SBIR and STTR programs fund a diverse portfolio of startups and small businesses across technology areas and markets to stimulate technological innovation, meet agency R&D needs, and fund commercialization to transition R&D into the marketplace and programs of record. Reauthorization is crucial to the continued small business expansion and U.S. economic growth.
- Entrepreneurship and American innovation has declined significantly over the past four decades, due to the effects of past recessions, demographic forces and regulatory changes according to a recent report from the Congressional Budget Office (CBO). To help support future entrepreneurship efforts, the CBO recommends policymakers direct a share of the federal government's spending on R&D to be set aside for new companies.
- At the same time, competition from other nations, particularly China, threatens the United States' position as the leading global innovator. China has increased R&D investment by nearly 3X over the past 10 years, and plans to exceed the US's position as the world's top R&D investor by 2025. Additionally, the European Union announced plans to invest at least 20% of its R&D funding into small businesses. Without greater R&D investment in America's most innovative sector - small businesses - the US faces the prospect of losing more ground to China.

Solution:

Congress should permanently authorize and increase the funding levels for the SBIR and STTR programs, while retaining oversight through required regular agency reporting to ensure that funding is being used appropriately. Furthermore, policymakers must resist any attempts to diminish small-business participation in vital innovation programs.

- NSBA strongly supports permanency for both SBIR/STTR. It is essential to America's high-tech innovative economy to provide stability and predictability to its most important small business innovation program.
- NSBA also supports a substantial increase to the statutory SBIR allocation. It is currently set at 3.2 percent of an agency's extramural research, which is far lower level of investment than China or Europe to high-tech small business R&D.
- Congress should further strengthen SBIR by allocating more investment in training of contracting officials, and ensuring greater outreach to underserved states as well as women & minority-owned businesses.