

# Starting Down the Path for SBIR Reauthorization

MARK SKINNER, CEO, SSTI

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# Important Legislative Details

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Authorization for federal agencies to administer SBIR/STTR programs expires Sept 30, 2025.

Last reauthorized in 2022. Created in 1982.

Relevant code: Section 9 of 15 USC 638

Indications are Federal FY 26 Budget for R&D may be smaller.

SBIR increase would be bigger chunk of a smaller pie? Will that fly in an increasingly competitive R&D market?



# Competing or complementary priorities?

SMALL BIZ

## HOUSE OF REPRESENTATIVES

- ☐ House Committee on Small Business (membership: [Maj.](#)/[Min.](#))

## SENATE

- ☐ Senate Committee on Small Business & Entrepreneurship ([membership](#))

SCIENCE

- ☐ House Committee on Science, Space & Technology ([membership](#))

- ☐ Senate Committee on Commerce, Science & Transportation ([membership](#))



# Not our last conversation

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## ANTICIPATED FUTURE DISCUSSION TOPICS

- Foreign Risk and SBIR
- How might FAST be improved through Reauthorization?
- Defining and dealing with the Mills
- Whither STTR?
- SBIR and Commercialization – the economic development end goal
- What is the role of State Matching programs in next SBIR?



# Early Days

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First bill out the door:

S. 853 - The INNOVATE Act introduced by Iowa Senator Joni Ernst, chair of the Senate Committee on Small Business & Entrepreneurship

Emphasizes:

- shifts 0.25% of STTR set-aside to increase SBIR to 3.45%
- geographically broadening participation in SBIR – limiting outreach and assistance to these areas
- focus on new entrants from those areas
- limiting involvement of repeat-awardees if not commercializing through SBIR path
- reducing STTR and shifting priority toward earlier stage research with less university involvement required – *“no longer focusing as a tool commercializing university research technology”*
- Defense Phase III program – \$30M Strategic Breakthrough Awards – min 0.25% of DOD SBIR spend
- Three-year reauthorization, expires Sep 30, 2028



# STTR in S. 853

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Reduces set aside from 0.45% to 0.20%

Shifts STTR phase II and III to SBIR

Shifts minimum spend requirements in the university-small business partnership

- ❑ Increases firm share to 50%
- ❑ Decreases university min. share to 20%

**Shift in Purpose, no Tech Transfer?** “each federal agency shall use its STTR budget to fund small business concerns conducting fundamental, basic, or other scientific research...”

DOD and NASA must use STTR to “solely fund research at technology readiness levels of 1, 2 and 3.”

**Questions seems to be forming:** What are the unique positive impacts of STTR versus SBIR? Should STTR still exist at this size and shape?



# Proposed: Phase 1A

Goal is to encourage participation “in all of America”

Replaces Phase 0 proof of concept pilot

Decrease time, cost, regulatory requirements in a Phase I proposal

All solicitations must have open topics

All SBIR agencies must participate

**Questions: is it feasible? Practical? Needed?**  
**Does the award limit follows company or Principal investigator or owners?**

One award per company – lifetime

Company must be new to SBIR: “new entrant”

Two-page proposal

- description of problem
- proposed solution
- commercialization strategy

Maximum award size: \$40,000

Straight to Phase II eligibility

Agency spend min: 2.5% of SBIR budget



# “Emerging States”

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Federal outreach and technical assistance limited to companies in Emerging States and rural areas.

Agencies required to report awards by companies in Emerging States (in place of race, women, etc.)

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Emerging states are those 25 states with the fewest total SBIR/STTR Phase I awards that “received their first Phase I award in the previous 10 years.”

Rural is the Census definition.





# Reducing Administrative Burden

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## PROPOSAL LIMITS & AWARD RULES

Responses to any single Phase I or Phase II solicitation limited to three (3) proposals

Combined total number of Phase I or II proposals by any single firm in a given fiscal year is twenty-five (25) proposals.

All SBIR/STTR contract awards must be firm-fixed price unless negotiated on case-by-case basis.

## DIRECT TO PHASE II – PATH TO MARKET ACCELERATION

All agencies may award straight to Phase II awards (< 10% of total SBIR budget, except for DOD and NIH - \$30%)

Companies with 25+ Phase IIs ineligible.

No company can receive 25 direct to Phase II awards.



# Dealing with “the Mills”

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## COMPANIES WITH >10 PHASE I AWARDS

Minimum performance standard on Phase II conversions of 25% relative to number of Phase I awards received.

Penalty for non-compliance is:

- ❑ Total ban of any new awards for one year
- ❑ Limit of 5 Phase Is per year until above performance threshold met.

[Link](#) to recent academic research on past DOD Phase I awards to Phase II conversion

## COMPANIES WITH 25+ AWARDS

Conversion of Phase I to Phase II must be 50%

Penalty is same as 10+ but higher compliance threshold

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Lifetime 25+ awards must demonstrate equal amount of non-SBIR awards and investment since 1<sup>st</sup> award AND 65% of lifetime total SBIR funding must be matched during the 3 years preceding most recent fiscal year.

Penalty: no more SBIR awards until both thresholds have been met.



# NEXT STEPS

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1. Sign up for the *SSTI Weekly Digest* to stay abreast of our SBIR coverage. Sign up for the TBED Community of Practice webinars and discussion groups of interest.
2. Let us know if you'd like to be part of any of the prospective upcoming conversations regarding SBIR reauthorization:
  - Foreign Risk and SBIR
  - How might FAST be improved through Reauthorization?
  - Defining and dealing with the Mills
  - Whither STTR?
  - SBIR and Commercialization – the economic development end goal
  - What is the role of State Matching programs in next SBIR?
3. Consider becoming a dues-paying member of SSTI and the Innovation Advocacy Council to help advance this work for the field.
4. For all of the above, contact [skinner@ssti.org](mailto:skinner@ssti.org)

