



COMMITTEE ON
SCIENCE, SPACE, & TECHNOLOGY
Lamar Smith, Chairman

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Statement of Chairman Lamar Smith (R-Texas)

Improving the Small Business Innovation Research and Small Business Technology Transfer Programs

Chairman Smith: Thank you Chairman Chabot, Chairman Knight, and Chairwoman Comstock for holding this joint hearing.

President Reagan agreed to start the Small Business Innovation Research program, or SBIR, in 1982 to help spur innovation and increase small business participation in federal research and development activity. In Fiscal Year 1983, \$45 million was “set-aside” from Federal R&D for this purpose.

Since then, more than 100,000 U.S. small businesses have received SBIR grants with the goal of converting taxpayer-supported basic research discoveries into commercial innovation.

Today, that initial \$45 million redirection of Federal R&D has grown to approximately \$2.5 billion annually.

Congress approved the Small Business Technology Transfer program, or STTR, in 1992. STTR requires collaboration between a small business and a non-profit research institution to bridge the gap between fundamental science and commercialization.

SBIR and STTR companies have created parts for NASA’s Mars Rover, equipped our military men and women with key war-fighting innovations, and generated a long list of life-saving medicines and health care treatments.

Many small businesses in my home district have received SBIR and STTR support.

SBIR support helped Applied Nanotech of Austin, TX, to become a world leader in efficient solar energy cells, new materials for blast-resistant structures and equipment, and low-cost, high performance metallic inks and pastes for ink-jet-printed electronics.

Xeris Pharmaceuticals, also Austin-based, used SBIR funds to develop new delivery systems for injectable medicines that aren’t soluble with water. This innovation helps thousands of infants and young children afflicted with Congenital Hyperinsulinism.

As a result of cooperation between the House Armed Services, Small Business, and Science, Space, and Technology Committees at the end of last year, Congress reauthorized the SBIR and STTR programs through Fiscal Year 2022.

This timely action provided certainty and disciplined direction for the participating Federal agencies to continue to manage the program.

Today's hearing is the next legislative step – program oversight and evaluation of a new Government Accountability Office (GAO) report on waste, fraud and abuse in the two programs.

Both SBIR and STTR receive all of their funding from federal agencies' research budgets.

SBIR began with a deduction of 0.2 percent from agencies' research budgets. Today, the SBIR allocation from basic research is 3.2 percent, or 16 times higher. Eleven federal agencies with research budgets of \$100 million or more are currently subject to the SBIR funding "tax."

Five Federal agencies with annual external research budgets of more than \$1 billion are also required to provide funding for the STTR program, which amounts to 0.45 percent from the agencies' annual research funding.

These two levies from basic research currently amount to approximately \$3 billion each year.

This is a significant diversion at a time when U.S. research and development leadership is under challenge.

Projections have China overtaking the US in R&D spending as soon as 2020. Innovations developed from publicly supported scientific breakthroughs create new industries, new businesses, and new jobs that continue to transform our lives and our society.

Our future economic and national security depends on our leadership at the leading edges of key areas like quantum physics and bioengineering.

SBIR/STTR waste, fraud and abuse hurts other, deserving small businesses. It also means there will be no payoff from funds taken away from scientific research.

According to the GAO report that will be presented this morning, the Small Business Administration has a track record of failing to implement GAO recommendations.

Under the previous administration, SBA either ignored or proved itself to be incapable of implementing GAO recommendations aimed at improving program administration and reporting by funding agencies.

Of special concern among SBA failures has been its inability or unwillingness to implement GAO-recommended actions to protect taxpayers against SBIR/STTR waste and fraud.

Moreover, under the previous administration, SBA decided to withhold information from Congress that it is required by law to provide. SBA has not submitted a required annual report to Congress since Fiscal Year 2013.

There are two important, tangible goals for today's hearing.

First, our Committees can jointly develop legislation that updates the SBIR and STTR programs and requires transparency and accountability from federal agencies for their efforts to prevent fraud and abuse.

Second, our Committees should work together, through oversight hearings and, if necessary, investigations, to hold individual federal agencies and their leaders accountable for compliance and performance to combat waste, fraud and abuse.

Although the large majority of SBIR and STTR grants to small businesses are put to work appropriately and effectively, we must assure that not a single tax dollar is wasted.

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