

Congress of the United States
Washington, DC 20515

February 26, 2025

The Honorable Sethuraman Panchanathan
Director
The National Science Foundation
2415 Eisenhower Avenue
Alexandria, VA 22314

Dear Director Panchanathan,

The House Committee on Small Business, the Committee on Science, Space, and Technology, and the Select Committee on the Chinese Communist Party (CCP) (collectively, “the Committees”) write today to address the systematic exploitation of the Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs by China. Indeed, it has become increasingly clear that American taxpayer-funded innovation is being siphoned off to fuel the technological ambitions of our foremost adversary. As a participant in the SBIR and STTR programs, we would like to work with the National Science Foundation to identify vulnerabilities and strengthen safeguards to ensure that these programs put America first by supporting American small businesses, advancing U.S. innovation, and protecting national security.

With the SBIR and STTR programs’ authorization set to expire on September 30, 2025, the Committees of jurisdiction will consider legislative and policy changes to eliminate the CCP’s ability to exploit American taxpayer dollars to advance its technological and military dominance. Indeed, we will consider changes to further bolster American innovation, while safeguarding the national security of the U.S.

The Committees are deeply concerned that China is targeting strategic innovations developed by American small businesses funded by the SBIR and STTR programs. Funds intended to support our small businesses are instead being funneled to foreign adversaries—namely China—through multiple avenues, including CCP-linked venture capital, research partnerships with American universities, and talent recruitment programs.¹ By infiltrating companies that receive SBIR/STTR funding, China is able to extract sensitive information and undermine both U.S. national security and economic competitiveness. Due to inadequate oversight and weak due diligence measures, it appears that China has become one of the largest beneficiaries of these programs—turning what should be a pillar of American innovation into a tool for the CCP’s technological and military advancement.

According to a 2021 report commissioned by the Department of Defense (DoD)—*Survey of PRC State-Sponsored Technology Transfers Affecting SBIR Programs*—China deliberately

¹ Kate O’Keeffe, *Pentagon’s China Warning Prompts Calls to Vet U.S. Funding of Startups*, WALL ST. JOURNAL (May 8, 2022).

exploits the SBIR and STTR programs to acquire cutting-edge U.S. technology.² Concerningly, the report states that “DoD SBIR programs currently lack capabilities to conduct adequate due diligence to assess national security risks associated with firms applying for SBIR funding.”³ It found that Chinese state-sponsored talent programs have successfully recruited key employees from U.S. firms receiving SBIR funding, allowing them to funnel taxpayer-funded research and intellectual property to CCP-linked entities.⁴

In other cases identified in the report, U.S. companies benefiting from SBIR/STTR funds established PRC-based subsidiaries, ultimately shifting operations to China while receiving state-backed investment from the CCP.⁵ Chinese state-controlled venture capital funds have also infiltrated U.S. firms, giving Beijing access to proprietary technology while evading scrutiny under existing foreign investment laws.⁶ The SBIR and STTR programs, designed to support American small business and strengthen our industrial base, have instead become a backdoor pipeline for China’s military and economic ambitions. Without immediate reforms, these vulnerabilities will continue to enable China to systematically undermine U.S. technological leadership and erode our national security.

As we enter a new golden age of America under President Trump, we must ensure that the groundbreaking technologies developed by our small business community remain in the United States. The Committees look forward to working with you to combat foreign threats and protect American small businesses, which make up 99.9 percent of all businesses in the United States.

We respectfully request the following information as soon as possible but no later than March 12, 2025. Specifically, we request that the information provided includes data dating back to January 20, 2021 to ensure a comprehensive assessment of trends over time.

1. What percentage of the SBIR/STTR applications are unsuccessful annually?
 - a. In Phase I?
 - b. In Phase II?
 - c. In Phase III?
2. What percentage of the SBIR/STTR applications are flagged annually?
 - a. In Phase I?
 - b. In Phase II?
 - c. In Phase III?
3. What percentage of the SBIR/STTR applications are flagged annually for national security risks, foreign influence, or similar concerns? Please provide a breakdown by:

² Protecting the National Security Innovation Base Study Group and OSE/Factor 8 Program, Survey of PRC State-Sponsored Technology Transfers Affecting SBIR Programs (Apr. 2021).

³ *Id.*

⁴ *Id.*

⁵ *Id.*

⁶ *Id.*

- a. Identified ties to foreign adversaries (e.g., Chinese talent programs, Chinese-based subsidiaries, foreign government funding, venture capital from state-owned entities);
 - b. Potential export control or dual-use technology concerns;
 - c. Failure to meet due diligence or security vetting requirements; and
 - d. Any other security related red flags that resulted in further review, denial, or additional scrutiny.
4. What percentage of the SBIR/STTR applications that are flagged pursuant to question three are unsuccessful? Please provide a breakdown by:
 - a. Identified ties to foreign adversaries (e.g., Chinese talent programs, Chinese-based subsidiaries, foreign government funding, venture capital from state-owned entities);
 - b. Potential export control or dual-use technology concerns;
 - c. Failure to meet due diligence or security vetting requirements; and
 - d. Any other security related red flags that resulted in further review, denial, or additional scrutiny.
5. OSTP, through NSPM-33, required all federal science agencies to utilize common disclosure forms for grants, which includes certifying recipients are not participating in a malign foreign talent program. Has your agency's SBIR program adopted the common disclosure requirements as part of the application process? How are they confirming that the information is accurate and no applicants are involved in a malign foreign talent program?
6. A copy of the criteria for what would trigger a flag for national security risks, foreign influence, or similar concerns in each of the three phases.
7. A copy of the procedure for how the National Science Foundation handles an application/applicant after flagging a suspicious applicant including but not limited to:
 - a. How the flag is communicated to the applicant;
 - b. Whether the flags are shared with other agencies who participate in the SBIR/STTR programs.
8. A copy of the procedure for communicating with other agencies participating in the SBIR/STTR about any suspicious application.
9. A copy of the procedure for monitoring each phase for national security risks, foreign influence, or similar concerns. If there is no monitoring during a specific phase, please note that.

In order to coordinate delivery of your response or ask any follow-up related questions, please contact Committee on Small Business majority staff at (202) 225-5821. The Committee on Small Business has broad authority to investigate "problems of all types of small business" under

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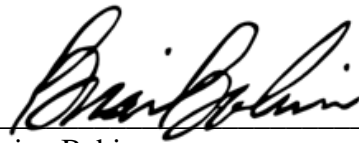
House Rule X. Pursuant to Rule X of the U.S. House of Representatives, the Committee on Science, Space, and Technology is delegated oversight jurisdiction over all laws, programs, and government activities relating to nonmilitary research and development. The House Select Committee on the Strategic Competition Between the United States and the Chinese Communist Party has broad authority to investigate and submit policy recommendations on countering the economic, technological, security, and ideological threats of the Chinese Communist Party to the United States and allies and partners of the United States under H. Res. 5 Sec. 4(a).

Thank you for your attention to this important matter and we look forward to working with you.

Sincerely,



Roger Williams
Chairman
Committee on Small Business



Brian Babin
Chairman
Committee on Science, Space, and
Technology



John Moolenaar
Chairman
Select Committee on the CCP

cc: The Honorable Nydia M. Velázquez, Ranking Member
Committee on Small Business

The Honorable Zoe Lofgren, Ranking Member
Committee on Science, Space, and Technology

The Honorable Raja Krishnamoorthi, Ranking Member
The Select Committee on the CCP