

SMALL BUSINESS INNOVATION RESEARCH AND SMALL  
BUSINESS TECHNOLOGY TRANSFER IMPROVEMENTS  
ACT OF 2017

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SEPTEMBER 14, 2017.—Committed to the Committee of the Whole House on the  
State of the Union and ordered to be printed

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Mr. CHABOT, from the Committee on Small Business,  
submitted the following

R E P O R T

[To accompany H.R. 2763]

[Including cost estimate of the Congressional Budget Office]

The Committee on Small Business, to whom was referred the bill (H.R. 2763) to amend the Small Business Act to improve the Small Business Innovation Research program and Small Business Technology Transfer program, and for other purposes, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

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## I. AMENDMENT

The amendment is as follows:

Strike all after the enacting clause and insert the following:

**SECTION 1. SHORT TITLE.**

This Act may be cited as the “Small Business Innovation Research and Small Business Technology Transfer Improvements Act of 2017”.

**SEC. 2. REPORTING REQUIREMENTS.**

(a) ANNUAL REPORT TO CONGRESS.—Section 9(b)(7) of the Small Business Act (15 U.S.C. 638(b)(7)) is amended by striking “to report not less than annually” and inserting “to submit a report not later than December 31 of each year”.

(b) ANNUAL REPORT TO SBA AND THE OFFICE OF SCIENCE AND TECHNOLOGY POLICY.—Section 9(g)(9) of the Small Business Act (15 U.S.C. 638(g)(9)) is amended—

(1) by striking “make an annual report” and inserting “not later than March 30 of each year, submit a report”; and /

(2) by striking “and the Office of Science and Technology Policy” and inserting “, the Office of Science and Technology Policy, the Committee on Science, Space, and Technology and the Committee on Small Business of the House of Representatives, and the Committee on Small Business and Entrepreneurship of the Senate”.

**SEC. 3. REQUIRING INSERTION INCENTIVES.**

Section 9(y)(5) of the Small Business Act (15 U.S.C. 638(y)(5)) is amended by striking “is authorized to” and inserting “shall”.

**SEC. 4. SBIR PHASE FLEXIBILITY.**

Section 9(cc) of the Small Business Act (15 U.S.C. 638(cc)) is amended by striking “During fiscal years” and all that follows through “may each provide” and inserting “During fiscal years 2018 through 2022, all agencies participating in the SBIR program may provide”.

**SEC. 5. ESTABLISHING THE CIVILIAN AGENCY COMMERCIALIZATION READINESS PROGRAM.**

Section 9(gg) of the Small Business Act (15 U.S.C. 638(gg)) is amended—

(1) by amending the subsection heading to read as follows: “CIVILIAN AGENCY COMMERCIALIZATION READINESS PROGRAM”;

(2) in paragraph (1), by inserting “to establish a Civilian Agency Commercialization Readiness Program for civilian agencies” after “the covered Federal agency”;

(3) in paragraph (2)(A)—

(A) by striking “establish a pilot program” and inserting “establish a Civilian Agency Commercialization Readiness Program under this subsection”; and

(B) by striking “the pilot program” and inserting “such Civilian Agency Commercialization Readiness Program”;

(4) in paragraphs (3) and (4), by striking “a pilot program” each place such term appears and inserting “a Civilian Commercialization Readiness Program”;

(5) in paragraph (6), by striking “the pilot program” and inserting “a Civilian Agency Commercialization Readiness Program”;

(6) by striking paragraph (7) and redesignating paragraph (8) as paragraph (7); and

(7) in paragraph (7) (as so redesignated), by amending subparagraph (B) to read as follows:

“(B) the term ‘Civilian Agency Commercialization Readiness Program’ means each program established under paragraph (1).”.

**SEC. 6. EXTENSION OF DEADLINE FOR ASSISTANCE FOR ADMINISTRATIVE, OVERSIGHT, AND CONTRACT PROCESSING COSTS.**

Section 9(mm)(1) of the Small Business Act (15 U.S.C. 638(mm)(1)) is amended by striking “September 30, 2017” and inserting “September 30, 2022”.

**SEC. 7. INCREASED UNDERSERVED POPULATION PARTICIPATION WAIVER REMOVED.**

(a) IN GENERAL.—Section 9(mm)(2) of the Small Business Act (15 U.S.C. 638(mm)(2)) is amended to read as follows:

“(2) OUTREACH AND TECHNICAL ASSISTANCE.—A Federal agency participating in the program under this subsection shall use a portion of the funds authorized for uses under paragraph (1) to carry out the policy directive required under subsection (j)(2)(F) and to increase the participation of States with respect to which a low level of SBIR awards have historically been awarded.”.

(b) CONFORMING AMENDMENT.—Section 9(mm)(6) of the Small Business Act (15 U.S.C. 638(mm)(6)) is amended by striking “paragraph (2)(A) and any use of the waiver authority under paragraph (2)(B)” and inserting “paragraph (2)”.

**SEC. 8. ANNUAL MEETING.**

(a) IN GENERAL.—Section 9 of the Small Business Act (15 U.S.C. 638) is amended by adding at the end the following new subsection:

“(tt) ANNUAL MEETING.—

“(1) IN GENERAL.—The head of each Federal agency required to have a program under this section (or a designee) and the Administrator (or a designee) shall meet annually to discuss methods—

“(A) to improve the collection of data under this section;

“(B) to improve the reporting of data to the Administrator under this section;

“(C) to make the application processes for programs under this section more efficient; and

“(D) to increase participation in the programs established under this section.

“(2) REPORT.—Not later than 60 days after the date on which an annual meeting required under paragraph (1) is held, the Administrator shall submit to the Committee on Small Business and Entrepreneurship of the Senate and the Committee on Small Business and the Committee on Science, Space, and Technology of the House of Representatives, a report on the findings of such meeting and recommendations on how to implement changes to programs under this section.”

(b) FUNDING FOR ANNUAL MEETING.—Section 9(mm)(1) of the Small Business Act (15 U.S.C. 638(mm)(1)), as amended by this Act, is further amended—

(1) in subparagraph (I), by striking the “and” at the end;

(2) in subparagraph (J), by striking the period at the end and inserting “; and”; and

(3) by adding at the end the following new subparagraph:

“(K) the annual meeting required under subsection (tt).”

**SEC. 9. COMPLIANCE OF PHASE III AWARDS WITH COMPETITIVE PROCEDURES.**

Section 9(r)(4) of the Small Business Act (15 U.S.C. 638(r)(4)) is amended by striking “, including sole source awards,” and inserting “as direct follow-on awards issued without further competition”.

**SEC. 10. COMMERCIALIZATION ASSISTANCE PILOT PROGRAMS.**

Section 9 of the Small Business Act (15 U.S.C. 638), as amended by section 8, is further amended by adding at the end the following new subsection:

“(uu) COMMERCIALIZATION ASSISTANCE PILOT PROGRAMS.—

“(1) PILOT PROGRAMS IMPLEMENTED.—

“(A) IN GENERAL.—Except as provided in subparagraph (B), not later than one year after the date of the enactment of this subsection, a covered agency shall implement a commercialization assistance pilot program, under which an eligible entity may receive a subsequent Phase II SBIR award.

“(B) EXCEPTION.—If the Administrator determines that a covered agency has a program that is sufficiently similar to the commercialization assistance pilot program established under this subsection, such covered agency shall not be required to implement a commercialization assistance pilot program under this subsection.

“(2) PERCENT OF AGENCY FUNDS.—The head of each covered agency may allocate not more than 5 percent of the funds allocated to the SBIR program of the covered agency for the purpose of making a subsequent Phase II SBIR award under the commercialization assistance pilot program.

“(3) TERMINATION.—A commercialization assistance pilot program established under this subsection shall terminate on September 30, 2022.

“(4) APPLICATION.—To be selected to receive a subsequent Phase II SBIR award under a commercialization assistance pilot program, an eligible entity shall submit to the covered agency implementing such pilot program an application at such time, in such manner, and containing such information as the covered agency may require, including—

“(A) an updated Phase II commercialization plan; and

“(B) the source and amount of the matching funding required under paragraph (5).

“(5) MATCHING FUNDING.—

“(A) IN GENERAL.—The Administrator shall require, as a condition of any subsequent Phase II SBIR award made to an eligible entity under this subsection, that a matching amount (excluding any fees collected by the eligible

entity receiving such award) equal to the amount of such award be provided from an eligible third-party investor.

“(B) INELIGIBLE SOURCES.—An eligible entity may not use funding from ineligible sources to meet the matching requirement of subparagraph (A).

“(6) AWARD.—A subsequent Phase II SBIR award made to an eligible entity under this subsection—

“(A) may not exceed the limitation described under subsection (aa)(1); and

“(B) shall be disbursed during Phase II.

“(7) USE OF FUNDS.—The funds awarded to an eligible entity under this subsection may only be used for research and development activities that build on eligible entity’s Phase II program and ensure the research funded under such Phase II is rapidly progressing towards commercialization.

“(8) SELECTION.—In selecting eligible entities to participate in a commercialization assistance pilot program under this subsection, the head of a covered agency shall consider—

“(A) the extent to which such award could aid the eligible entity in commercializing the research funded under the eligible entity’s Phase II program;

“(B) whether the updated Phase II commercialization plan submitted under paragraph (4) provides a sound approach for establishing technical feasibility that could lead to commercialization of such research;

“(C) whether the proposed activities to be conducted under such updated Phase II commercialization plan further improve the likelihood that such research will provide societal benefits;

“(D) whether the small business concern has progressed satisfactorily in Phase II to justify receipt of a subsequent Phase II SBIR award;

“(E) the expectations of the eligible third-party investor that provides matching funding under paragraph (5); and

“(F) the likelihood that the proposed activities to be conducted under such updated Phase II commercialization plan using matching funding provided by such eligible third-party investor will lead to commercial and societal benefit.

“(9) EVALUATION REPORT.—Not later than 3 years after the date of the enactment of this subsection, the Comptroller General of the United States shall submit to the Committee on Science, Space, and Technology and the Committee on Small Business of the House of Representatives, and the Committee on Small Business and Entrepreneurship of the Senate, a report including—

“(A) a summary of the activities of commercialization assistance pilot programs carried out under this subsection;

“(B) a detailed compilation of results achieved by such commercialization assistance pilot programs, including the number of eligible entities that received awards under such programs;

“(C) the rate at which each eligible entity that received a subsequent Phase II SBIR award under this subsection commercialized research of the recipient;

“(D) the growth in employment and revenue of eligible entities that is attributable to participation in a commercialization assistance pilot program;

“(E) a comparison of commercialization success of eligible entities participating in a commercialization assistance pilot program with recipients of an additional Phase II SBIR award under subsection (ff);

“(F) demographic information, such as ethnicity and geographic location, of eligible entities participating in a commercialization assistance pilot program;

“(G) an accounting of the funds used at each covered agency that implements a commercialization assistance pilot program under this subsection;

“(H) the amount of matching funding provided by eligible third-party investors, set forth separately by source of funding;

“(I) an analysis of the effectiveness of the commercialization assistance pilot program implemented by each covered agency; and

“(J) recommendations for improvements to the commercialization assistance pilot program.

“(10) DEFINITIONS.—For purposes of this subsection:

“(A) COVERED AGENCY.—The term ‘covered agency’ means a Federal agency required to have an SBIR program.

“(B) ELIGIBLE ENTITY.—The term ‘eligible entity’ means a small business concern that has received a Phase II award under an SBIR program and an additional Phase II SBIR award under subsection (ff) from the covered

agency to which such small business concern is applying for a subsequent Phase II SBIR award.

“(C) ELIGIBLE THIRD-PARTY INVESTOR.—The term ‘eligible third-party investor’ means a small business concern other than an eligible entity, a venture capital firm, an individual investor, a non-SBIR Federal, State or local government, or any combination thereof.

“(D) INELIGIBLE SOURCES.—The term ‘ineligible sources’ means the following:

“(i) The eligible entity’s internal research and development funds.

“(ii) Funding in forms other than cash, such as in-kind or other intangible assets.

“(iii) Funding from the owners of the eligible entity, or the family members or affiliates of such owners.

“(iv) Funding attained through loans or other forms of debt obligations.

“(E) SUBSEQUENT PHASE II SBIR AWARD.—The term ‘subsequent Phase II SBIR award’ means an award granted to an eligible entity under this subsection to carry out further commercialization activities for research conducted pursuant to an SBIR program.”.

**SEC. 11. PROCUREMENT CENTER REPRESENTATIVES AND OTHER ACQUISITION PERSONNEL IN THE SBIR AND STTR PROGRAMS.**

(a) DEFINITION OF SENIOR PROCUREMENT EXECUTIVE.—Section 9(e) of the Small Business Act (15 U.S.C. 638(e)) is amended—

(1) in paragraph (12)(B), by striking “and” at the end;

(2) in paragraph (13)(B), by striking the period at the end and inserting “; and”; and

(3) by adding at the end the following new paragraph:

“(14) the term ‘senior procurement executive’ means an official designated under section 1702(c) of title 41, United States Code, as the senior procurement executive of a Federal agency participating in a SBIR or STTR program.”.

(b) INCLUSION OF SENIOR PROCUREMENT EXECUTIVES IN SBIR AND STTR.—

(1) IN GENERAL.—Section 9(b) of the Small Business Act (15 U.S.C. 638(b)) is amended—

(A) in paragraph (8), by striking “and” at the end;

(B) in paragraph (9), by striking the period at the end and inserting “; and”; and

(C) by adding at the end the following new paragraph:

“(10) to coordinate, where appropriate, with the senior procurement executive of the relevant Federal agency to assist small business concerns participating in a SBIR or STTR program with commercializing research developed under such a program before such small business concern is awarded a contract from such Federal agency.”.

(2) TECHNICAL AMENDMENT.—Section 9(b)(3) of the Small Business Act (15 U.S.C. 638(b)(3)) is amended by striking “and” at the end.

(c) MODIFICATIONS RELATING TO PROCUREMENT CENTER REPRESENTATIVES AND OTHER ACQUISITION PERSONNEL.—

(1) SBIR AMENDMENT.—Section 9(j) of the Small Business Act (15 U.S.C. 638(j)) is amended by adding at the end the following new paragraph:

“(4) MODIFICATIONS RELATING TO PROCUREMENT CENTER REPRESENTATIVES.—Upon the enactment of this paragraph, the Administrator shall modify the policy directives issued pursuant to this subsection to require procurement center representatives (as described in section 15(l)) to assist small business concerns participating in the SBIR program, particularly in Phase III. The procurement center representatives shall coordinate with the appropriate contracting officer and the appropriate Director of the Office of Small and Disadvantaged Business Utilization established pursuant to section 15(k) for the agency letting the contract.”.

(2) STTR AMENDMENT.—Section 9(p)(2) of the Small Business Act (15 U.S.C. 638(p)(2)) is amended—

(A) in subparagraph (E)(ii), by striking “and” at the end;

(B) in subparagraph (F), by striking the period at the end and inserting “; and”; and

(C) by adding at the end the following new subparagraph:

“(G) procedures to ensure that procurement center representatives (as described in section 15(l))—

“(i) assist small business concerns participating in the STTR program, particularly in Phase III; and

“(ii) coordinate with the appropriate contracting officer and the appropriate Director of the Office of Small and Disadvantaged Business

Utilization established pursuant to section 15(k) for the Federal agency letting the contract in providing the assistance described in clause (i).”.

(d) AMENDMENT TO DUTIES OF PROCUREMENT CENTER REPRESENTATIVES.—Section 15(1)(2) of the Small Business Act (15 U.S.C. 644(1)(2)) is amended—

- (1) in subparagraph (I), by striking “and” at the end;
- (2) by redesignating subparagraph (J) as subparagraph (L); and
- (3) by inserting after subparagraph (I) the following new subparagraphs:

“(J) assist small business concerns participating in a SBIR or STTR program under section 9 with Phase III;

“(K) coordinate with the appropriate contracting officer and the appropriate Director of the Office of Small and Disadvantaged Business Utilization established pursuant to subsection (k) for the agency letting the contract; and”.

(e) AMENDMENT TO THE DUTIES OF THE DIRECTOR OF SMALL AND DISADVANTAGED BUSINESS UTILIZATION FOR FEDERAL AGENCIES.—Section 15(k) of the Small Business Act (15 U.S.C. 644(k)) is amended—

- (1) in paragraph (19), by striking “and” at the end;
- (2) in paragraph (20), by striking the period at the end and inserting a semicolon; and
- (3) by adding at the end the following new paragraphs:

“(21) shall assist small business concerns participating in a SBIR or STTR program under section 9 with researching applicable solicitations for the award of a Federal contract (particularly with the Federal agency that has a funding agreement (as defined under section 9) with the concern) to market the research developed by such concern under such SBIR or STTR program; and

“(22) shall provide technical assistance to small business concerns participating in a SBIR or STTR program under section 9 to submit a bid for an award of a Federal contract, including coordination with procurement center representatives and the appropriate senior procurement executive for the agency letting the contract.”.

**SEC. 12. IMPROVEMENTS TO TECHNICAL AND BUSINESS ASSISTANCE IN THE SBIR AND STTR PROGRAMS.**

Section 9(q) of the Small Business Act (15 U.S.C. 638(q)) is amended—

- (1) in the subsection heading, by inserting “AND BUSINESS” after “TECHNICAL”;
- (2) in paragraph (1)—

(A) in the matter preceding subparagraph (A)—

(i) by striking “a vendor selected under paragraph (2)” and inserting “1 or more vendors selected under paragraph (2)(A)”;

(ii) by inserting “and business” before “assistance services”; and

(iii) by inserting “assistance with product sales, intellectual property protections, market research, market validation, and development of regulatory plans and manufacturing plans,” after “technologies.”; and

(B) in subparagraph (D), by inserting “, including intellectual property protections” before the period at the end;

(3) in paragraph (2)—

(A) by striking “Each agency may select a vendor to assist small business concerns to meet” and inserting the following:

“(A) IN GENERAL.—Each agency may select 1 or more vendors from which small business concerns may obtain assistance in meeting”; and

(B) by adding at the end the following:

“(B) SELECTION BY SMALL BUSINESS CONCERN.—A small business concern may, by contract or otherwise, select 1 or more vendors to assist the small business concern in meeting the goals listed in paragraph (1).”; and

(4) in paragraph (3)—

(A) by inserting “(A)” after “paragraph (2)” each place it appears;

(B) in subparagraph (A), by striking “\$5,000 per year” each place it appears and inserting “\$6,500 per project”;

(C) in subparagraph (B)—

(i) by striking “\$5,000 per year” each place it appears and inserting “\$35,000 per project”; and

(ii) in clause (ii), by striking “which shall be in addition to the amount of the recipient’s award” and inserting “which may, as determined appropriate by the head of the agency, be included as part of the recipient’s award or be in addition to the amount of the recipient’s award”;

(D) in subparagraph (C)—

(i) by inserting “or business” after “technical”;

(ii) by striking “the vendor” and inserting “a vendor”; and

(iii) by adding at the end the following: “Business-related services aimed at improving the commercialization success of a small business concern may be obtained from an entity, such as a public or private organization or an agency of or other entity established or funded by a State that facilitates or accelerates the commercialization of technologies or assists in the creation and growth of private enterprises that are commercializing technology.”;

(E) in subparagraph (D)—

(i) by inserting “or business” after “technical” each place it appears; and

(ii) in clause (i), by striking “the vendor” and inserting “1 or more vendors”; and

(F) by adding at the end the following:

“(E) MULTIPLE AWARD RECIPIENTS.—The Administrator shall establish a limit on the amount of technical and business assistance services that may be received or purchased under subparagraph (B) by a small business concern that has received multiple Phase II SBIR or STTR awards for a fiscal year.”.

**SEC. 13. ADDITIONAL SBIR AND STTR TECHNOLOGY INSERTION REPORTING REQUIREMENT.**

Section 9(y)(6) of the Small Business Act (15 U.S.C. 638(y)(6)) is amended—

(1) in subparagraph (B), by striking “and” at the end;

(2) in subparagraph (C)(iii), by striking the period at the end and inserting “; and”; and

(3) by adding at the end the following new subparagraph:

“(D) not later than 120 days after the date of the enactment of this subparagraph, and not later than December 31 of each year thereafter, submit to the Committee on Science, Space, and Technology and the Committee on Small Business of the House of Representatives, and to the Committee on Small Business and Entrepreneurship of the Senate, a report describing the goals set under subparagraph (A) and the incentives used or created under subparagraph (B).”.

## II. PURPOSE AND BILL SUMMARY

The purpose of H.R. 2763, the “Small Business Innovation Research and Small Business Technology Transfer Improvements Act of 2017,” is to amend the Small Business Act (the Act)<sup>1</sup> to improve and modernize the Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs. The objectives of these programs include expansion of commercialization of federally-funded small business research and development (R&D), stimulation of technological innovation in the small business sector, and increased use of this community to meet the government’s diverse research and development needs. H.R. 2763 strengthens the programs in five ways.

First, the bill insists on agency accountability, including several hard reporting deadlines for participating agencies and for the Small Business Administration (SBA) to provide future Congresses with better information and a greater grasp of the programs’ strengths and weaknesses. Second, the legislation clarifies congressional intent of the previous reauthorization to ensure that taxpayers reap the benefits of the SBIR and STTR programs by tying them to long term projects at the Department of Defense (DOD). Third, the legislation extends a popular pilot program included in the 2011 reauthorization that would allow all participating agencies to award a Phase II contract if the agency finds that the small business concern has already completed work typically done during

<sup>1</sup> Originally, title II of the Act of July 30, 1953, c. 282, 67 Stat. 232, was designated as the Small Business Act of 1953. A plethora of amendments in subsequent Congresses led to a rewrite in 1958. Pub. L. No. 85-536, Sec. 1, 72 Stat. 384 (1958). The Act is codified at 15 U.S.C. Sec. Sec. 631-657s.

Phase I. Fourth, it makes permanent the option for participating agencies to establish Commercialization Readiness Programs (CRPs). As a pilot program from the previous reauthorization, these CRPs have shown to provide much needed assistance to small firms nearing the completion of the process and have helped advance technology to the commercialization phase. Fifth, it extends the provision to allow participating agencies to utilize 3 percent of their allocation for administrative functions, increase waste, fraud, and abuse efforts, and conduct outreach in an effort to bring more companies into the SBIR and STTR world.

### III. NEED FOR LEGISLATION

H.R. 2763 was introduced by Congressman Steve Knight and Congresswoman Stephanie Murphy on May 30, 2017, after significant oversight of the SBIR and STTR programs by the Committee extending several years. Prior to explaining the necessary changes, a brief overview of each program will be provided.

#### A. SBIR

Congressional support for the SBIR initiative was predicated upon the belief that, while technology-based companies under 500 employees tended to be highly innovative, and innovation being essential to the economic well-being of the United States, these businesses were underrepresented in the awarding of government R&D contracts. In order to increase participation of such entities in federal R&D efforts, Congress passed the Small Business Innovation Development Act in 1982,<sup>2</sup> which established the SBIR program. The purpose of the Act was to increase government funding of small businesses that conduct R&D with a particular focus on technology that has high commercial potential. Prior to the most recent reauthorization, the SBIR program had been reauthorized and extended several times. Each reauthorization made significant changes to the SBIR program, including increasing award sizes for inflation, codifying agency independence within a framework established by the SBA, increasing the percentages of the extramural research budgets that participating agencies must allocate for the program, and increasing the general focus of the program on the commercialization of the technologies developed.

The objectives of the SBIR program include expanded commercialization of federally-funded R&D, stimulation of technological innovation in the small business sector, increased use of this community to meet the government's diverse R&D needs, and additional involvement of minority and disadvantaged individuals in the process.

The program requires each federal agency with an extramural research budget of \$100 million or more to allocate a small percentage of its extramural budget for awards to small firms for technology development. Currently, eleven agencies have research budgets large enough to require participation in the SBIR program: the Departments of Agriculture, Commerce, Defense, Education, Energy, Health and Human Services, Homeland Security, and Transportation; the Environmental Protection Agency; the National

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<sup>2</sup>Pub. L. No. 97-219, 96 Stat. 217 (1982) (codified at 18 U.S.C. § 638).

Aeronautics and Space Administration; and the National Science Foundation.

The percentage allocation was set initially at 1.25 percent of participating agencies' extramural budgets. Congress has increased the allocation percentage several times. For FY17 and beyond, the percentage is 3.2 percent.

Each agency's SBIR activity reflects that organization's management style. Individual departments select R&D interests, administer program operations, and control financial support. Funding may be disbursed in the form of contracts, grants, or cooperative agreements. Separate agencies issue solicitations for R&D at specific times and small businesses submit competing proposals to do the work.

Congress delegated to the SBA the authority for creating broad policy and guidelines under which qualifying agencies operate their SBIR programs. The SBA monitors and reports to Congress on the conduct of the separate departmental SBIR activities. While the SBA provides direction and monitors the program, it does not provide funding for the awards, select the award winners, or distribute the award dollars.

Criteria for eligibility in the SBIR program includes companies that are: independently owned and operated; not dominant in the field of research proposed; for-profit; the employer of 500 or fewer people; and at least 51 percent owned by one or more United States citizens or lawfully-admitted permanent resident aliens.

The SBIR program is designed to award grants via a three-phase process. In the first phase, awards up to \$150,000 are provided to evaluate a concept's scientific or technical merit and feasibility. The project must be of interest to and coincide with the mission of the supporting organization. Projects that demonstrate potential after the initial endeavor may compete for Phase II awards of up to \$1 million to perform the principal R&D. Phase III funding, directed at the commercialization of the product or process, is expected to be generated in the private sector. Federal dollars, but not SBIR funds, may be used if the government perceives that the final technology or technique will meet public needs.

#### B. STTR

STTR is another important small business technology development program that also expands funding opportunities in the federal innovation R&D arena. Central to the program is expansion of the public/private sector partnership to include joint venture opportunities for small businesses and the nation's network of nonprofit research institutions. Much like SBIR, STTR is a highly competitive program that reserves a specific percentage of federal R&D funding for awards to small businesses and nonprofit research institution partners.

The risk and expense of conducting sophisticated R&D efforts can be beyond the means of many small businesses, especially those which have just initiated their businesses. Conversely, nonprofit research laboratories are instrumental in developing high-tech innovations, but these organizations frequently confine themselves to theoretical, not practical, applications. But frequently, innovation is confined to the theoretical, not the practical. STTR combines the strengths of both entities by introducing entrepreneurial

skills to high-tech research efforts. The technologies and products are then transferred from the laboratory to the marketplace.

Eligibility criteria for businesses in STTR mirror those of SBIR; they must be American-owned and independently operated; for-profit; and employ no more than 500 workers. The nonprofit research institution must also meet certain eligibility criteria, such as being located in the United States and meeting one of the three following definitions: it must be a nonprofit college or university; a domestic nonprofit research organization; or a federally-funded R&D center.<sup>3</sup>

Each year, five federal departments and agencies are required by STTR to reserve a portion (currently 0.45 percent) of their R&D funds for award to small business/nonprofit research institution partnerships. Those are the Department of Defense; the Department of Energy; the Department of Health and Human Services; the National Aeronautics and Space Administration; and the National Science Foundation.<sup>4</sup> As with SBIR, SBA develops broad guidelines but the agencies designate R&D topics, accept proposals, and award funds.

Similar to the SBIR program, agencies make STTR awards based on small business/nonprofit research institution qualification, degree of innovation, and future market potential. Small businesses that receive awards then begin a three-phase program. Phase I and II awards are capped at the same levels as SBIR. The Phase III (commercialization) portion of the project is designed to encourage private sector investment or non-STTR or SBIR federal agency funding, which is also similar to SBIR.

### C. INDEPENDENT REVIEW OF SBIR AND STTR

In 2007, after more than three years of research and analysis, the National Research Council (NRC) of the National Academies of Science (NAS) released its assessment of the SBIR program as administered by the five federal agencies (DOD, National Institutes of Health, the National Aeronautics and Space Administration, the Department of Energy, and the National Science Foundation) that together made up approximately 96 percent of SBIR program expenditures at that time. The core finding of the study is that the SBIR program is sound in concept and effective in practice.<sup>5</sup> In support of the report's core finding, the NRC concluded that the SBIR program is: (1) stimulating technological innovations; (2) increasing private sector commercialization of research; (3) using small businesses to meet federal research and development needs; and (4) providing widely distributed support for innovation activity.<sup>6</sup>

To expand on this research and to provide greater information to policymakers in the future, Congress directed<sup>7</sup> the NRC to continue its examination of the SBIR program as well as expand its

<sup>3</sup>Examples of each of these could be a major research university such as the University of Pittsburgh, a non-profit research organization such as the Cystic Fibrosis Foundation, or a federally funded R&D center such as the Los Alamos National Laboratory.

<sup>4</sup>Federal agencies with extramural R&D budgets that exceed \$1 billion are required to participate in the STTR program.

<sup>5</sup>NRC, NATIONAL ACADEMIES OF SCIENCE, AN ASSESSMENT OF THE SMALL BUSINESS INNOVATION RESEARCH PROGRAM 3 (2007).

<sup>6</sup>*Id.* at 3–6.

<sup>7</sup>Pub. L. No. 112–81, Div. E., 125 Stat. 1850, 1822–62 (2011). The short title of Division E is the SBIR/STTR Reauthorization Act of 2011.

review to include the STTR program. By and large, the NRC found that the SBIR program is meeting most of its statutory objectives. For instance, the NRC points out that SBIR projects at the DOD commercialize at a substantial rate, while the percentage of Phase II projects reporting sales continues to be greater than 45 percent.<sup>8</sup> The NRC also found that the SBIR program at the National Institutes of Health is having a positive overall impact and is meeting three of the four legislative objectives of the program: stimulating technical innovation, using small businesses to meet federal R&D needs, and increasing private-sector commercialization of innovations derived from federal R&D.<sup>9</sup> Finally, the NRC found that STTR is meeting its statutory objective of fostering cooperation between small business concerns and research institutions, and does so in some respects to an extent that SBIR does not.<sup>10</sup>

As a result of Public Law 112–81, the Government Accountability Office (GAO) conducted several investigations constituting a comprehensive body of work to assess, among other things, participating agency management, development, and transitioning SBIR/STTR and STTR technologies across their science and technology enterprises. By and large, the reports pointed to a strong and vibrant program, with a few caveats. For example, the GAO found that the SBA’s ability to fully determine compliance with spending requirements for the SBIR and STTR programs is limited because most agencies submitted incorrect data; GAO recommended that SBA should update its guidance to require that adequate information be provided.<sup>11</sup>

In the conference report to the National Defense Authorization Act (NDAA) for Fiscal Year 2013, the conferees directed the GAO to conduct a study to assess the DOD’s transition of technologies developed by small businesses through the SBIR program, including: (1) an analysis of technologies developed under the SBIR program and the extent to which such technologies were incorporated into major weapon systems or major automated information systems; (2) an analysis of established or ad hoc procedures to allow program offices to monitor, evaluate, and transition small business-developed technologies into their programs; and (3) additional actions that may be needed to improve DOD and the military services’ processes for monitoring, evaluating, and transitioning small business-developed technologies for use in major weapon systems or major automated information systems (including any appropriate data collection and measures of effectiveness and performance).<sup>12</sup>

GAO released the report<sup>13</sup> required by the FY 2013 NDAA on December 20, 2013. GAO found that some common and branch-specific transition initiatives, such as the Commercialization Readiness Program and the Navy Transition Assistance Program, help to improve small businesses’ abilities to transition their products to

<sup>8</sup>NRC, NAS, SBIR AT THE DEPARTMENT OF DEFENSE 201 (2014).

<sup>9</sup>NRC, NAS, SBIR/STTR AT THE NATIONAL INSTITUTES OF HEALTH 234 (2015).

<sup>10</sup>NRC, NAS, STTR: AN ASSESSMENT OF THE SMALL BUSINESS TECHNOLOGY TRANSFER PROGRAM 91 (2016).

<sup>11</sup>GAO, SMALL BUSINESS RESEARCH PROGRAMS: CHALLENGES REMAIN IN MEETING SPENDING AND REPORTING REQUIREMENTS (GAO–15–358) (Apr. 2015).

<sup>12</sup>H.R. Conf. Rep. No. 112–705, at 942–943 (2012).

<sup>13</sup>GAO, Small Business Innovation Research: DOD’S Program Supports Weapon Systems, but Lacks Comprehensive Data on Technology Transition Outcomes (GAO–14–96) (2013).

Phase III.<sup>14</sup> While some programs are of assistance, GAO recommended that DOD must improve tracking and reporting of technology transition outcomes for SBIR projects in order to improve transition rates. Specifically, the GAO suggested that DOD: 1) establish a common definition of technology transition for all SBIR projects to support annual reporting requirements; 2) develop a plan to meet the new technology reporting requirements that will improve the completeness, quality, and reliability of SBIR transition data; and 3) report to Congress on the Department's plan for meeting the new SBIR reporting requirements, including specific steps for improving the technology transition data.<sup>15</sup>

#### D. NECESSARY REFORMS

The SBIR and STTR programs are currently authorized through September 30, 2022.<sup>16</sup> However, several popular pilot programs and initiatives that were initiated in Public Law 112–81 expire on September 30, 2017. Given the popularity of these programs and the desire to provide certainty for the participating agencies and the small firms who participate in the programs, the House Committees on Small Business and Science, Space and Technology have expressed interest in extending some of these pilot programs and other popular provisions to coincide with the September 30, 2022 authorization date.

Each year, participating federal agencies are required to submit to the SBA data on various aspects of their SBIR and STTR programs, such as: reporting their total SBIR and STTR allocation based on appropriated extramural research dollars; the number and type of awards given, specific outreach conducted to increase participation by underrepresented states and populations; waste, fraud, and abuse efforts and, copious other bits of information that allows the SBA, Congress, and the public analyze the information. The SBA is then tasked with coordinating these data submissions and compiling one annual report that is published and provides a glimpse into the programs' strengths and weaknesses. Unfortunately, the SBA is currently 3 years in arrears in producing these reports. Therefore, H.R. 2763 includes provisions that require agencies to submit their annual reports to the SBA no later than March 30 of the following year. The SBA is additionally required to produce their annual report for the previous year and submit it to Congress no later than December 31 of each year. These clear line standards replace more nebulous language in current statute and provides agencies with hard deadlines that can be easily noticed by Congress and industry if they are missed.

The legislation also extends three popular pilot programs established by Public Law 112–81. First, it extends through fiscal year 2022 the authority for participating agencies to utilize 3 percent of the SBIR program for costs relating to administrative, oversight, and contract processing activities for SBIR programs, commercialization initiatives, technical assistance initiatives, and outreach initiatives to raise awareness of, and increase participation in the SBIR and STTR programs. Recognizing that that the SBIR program is utilized by 11 different agencies with different needs, the

<sup>14</sup>*Id.* at 6–7.

<sup>15</sup>*Id.* at 14–15.

<sup>16</sup>Pub. L. No. 114–328, Sec. 1834 (2016).

Committee supports the flexibility provided for the three percent program and not further restricting how these funds may be spent.

The second pilot program that has been extended through fiscal year 2022 is the initiative that allows participating agencies to offer a straight to Phase II option for small firms that have established they have completed the work traditionally done in Phase I of the program. One of the guiding principles the Committee has maintained through this process is the need for the SBIR and STTR programs to be focused on the commercialization phase of the process. This is where small business often create the most jobs, generate the most revenue, and contribute more to the economy, providing taxpayers the biggest bang for their taxpayer buck. Moving companies to Phase III of the process in a shortened time frame (where appropriate) reinforces this tenant.

Maintaining the focus on the commercialization aspect of the SBIR and STTR programs, the legislation also makes the Commercialization Readiness Program at all civilian agencies a permanent part of the SBIR program. Under this program, agencies may use up to 10 percent of their program authorization to grant post-phase II awards up to \$3 million to support advanced development of small business technologies. This initiative helps especially promising technology bridge the so-called “valley of death” that innovations often face between completion of a project but before generating revenue from that project. With a substantial investment made by taxpayers already at this point in the process, the initiative helps to ensure promising technology with commercial appeal is not left on the lab floor due to lack of funding.

Finally, H.R. 2763 strengthens and clarifies congressional intent of Public Law No. 112–81 by statutorily requiring the Department of Defense to establish goals for transitioning Phase III technologies in subcontracting plans for contracts of \$100 million or more. The provision also statutorily requires the Secretary of Defense to set a goal to increase the number of Phase II contracts that lead to technology insertion into programs or record or fielded systems and to use incentives to encourage agency program managers and prime contractors to meet that goal.

#### IV. HEARINGS

In the 115th Congress, the Committee held one hearing that looked at the issues covered by H.R. 2763. On May 4, 2017, the Committee on Small Business Subcommittee on Contracting and Workforce and the Committee on Science, Space, and Technology Subcommittee on Research and Technology met for a joint hearing titled, “Improving the Small Business Innovation Research and Small Business Technology Transfer Programs.” Since the Committee on Small Business and the Committee on Science, Space, and Technology were interested in collaborating on legislation making minor adjustments and improvements to the programs in 2017, the joint hearing was carried out. Witnesses included SBA officials, GAO officials, and several small firms who participate in the SBIR and STTR programs and the topics of discussion included the expansion of commercialization of federally-funded small business research and development, stimulation of technological innovation in the small business sector, and increased use of this community to meet the government’s diverse research and development needs.

Witnesses also discussed potential improvements to help stimulate commercialization rates, modify reporting requirements that improve data collection, and ensure agencies are utilizing all of the tools available to help transition SBIR and STTR technology into larger contracts.

#### V. COMMITTEE CONSIDERATION

The Committee on Small Business met in open session, with a quorum being present, on June 15, 2017 and ordered H.R. 2763 reported, as amended, to the House. During the markup, 5 amendments were offered. The amendments addressed below are in the order in which they were considered at the markup.

An Amendment in the Nature of a Substitute (ANS) was offered by Chairman Chabot (R-OH) and Ranking Member Velázquez (D-NY). The ANS did not change anything in the underlying bill; however, it did add three sections at the end. The first requires participating agencies to use part of their SBIR allocation to conduct outreach to underrepresented states and populations by removing the waiver of this requirement from the statute. Under current law, the Administrator may waive this outreach requirement should agencies certify that substantially similar outreach is being conducted elsewhere in the program. This provision deletes this waiver mandating that agencies utilize a portion of their 3 percent administrative funding for such outreach purposes. The second provision of the ANS requires that the Administrator of the SBA (or a designee) and the head of each participating agency (or a designee) meet annually to discuss methods: to improve data collection; to improve reporting of data; to make the application process more streamlined; and to increase participation in the programs. The provision also requires that the SBA submit a report to the Committees of jurisdiction in both the House and Senate about the topics discussed and resulting actions following the discussion. Finally, the ANS clarifies Congressional intent from Public Law No. 112-81 that Phase II awards have already met all compliance for competitive procedures and may be direct follow-on awards without further competition. Unanimous consent was given by the Committee to have the text of the ANS be the base text of H.R. 2763 for purposes of amendments.

Amendment Number One was offered by Mr. Lawson (D-FL). This amendment requires the heads of all participating agencies to implement a Commercialization Assistance Pilot Program, if not currently operating such a similar program, within one year of passage of the bill. The amendment passed by voice vote at 10:32 am.

Amendment Number Two was offered by Ms. Murphy (D-FL). The amendment seeks to assist small business concerns in commercializing their technology when obtaining government contracts by directly incorporating acquisition personnel into the SBIR and STTR programs, where appropriate. The amendment passed by voice vote at 10:36 am.

Amendment Number Three was offered by Mr. Schneider (D-IL) and Mr. Fitzpatrick (R-PA). The amendment will allow for increased flexibility for use of funding within Phase I and II of the SBIR and STTR programs. The amendment expands the list of allowable expenses to include product sales, intellectual property protections, market research, market validation and development of

regulatory plans and manufacturing plans. It also increases the funding the SBIR and STTR Phase I and II awardees may use for startup-related commercialization activities. The Amendment passed by voice vote at 10:42 am.

Amendment Number Four was offered by Mr. Blum (R-IA) and Mr. Espaillat (D-NY). This amendment stipulates that each agency participating in the SBIR and STTR program is required to submit their annual SBIR and STTR report to Congress as well as to the SBA. Additionally, the amendment stipulates that the Department of Defense report to Congress must include any goals and inclusion incentives they devise to boost SBIR and STTR-developed technologies into larger programs of record. The amendment passed by voice vote at 10:49 am.

#### VI. COMMITTEE VOTES

Clause 3(b) of rule XIII of the Rules of the House of Representatives requires the Committee to list the recorded votes on the motion to report legislation and amendments thereto. The Committee voted 19-0 to report H.R. 2763, as amended, to the House at 10:52 am.

COMMITTEE ON SMALL BUSINESS  
TALLY SHEET

DATE: 6/15/17  
BILL NUMBER: H.R. 2763

QUORUM: 13  
PRESENT: 19

ROLL CALL:

AMENDMENT NUMBER: Final bill, as amended, report to House

VOTE: (AYE) (NO)

6-52

MEMBER	AYE	NO	NOT VOTING
Mr. Chabot, Chairman	✓		
Mr. King	✓		
Mr. Luetkemeyer	✓		
Mr. Brat	✓		
Ms. Radewagen	✓		
Mr. Knight			
Mr. Kelly	✓		
Mr. Blum	✓		
Mr. Comer			
Ms. González-Colón	✓		
Mr. Bacon	✓		
Mr. Fitzpatrick	✓		
Dr. Marshall	✓		
Mr. Estes			
Ms. Velázquez, Ranking Member	✓		
Mr. Evans	✓		
Ms. Murphy	✓		
Mr. Lawson, Jr.	✓		
Ms. Clarke	✓		
Ms. Chu			
Ms. Adams	✓		
Mr. Espaillat	✓		
Mr. Schneider	✓		
VACANT			
<b>TOTALS</b>			

On this vote there were 19 ayes and 0 nos.

COMMITTEE ON SMALL BUSINESS  
TALLY SHEET

DATE: 6/15/17  
BILL NUMBER: H.R. 2763  
ROLL CALL: *VV*

QUORUM: 13  
PRESENT: 21

AMENDMENT NUMBER: 1 (*Lawson*)  
VOTE: (AYE) (NO)

*10:32*

MEMBER	AYE	NO	NOT VOTING
Mr. Chabot, Chairman			
Mr. King			
Mr. Luetkemeyer			
Mr. Brat			
Ms. Radewagen			
Mr. Knight			
Mr. Kelly			
Mr. Blum			
Mr. Comer			
Ms. González-Colón			
Mr. Bacon			
Mr. Fitzpatrick			
Dr. Marshall			
Mr. Estes			
Ms. Velázquez, Ranking Member			
Mr. Evans			
Ms. Murphy			
Mr. Lawson, Jr.			
Ms. Clarke			
Ms. Chu			
Ms. Adams			
Mr. Espaillat			
Mr. Schneider			
VACANT			
TOTALS			

On this vote there were \_\_\_\_\_ ayes and \_\_\_\_\_ nos.

COMMITTEE ON SMALL BUSINESS  
TALLY SHEET

DATE: 6/15/17  
BILL NUMBER: H.R. 2763  
ROLL CALL:

QUORUM: 13  
PRESENT: 21

AMENDMENT NUMBER: 2 (Murphy)  
VOTE:  (AYE)  (NO)

10:36

MEMBER	AYE	NO	NOT VOTING
Mr. Chabot, Chairman			
Mr. King			
Mr. Luetkemeyer			
Mr. Brat			
Ms. Radewagen			
Mr. Knight			
Mr. Kelly			
Mr. Blum			
Mr. Comer			
Ms. González-Colón			
Mr. Bacon			
Mr. Fitzpatrick			
Dr. Marshall			
Mr. Estes			
Ms. Velázquez, Ranking Member			
Mr. Evans			
Ms. Murphy			
Mr. Lawson, Jr.			
Ms. Clarke			
Ms. Chu			
Ms. Adams			
Mr. Espaillat			
Mr. Schneider			
VACANT			
<b>TOTALS</b>			

On this vote there were \_\_\_\_\_ ayes and \_\_\_\_\_ nos.

COMMITTEE ON SMALL BUSINESS  
TALLY SHEET

DATE: 6/15/17  
BILL NUMBER: H.R. 2763  
ROLL CALL:

QUORUM: 13  
PRESENT: 21

AMENDMENT NUMBER: 3 (Schneider/Fitzpatrick)  
VOTE: (AYE) (NO) VV 10:42

MEMBER	AYE	NO	NOT VOTING
Mr. Chabot, Chairman			
Mr. King			
Mr. Luetkemeyer			
Mr. Brat			
Ms. Radewagen			
Mr. Knight			
Mr. Kelly			
Mr. Blum			
Mr. Comer			
Ms. González-Colón			
Mr. Bacon			
Mr. Fitzpatrick			
Dr. Marshall			
Mr. Estes			
Ms. Velázquez, Ranking Member			
Mr. Evans			
Ms. Murphy			
Mr. Lawson, Jr.			
Ms. Clarke			
Ms. Chu			
Ms. Adams			
Mr. Espaillat			
Mr. Schneider			
VACANT			
<b>TOTALS</b>			

On this vote there were \_\_\_\_\_ ayes and \_\_\_\_\_ nos.

COMMITTEE ON SMALL BUSINESS  
TALLY SHEET

DATE: 6/15/17  
 BILL NUMBER: H.R. 2763  
 ROLL CALL:   
 AMENDMENT NUMBER: 4 (Blum)  
 VOTE: (AYE) (NO)

QUORUM: 13  
 PRESENT: 21

10:49

MEMBER	AYE	NO	NOT VOTING
Mr. Chabot, Chairman			
Mr. King			
Mr. Luetkemeyer			
Mr. Brat			
Ms. Radewagen			
Mr. Knight			
Mr. Kelly			
Mr. Blum			
Mr. Comer			
Ms. González-Colón			
Mr. Bacon			
Mr. Fitzpatrick			
Dr. Marshall			
Mr. Estes			
Ms. Velázquez, Ranking Member			
Mr. Evans			
Ms. Murphy			
Mr. Lawson, Jr.			
Ms. Clarke			
Ms. Chu			
Ms. Adams			
Mr. Espaillat			
Mr. Schneider			
VACANT			
<b>TOTALS</b>			

On this vote there were \_\_\_\_\_ ayes and \_\_\_\_\_ nos.

AMENDMENT TO H.R. 2763 OFFERED BY MR. LAWSON OF FLORIDA

At the end of the bill, add the following new section:

**SEC. 7. COMMERCIALIZATION ASSISTANCE PILOT PROGRAM.**

Section 9 of the Small Business Act (15 U.S.C. 638) is amended by adding at the end the following new subsection:

“(tt) COMMERCIALIZATION ASSISTANCE PILOT PROGRAMS.—

“(1) PILOT PROGRAMS IMPLEMENTED.—

“(A) IN GENERAL.—Except as provided in subparagraph (B), not later than one year after the date of the enactment of this subsection, a covered agency shall implement a commercialization assistance pilot program, under which an eligible entity may receive a subsequent Phase II SBIR award.

“(B) EXCEPTION.—If the Administrator determines that a covered agency has a program that is sufficiently similar to the commercialization assistance pilot program established under this subsection, such covered agency shall not be required to implement a commercialization assistance pilot program under this subsection.

“(2) PERCENT OF AGENCY FUNDS.—The head of each covered agency may allocate not more than 5 percent of the funds allocated to the SBIR program of the covered agency for the purpose of making a subsequent Phase II SBIR award under the commercialization assistance pilot program.

“(3) TERMINATION.—A commercialization assistance pilot program established under this subsection shall terminate on September 30, 2022.

“(4) APPLICATION.—To be selected to receive a subsequent Phase II SBIR award under a commercialization assistance pilot program, an eligible entity shall submit to the covered agency implementing such pilot program an application at such time, in such manner, and containing such information as the covered agency may require, including—

“(A) an updated Phase II commercialization plan; and

“(B) the source and amount of the matching funding required under paragraph (5).

“(5) MATCHING FUNDING.—

“(A) IN GENERAL.—The Administrator shall require, as a condition of any subsequent Phase II SBIR award made to an eligible entity under this subsection, that a matching amount (excluding any fees collected by the eligible entity receiving such award) equal to the amount of such award be provided from an eligible third-party investor.

“(B) INELIGIBLE SOURCES.—An eligible entity may not use funding from ineligible sources to meet the matching requirement of subparagraph (A).

“(6) AWARD.—A subsequent Phase II SBIR award made to an eligible entity under this subsection—

“(A) may not exceed the limitation described under subsection (aa)(1); and

“(B) shall be disbursed during Phase II.

“(7) USE OF FUNDS.—The funds awarded to an eligible entity under this subsection may only be used for research and development activities that build on eligible entity’s Phase II pro-

gram and ensure the research funded under such Phase II is rapidly progressing towards commercialization.

“(8) SELECTION.—In selecting eligible entities to participate in a commercialization assistance pilot program under this subsection, the head of a covered agency shall consider—

- “(A) the extent to which such award could aid the eligible entity in commercializing the research funded under the eligible entity’s Phase II program;
- “(B) whether the updated Phase II commercialization plan submitted under paragraph (4) provides a sound approach for establishing technical feasibility that could lead to commercialization of such research;
- “(C) whether the proposed activities to be conducted under such updated Phase II commercialization plan further improve the likelihood that such research will provide societal benefits;
- “(D) whether the small business concern has progressed satisfactorily in Phase II to justify receipt of a subsequent Phase II SBIR award;
- “(E) the expectations of the eligible third-party investor that provides matching funding under paragraph (5); and
- “(F) the likelihood that the proposed activities to be conducted under such updated Phase II commercialization plan using matching funding provided by such eligible third-party investor will lead to commercial and societal benefit.

“(9) EVALUATION REPORT.—Not later than 3 years after the date of the enactment of this subsection, the Comptroller General of the United States shall submit to the Committee on Science, Space, and Technology and the Committee on Small Business of the House of Representatives, and the Committee on Small Business and Entrepreneurship of the Senate, a report including—

- “(A) a summary of the activities of commercialization assistance pilot programs carried out under this subsection;
- “(B) a detailed compilation of results achieved by such commercialization assistance pilot programs, including the number of eligible entities that received awards under such programs;
- “(C) the rate at which each eligible entity that received a subsequent Phase II SBIR award under this subsection commercialized research of the recipient;
- “(D) the growth in employment and revenue of eligible entities that is attributable to participation in a commercialization assistance pilot program;
- “(E) a comparison of commercialization success of eligible entities participating in a commercialization assistance pilot program with recipients of an additional Phase II SBIR award under subsection (ff);
- “(F) demographic information, such as ethnicity and geographic location, of eligible entities participating in a commercialization assistance pilot program;
- “(G) an accounting of the funds used at each covered agency that implements a commercialization assistance pilot program under this subsection;

“(H) the amount of matching funding provided by eligible third-party investors, set forth separately by source of funding;

“(I) an analysis of the effectiveness of the commercialization assistance pilot program implemented by each covered agency; and

“(J) recommendations for improvements to the commercialization assistance pilot program.

“(10) DEFINITIONS.—For purposes of this subsection:

“(A) COVERED AGENCY.—The term ‘covered agency’ means a Federal agency required to have an SBIR program.

“(B) ELIGIBLE ENTITY.—The term ‘eligible entity’ means a small business concern that has received a Phase II award under an SBIR program and an additional Phase II SBIR award under subsection

(ff) from the covered agency to which such small business concern is applying for a subsequent Phase II SBIR award.

“(C) ELIGIBLE THIRD-PARTY INVESTOR.—The term ‘eligible third-party investor’ means a small business concern other than an eligible entity, a venture capital firm, an individual investor, a non-SBIR Federal, State or local government, or any combination thereof.

“(D) INELIGIBLE SOURCES.—The term ‘ineligible sources’ means the following:

“(i) The eligible entity’s internal research and development funds.

“(ii) Funding in forms other than cash, such as in-kind or other intangible assets.

“(iii) Funding from the owners of the eligible entity, or the family members or affiliates of such owners.

“(iv) Funding attained through loans or other forms of debt obligations.

“(E) SUBSEQUENT PHASE II SBIR AWARD.—The term ‘subsequent Phase II SBIR award’ means an award granted to an eligible entity under this subsection to carry out further commercialization activities for research conducted pursuant to an SBIR program.”.

AMENDMENT TO H.R. 2763 OFFERED BY MRS. MURPHY OF FLORIDA

At the end of the bill, add the following new section:

**SEC. 7. PROCUREMENT CENTER REPRESENTATIVES AND OTHER ACQUISITION PERSONNEL IN THE SBIR AND STTR PROGRAMS.**

(a) DEFINITION OF SENIOR PROCUREMENT EXECUTIVE.—Section 9(e) of the Small Business Act (15 U.S.C. 638(e)) is amended—

(1) in paragraph (12)(B), by striking “and” at the end;

(2) in paragraph (13)(B), by striking the period at the end and inserting “; and”; and

(3) by adding at the end the following new paragraph:

“(13) the term ‘senior procurement executive’ means an official designated under section 1702(c) of title 41, United States Code, as the senior procurement executive of a Federal agency participating in a SBIR or STTR program.”.

(b) INCLUSION OF SENIOR PROCUREMENT EXECUTIVES IN SBIR AND STTR.—

(1) IN GENERAL.—Section 9(b) of the Small Business Act (15 U.S.C. 638(b)) is amended—

(A) in paragraph (8), by striking “and” at the end;

(B) in paragraph (9), by striking the period at the end and inserting “; and”; and

(C) by adding at the end the following new paragraph:

“(10) to coordinate, where appropriate, with the senior procurement executive of the relevant Federal agency to assist small business concerns participating in a SBIR or STTR program with commercializing research developed under such a program before such small business concern is awarded a contract from such Federal agency.”.

(2) TECHNICAL AMENDMENT.—Section 9(b)(3) of the Small Business Act (15 U.S.C. 638(b)(3)) is amended by striking “and” at the end.

(c) MODIFICATIONS RELATING TO PROCUREMENT CENTER REPRESENTATIVES AND OTHER ACQUISITION PERSONNEL.—

(1) SBIR AMENDMENT.—Section 9(j) of the Small Business Act (15 U.S.C. 638(j)) is amended by adding at the end the following new paragraph:

“(4) MODIFICATIONS RELATING TO PROCUREMENT CENTER REPRESENTATIVES.—Upon the enactment of this paragraph, the Administrator shall modify the policy directives issued pursuant to this subsection to require procurement center representatives (as described in section 15

(l) to assist small business concerns participating in the SBIR program with researching solicitations for the award of a Federal contract (particularly with the Federal agency that has a funding agreement with the concern) and to provide technical assistance to such concerns to submit a bid for an award of a Federal contract. The procurement center representatives shall coordinate with the appropriate senior procurement executive and the appropriate Director of the Office of Small and Disadvantaged Business Utilization established pursuant to section 15

(k) for the agency letting the contract.”.

(2) STTR AMENDMENT.—Section 9(p)(2) of the Small Business Act (15 U.S.C. 638(p)(2)) is amended—

(A) in subparagraph (E)(ii), by striking “and” at the end;

(B) in subparagraph (F), by striking the period at the end and inserting “; and”; and

(C) by adding at the end the following new subparagraph:

“(G) procedures to ensure that procurement center representatives (as described in section 15(l))—

“(i) assist small business concerns participating in the STTR program with researching applicable solicitations for the award of a Federal contract (particularly with the Federal agency that has a funding agreement with the concern);

“(ii) provide technical assistance to such concerns to submit a bid for an award of a Federal contract; and

“(iii) coordinate with the appropriate senior procurement executive and the appropriate Director of the Of-

office of Small and Disadvantaged Business Utilization established pursuant to section 15(k) for the Federal agency letting the contract in providing the assistance described in clause (i).”.

(d) AMENDMENT TO DUTIES OF PROCUREMENT CENTER REPRESENTATIVES.—Section 15(l)(2) of the Small Business Act (15 U.S.C. 644(l)(2)) is amended—

- (1) in subparagraph (I), by striking “and” at the end;
- (2) by redesignating subparagraph (J) as subparagraph (L); and
- (3) by inserting after subparagraph (I) the following new subparagraphs:

“(J) assist small business concerns participating in a SBIR or STTR program under section 9 with researching applicable solicitations for the award of a Federal contract to market the research developed by such concern under such SBIR or STTR program;

“(K) provide technical assistance to small business concerns participating in a SBIR or STTR program under section 9 to submit a bid for an award of a Federal contract, including coordination with the appropriate senior procurement executive and the appropriate Director of the Office of Small and Disadvantaged Business Utilization established pursuant to subsection (k) for the agency letting the contract; and”.

(e) AMENDMENT TO THE DUTIES OF THE DIRECTOR OF SMALL AND DISADVANTAGED BUSINESS UTILIZATION FOR FEDERAL AGENCIES.—Section 15(k) of the Small Business Act (15 U.S.C. 644(k)) is amended—

- (1) in paragraph (19), by striking “and” at the end;
- (2) in paragraph (20), by striking the period at the end and inserting a semicolon; and
- (3) by adding at the end the following new paragraphs:

“(21) shall assist small business concerns participating in a SBIR or STTR program under section 9 with researching applicable solicitations for the award of a Federal contract (particularly with the Federal agency that has a funding agreement (as defined under section 9) with the concern) to market the research developed by such concern under such SBIR or STTR program; and

“(22) shall provide technical assistance to small business concerns participating in a SBIR or STTR program under section 9 to submit a bid for an award of a Federal contract, including coordination with procurement center representatives and the appropriate senior procurement executive for the agency letting the contract.”.

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AMENDMENT TO H.R. 2763 OFFERED BY MR. SCHNEIDER OF ILLINOIS  
AND MR. FITZPATRICK OF PENNSYLVANIA

At the end of the bill, add the following new section:

**SEC. 7. IMPROVEMENTS TO TECHNICAL AND BUSINESS ASSISTANCE  
IN THE SBIR AND STTR PROGRAMS.**

Section 9(q) of the Small Business Act (15 U.S.C. 638(q)) is amended—

- (1) in the subsection heading, by inserting “AND BUSINESS” after “TECHNICAL”;
- (2) in paragraph (1)—
  - (A) in the matter preceding subparagraph (A)—
    - (i) by striking “a vendor selected under paragraph (2)” and inserting “1 or more vendors selected under paragraph (2)(A)”;
    - (ii) by inserting “and business” before “assistance services”; and
    - (iii) by inserting “assistance with product sales, intellectual property protections, market research, market validation, and development of regulatory plans and manufacturing plans,” after “technologies,”; and
  - (B) in subparagraph (D), by inserting “, including intellectual property protections” before the period at the end;
- (3) in paragraph (2)—
  - (A) by striking “Each agency may select a vendor to assist small business concerns to meet” and inserting the following:
    - “(A) IN GENERAL.—Each agency may select 1 or more vendors from which small business concerns may obtain assistance in meeting”; and
    - (B) by adding at the end the following:
      - “(B) SELECTION BY SMALL BUSINESS CONCERN.—A small business concern may, by contract or otherwise, select 1 or more vendors to assist the small business concern in meeting the goals listed in paragraph (1).”; and
- (4) in paragraph (3)—
  - (A) by inserting “(A)” after “paragraph (2)” each place it appears;
  - (B) in subparagraph (A), by striking “\$5,000 per year” each place it appears and inserting “\$6,500 per project”;
  - (C) in subparagraph (B)—
    - (i) by striking “\$5,000 per year” each place it appears and inserting “\$35,000 per project”; and
    - (ii) in clause (ii), by striking “which shall be in addition to the amount of the recipient’s award” and inserting “which may, as determined appropriate by the head of the agency, be included as part of the recipient’s award or be in addition to the amount of the recipient’s award”;
  - (D) in subparagraph (C)—
    - (i) by inserting “or business” after “technical”;
    - (ii) by striking “the vendor” and inserting “a vendor”; and
    - (iii) by adding at the end the following: “Business-related services aimed at improving the commercialization success of a small business concern may be obtained from an entity, such as a public or private organization or an agency of or other entity established or funded by a State that facilitates or accelerates the commercialization of technologies or assists in the creation and growth of private enterprises that are commercializing technology.”;
  - (E) in subparagraph (D)—

- (i) by inserting “or business” after “technical” each place it appears; and
- (ii) in clause (i), by striking “the vendor” and inserting “1 or more vendors”; and
- (F) by adding at the end the following:  
“(E) MULTIPLE AWARD RECIPIENTS.—The Administrator shall establish a limit on the amount of technical and business assistance services that may be received or purchased under subparagraph  
(B) by a small business concern that has received multiple Phase II SBIR or STTR awards for a fiscal year.”.

AMENDMENT TO H.R. 2763 OFFERED BY MR. BLUM OF IOWA, FOR  
HIMSELF AND MR. ESPAILLAT OF NEW YORK

**Subsection**

(b) of section 2 is amended to read as follows:

(b) ANNUAL REPORT TO SBA AND THE OFFICE OF SCIENCE AND TECHNOLOGY POLICY.—Section 9(g)(9) of the Small Business Act (15 U.S.C. 638(g)(9)) is amended—

(1) by striking “make an annual report” and inserting “not later than March 30 of each year, submit a report”; and

(2) by striking “and the Office of Science and Technology Policy” and inserting “, the Office of Science and Technology Policy, the Committee on Science, Space, and Technology and the Committee on Small Business of the House of Representatives, and the Committee on Small Business and Entrepreneurship of the Senate”.

At the end of the bill, add the following new section:

**SEC. 7. ADDITIONAL SBIR AND STTR TECHNOLOGY INSERTION REPORTING REQUIREMENT.**

Section 9(y)(6) of the Small Business Act (15 U.S.C. 638(y)(6)) is amended—

- (1) in subparagraph (B), by striking “and” at the end;
- (2) in subparagraph (C)(3), by striking the period at the end and inserting “; and”; and

(3) by adding at the end the following new subparagraph:

“(D) not later than 120 days after the date of the enactment of this subparagraph, and not later than December 31 of each year thereafter, submit to the Committee on Science, Space, and Technology and the Committee on Small Business of the House of Representatives, and to the Committee on Small Business and Entrepreneurship of the Senate, a report describing the goals set under subparagraph (A) and the incentives used or created under subparagraph (B).”.

**VII. SECTION-BY-SECTION OF H.R. 2763, AS AMENDED**

*Section 1. Short title*

This section designates the bill as the “Small Business Innovation Research and Small Business Technology Transfer Improvements Act of 2017.”

*Section 2. Reporting requirements*

This section requires the Small Business Administration (SBA) to file its annual report on the SBIR and STTR programs to Congress by December 31 of each calendar year. The section also requires each of the participating agencies to submit all of the required reports and information to the SBA by March 31 of each year.

*Section. 3. Requirements for insertion incentives*

This section clarifies Congressional intent from the 2011 reauthorization by ensuring the Department of Defense establishes goals and insertion incentives for the transition of Phase III technology in subcontracting plans for any contracts with a value of \$100 million or more.

*Section. 4. SBIR Phase flexibility*

This section extends through FY2022 the pilot program instituted at in the 2011 reauthorization (Public Law No. 112–81, 5106) that allows three agencies (Department of Defense, the National Institutes of Health, and the Department of Education) to award a Phase II contract if the agency finds that the small business concern has already completed work typically done during Phase I. This section also extends this flexibility to all participating agencies.

*Section 5. Establishing the civilian agency Commercialization Readiness Program*

This section makes permanent a pilot program established in the 2011 reauthorization (Public Law No. 112–81, 5123) that authorizes all civilian agencies to create Commercialization Readiness Programs (CRPs) by allocating no more than 10 percent of their program authorization to maximize advanced development of small business technologies which are facing high manufacturing or regulatory costs.

*Section 6. Extension of the deadline for assistance for administrative, oversight, and contract processing costs*

This section extends through FY2022 the pilot program established in the 2011 reauthorization (Public Law No. 112–815141) authorizing agencies to utilize up to three percent of the allocations under the SBIR program for various administrative functions associated with operation of the SBIR and STTR programs.

*Section 7. Increased underserved population participation waiver removed*

This section requires participating agencies to use part of their SBIR allocation to conduct outreach to underrepresented states and populations by removing the waiver of this requirement from the statute.

*Section 8. Annual meeting*

This section requires an annual summit of participating agencies so they will be able to discuss best practices to improve their ability to collect data and streamline processes of the SBIR and STTR programs.

*Section 9. Compliance of Phase III awards with competitive procedures*

This section ensures that Phase III awards are deemed to be in compliance with competitive procedures as they are given as follow-on awards.

*Section 10. Commercialization Assistance Pilot Programs*

This section requires the heads of all participating agencies to implement a Commercialization Assistance Pilot Program, if not currently operating such a similar program, within one year of passage of the bill.

*Section 11. Procurement center representatives and other acquisition personnel in the SBIR and STTR programs*

The section seeks to assist small business concerns in commercializing their technology when obtaining government contracts by directly incorporating acquisition personnel into the SBIR and STTR programs, where appropriate.

*Section 12. Improvements to technical and business assistance in the SBIR and STTR programs*

This section allows for increased flexibility for use of funding within Phase I and II of the SBIR and STTR programs. The amendment expands the list of allowable expenses to include product sales, intellectual property protections, market research, market validation and development of regulatory plans and manufacturing plans. It also increases the funding the SBIR and STTR Phase I and II awardees may use for startup-related commercialization activities.

*Section 13. Additional SBIR and STTR technology insertion reporting requirement*

This section, within 120 days after enactment, that the Department of Defense report to Congress any goals and inclusion incentives they devise to boost SBIR and STTR-developed technologies into larger programs of record.

VIII. CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

The Congressional Budget Office submitted a cost estimate for H.R. 2763 that stated enacting the legislation would not increase net direct spending or on-budget deficits in any of the four consecutive periods beginning in 2028.

U.S. CONGRESS,  
CONGRESSIONAL BUDGET OFFICE,  
*Washington, DC, September 7, 2017.*

Hon. STEVE CHABOT,  
*Chairman, Committee on Small Business,  
House of Representatives, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 2763, the Small Business Innovation Research and Small Business Technology Transfer Improvements Act of 2017.

If you wish further details on this estimate, we will be pleased to provide them. The CB staff contact is Stephen Rabent.

Sincerely,

KEITH HALL.

Enclosure.

*H.R. 2763—Small Business Innovation Research and Small Business Technology Transfer Improvements Act of 2017*

H.R. 2763 would make several changes to the operations of the Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs. Based on an analysis of information from the Small Business Administration (SBA) and participating agencies, CBO estimates that implementing the bill would cost \$24 million over the 2018–2022 period; such spending would be subject to the availability of appropriated funds.

Under current law, the SBIR program requires federal agencies with extramural budgets for research and development (R&D) that exceed \$100 million per year to set aside 3.2 percent of that budget for contracts with small businesses. (Extramural budgets consist of expenditures for activities not performed by agency employees.) Likewise, the STTR program requires federal agencies with extramural budgets for R&D that exceed \$1 billion per year to set aside 0.45 percent of that budget for cooperative research between small businesses and a federal laboratory or nonprofit research institution. Eleven agencies currently participate in at least one of those programs. Under current law, a pilot program authorizes participating agencies to use up to 3 percent of the R&D amounts set aside for the SBIR program to cover the costs of certain authorized activities in administering the SBIR and STTR programs rather than paying those costs from general operating funds. That authorization will expire at the end of fiscal year 2017.

H.R. 2763 would extend that pilot program through fiscal year 2022. Because the pilot program would not affect the underlying costs of administering the SBIR or STTR programs, CBO estimates that extending the pilot program would have no budgetary effect.

H.R. 2763 also would require participating agencies to create a new pilot program to allocate up to 5 percent of their SBIR funding for awards to move technologies toward commercialization if the SBA determines that agencies do not already operate a similar program. The Government Accountability Office (GAO) would be required to develop a report on the results of the program after three years and recommendations for improvements. Based on an analysis of information from the SBA and several participating agencies, CBO estimates that implementing the provisions would cost \$5 million over the 2018–2022 period for agencies to develop a new pilot program or to adapt current programs to comply with requirements of the bill; such spending would be subject to the availability of appropriated funds. Based on the costs of similar reports, CBO estimates that any increased costs to GAO to create the report would be insignificant.

Finally, H.R. 2763 would expand the duties of procurement center representatives at the SBA and Offices of Small and Disadvantaged Business Utilization (OSDBU) at participating agencies to include providing technical assistance to small businesses participating in SBIR and STTR programs. Based on an analysis of infor-

mation from the SBA and participating agencies, CBO estimates that implementing those changes would cost \$19 million over the 2018–2022 period for participating agencies to each hire three additional employees to assist small businesses in the SBIR and STTR programs and to coordinate with the SBA; such spending also would be subject to appropriation of the necessary amounts.

Pay-as-you-go procedures do not apply to this legislation because it would not affect direct spending or revenues.

CBO estimates that enacting H.R. 2763 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2028.

H.R. 2763 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would not affect the budgets of state, local, or tribal governments

On August 17, 2017, CBO transmitted a cost estimate for H.R. 2763, the Small Business Innovation Research and Small Business Technology Transfer Improvements Act of 2017, as ordered reported by the House Committee on Science, Space and Technology on June 22, 2017. That version of the bill did not include provisions that directed agencies participating in the SBIR program to develop a new pilot program, expanded the duties of employees at the SBA and at Offices of Small and Disadvantaged Business Utilization, and required agencies and the SBA to meet annually and for the SBA to develop an annual report. That version of the bill also contained a provision that required agencies participating in the STTR program to develop a new grant program which is not in this version. CBO's cost estimates for the two versions of the bill reflect those differences.

The CBO staff contact for this estimate is Stephen Rabent. The estimate was approved by Theresa Gullo, Assistant Director for Budget Analysis.

#### IX. UNFUNDED MANDATES

H.R. 2763 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act, Public Law No. 104–4, and would impose no costs on state, local, or tribal governments.

#### X. NEW BUDGET AUTHORITY, ENTITLEMENT AUTHORITY, AND TAX EXPENDITURES

In compliance with clause 3(c)(2) of rule XIII of the Rules of the House, the Committee provides the following opinion and estimate with respect to new budget authority, entitlement authority, and tax expenditures. While the Committee has not received an estimate of new budget authority contained in the cost estimate prepared by the Director of the Congressional Budget Office pursuant to 402 of the Congressional Budget Act of 1974, the Committee does not believe that there will be any additional costs attributable to this legislation. H.R. 2763 does not direct new spending, but instead reallocates funding independently authorized and appropriated.

#### XI. OVERSIGHT FINDINGS

In accordance with clause 2(b)(1) of Rule X of the Rules of the House, the oversight findings and recommendations of the Committee on Small Business with respect to the subject matter contained in H.R. 2763 are incorporated into the descriptive portions of this report.

#### XII. STATEMENT OF CONSTITUTIONAL AUTHORITY

Pursuant to clause 3(d)(1) of Rule XIII of the Rules of the House, the Committee finds that the authority for this legislation in Art. I, 8, cl. 2; Art. I, 8, cl. 7; and, Art. I, 8 cl. 12.

#### XIII. CONGRESSIONAL ACCOUNTABILITY ACT

H.R. 2763 does not relate to the terms and conditions of employment or access to public services or accommodations within the meaning of 102(b)(3) of Public Law No. 104-1.

#### XIV. FEDERAL ADVISORY COMMITTEE ACT STATEMENT

H.R. 2763 does not establish or authorize the establishment of any new advisory committees as that term is defined in the Federal Advisory Committee Act, 5 U.S.C. App. 2.

#### XV. STATEMENT OF NO EARMARKS

Pursuant to clause 9 of rule XXI, H.R. 2763 does not contain any congressional earmarks, limited tax benefits, or limited tariff benefits as defined in subsections (d), e, or (f) of clause 9 of rule XXI of the Rules of the House.

#### XVI. STATEMENT OF DUPLICATION OF FEDERAL PROGRAMS

Pursuant to clause 3(c) of the Rule XIII of the Rules of the House, no provision of H.R. 2763 establishes or reauthorizes a program of the federal government known to be duplicative of another federal program, a program that was included in any report from the United States Government Accountability Office pursuant to 21 of Pub. L. No. 111-139, or a program related to a program identified in the most recent catalog of federal domestic assistance.

#### XVII. DISCLOSURE OF DIRECTED RULE MAKINGS

Pursuant to clause 3(c) of Rule XIII of the Rules of the House, H.R. 2763 does not direct any rulemaking.

#### XVIII. PERFORMANCE GOALS AND OBJECTIVES

Pursuant to clause 3(c)(4) of rule XIII of the Rules of the House, the Committee establishes the following performance-related goals and objectives for this legislation:

H.R. 2763 includes a number of provisions designed to improve the opportunities for small business concerns to compete for federal research and development contracts and grants pursuant to the Small Business Act and to improve agency compliance with the Small Business Act.

## XIX. CHANGES IN EXISTING LAW

## CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause e of rule XIII of the Rules of the House, changes in existing law made by the bill, as reported, as shown as follows existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, and existing law in which no change is proposed is shown in roman:

## CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, and existing law in which no change is proposed is shown in roman):

**SMALL BUSINESS ACT**

\* \* \* \* \*

SEC. 9. (a) Research and development are major factors in the growth and progress of industry and the national economy. The expense of carrying on research and development programs is beyond the means of many small-business concerns, and such concerns are handicapped in obtaining the benefits of research and development programs conducted at Government expense. These small-business concerns are thereby placed at a competitive disadvantage. This weakens the competitive free enterprise system and prevents the orderly development of the national economy. It is the policy of the Congress that assistance be given to small-business concerns to enable them to undertake and to obtain the benefits of research and development in order to maintain and strengthen the competitive free enterprise system and the national economy.

(b) It shall be the duty of the Administration, and it is hereby empowered—

(1) to assist small-business concerns to obtain Government contracts for research and development;

(2) to assist small-business concerns to obtain the benefits of research and development performed under Government contracts or at Government expense;

(3) to provide technical assistance to small-business concerns to accomplish the purposes of this section; **[and]**

(4) to develop and maintain a source file and an information program to assure each qualified and interested small business concern the opportunity to participate in Federal agency small business innovation research programs and small business technology transfer programs;

(5) to coordinate with participating agencies a schedule for release of SBIR and STTR solicitations, and to prepare a master release schedule so as to maximize small business' opportunities to respond to solicitations;

(6) to independently survey and monitor the operation of SBIR and STTR programs within participating Federal agencies;

(7) **to report not less than annually** *to submit a report not later than December 31 of each year* to the Committee on Small Business of the Senate, and to the Committee on Science and the Committee on Small Business of the House of Representatives, on the SBIR and STTR programs of the Federal agencies and the Administration's information and monitoring efforts related to the SBIR and STTR programs, including—

(A) the data on output and outcomes collected pursuant to subsections (g)(8) and (o)(9);

(B) the number of proposals received from, and the number and total amount of awards to, HUBZone small business concerns and firms with venture capital, hedge fund, or private equity firm investment (including those majority-owned by multiple venture capital operating companies, hedge funds, or private equity firms) under each of the SBIR and STTR programs;

(C) a description of the extent to which each Federal agency is increasing outreach and awards to firms owned and controlled by women or by socially or economically disadvantaged individuals under each of the SBIR and STTR programs;

(D) general information about the implementation of, and compliance with the allocation of funds required under, subsection (dd) for firms owned in majority part by venture capital operating companies, hedge funds, or private equity firms and participating in the SBIR program;

(E) a detailed description of appeals of Phase III awards and notices of noncompliance with the SBIR Policy Directive and the STTR Policy Directive filed by the Administrator with Federal agencies;

(F) an accounting of funds, initiatives, and outcomes under the Commercialization Readiness Program; and

(G) a description of the extent to which Federal agencies are providing in a timely manner information needed to maintain the database described in subsection (k);

(8) to provide for and fully implement the tenets of Executive Order No. 13329 (Encouraging Innovation in Manufacturing); **[and]**

(9) to coordinate the implementation of electronic databases at each of the Federal agencies participating in the SBIR program or the STTR program, including the technical ability of the participating agencies to electronically share data~~;~~ **and**

*(10) to coordinate, where appropriate, with the senior procurement executive of the relevant Federal agency to assist small business concerns participating in a SBIR or STTR program with commercializing research developed under such a program before such small business concern is awarded a contract from such Federal agency.*

(c) The Administration is authorized to consult and cooperate with all Government agencies and to make studies and recommendations to such agencies, and such agencies are authorized and directed to cooperate with the Administration in order to carry out and to accomplish the purposes of this section.

(d)(1) The Administrator is authorized to consult with representatives of small-business concerns with a view to assisting and en-

couraging such firms to undertake joint programs for research and development carried out through such corporate or other mechanism as may be most appropriate for the purpose. Such joint programs may, among other things, include the following purposes:

(A) to construct, acquire, or establish laboratories and other facilities for the conduct of research;

(B) to undertake and utilize applied research;

(C) to collect research information related to a particular industry and disseminate it to participating members;

(D) to conduct applied research on a protected, proprietary, and contractual basis with member or nonmember firms, Government agencies, and others;

(E) to prosecute applications for patents and render patent services for participating members; and

(F) to negotiate and grant licenses under patents held under the joint program, and to establish corporations designed to exploit particular patents obtained by it.

(2) The Administrator may, after consultation with the Attorney General and the Chairman of the Federal Trade Commission, and with the prior written approval of the Attorney General, approve any agreement between small-business firms providing for a joint program of research and development, if the Administrator finds that the joint program proposed will maintain and strengthen the free enterprise system and the economy of the Nation. The Administrator or the Attorney General may at any time withdraw his approval of the agreement and the joint program of research and development covered thereby, if he finds that the agreement or the joint program carried on under it is no longer in the best interests of the competitive free enterprise system and the economy of the Nation. A copy of the statement of any such finding and approval intended to be within the coverage of this subsection, and a copy of any modification or withdrawal of approval, shall be published in the Federal Register. The authority conferred by this subsection on the Administrator shall not be delegated by him.

(3) No act or omission to act pursuant to and within the scope of any joint program for research and development, under an agreement approved by the Administrator under this subsection, shall be construed to be within the prohibitions of the antitrust laws or the Federal Trade Commission Act. Upon publication in the Federal Register of the notice of withdrawal of his approval of the agreement granted under this subsection, either by the Administrator or by the Attorney General, the provisions of this subsection shall not apply to any subsequent act or omission to act by reason of such agreement or approval.

(e) For the purpose of this section—

(1) the term “extramural budget” means the sum of the total obligations minus amounts obligated for such activities by employees of the agency in or through Government-owned, Government-operated facilities, except that for the Agency for International Development it shall not include amounts obligated solely for general institutional support of international research centers or for grants to foreign countries, and except that for the Department of Energy it shall not include amounts obligated for atomic energy defense programs for weapons and weapons-related activities or for naval reactor programs;

(2) the term “Federal agency” means an executive agency as defined in section 105 of title 5, United States Code, or a military department as defined in section 102 of such title, except that it does not include any agency within the Intelligence Community (as the term is defined in section 3.4(f) of Executive Order 12333 or its successor orders);

(3) the term “funding agreement” means any contract, grant, or cooperative agreement entered into between any Federal agency and any small business for the performance of experimental, developmental, or research work funded in whole or in part by the Federal Government;

(4) the term “Small Business Innovation Research Program” or “SBIR” means a program under which a portion of a Federal agency’s research or research and development effort is reserved for award to small business concerns through a uniform process having—

(A) a first phase for determining, insofar as possible, the scientific and technical merit and feasibility of ideas that appear to have commercial potential, as described in subparagraph (B), submitted pursuant to SBIR program solicitations;

(B) a second phase, which shall not include any invitation, pre-screening, or pre-selection process for eligibility for Phase II, that will further develop proposals which meet particular program needs, in which awards shall be made based on the scientific and technical merit and feasibility of the proposals, as evidenced by the first phase, considering, among other things, the proposal’s commercial potential, as evidenced by—

(i) the small business concern’s record of successfully commercializing SBIR or other research;

(ii) the existence of second phase funding commitments from private sector or non-SBIR funding sources;

(iii) the existence of third phase, follow-on commitments for the subject of the research; and

(iv) the presence of other indicators of the commercial potential of the idea; and

(C) where appropriate, a third phase for work that derives from, extends, or completes efforts made under prior funding agreements under the SBIR program—

(i) in which commercial applications of SBIR-funded research or research and development are funded by non-Federal sources of capital or, for products or services intended for use by the Federal Government, by follow-on non-SBIR Federal funding awards; or

(ii) for which awards from non-SBIR Federal funding sources are used for the continuation of research or research and development that has been competitively selected using peer review or merit-based selection procedures;

(5) the term “research” or “research and development” means any activity which is (A) a systematic, intensive study directed toward greater knowledge or understanding of the subject studied; (B) a systematic study directed specifically toward ap-

plying new knowledge to meet a recognized need; or (C) a systematic application of knowledge toward the production of useful materials, devices, and systems or methods, including design, development, and improvement of prototypes and new processes to meet specific requirements;

(6) the term “Small Business Technology Transfer Program” or “STTR” means a program under which a portion of a Federal agency’s extramural research or research and development effort is reserved for award to small business concerns for cooperative research and development through a uniform process having—

(A) a first phase, to determine, to the extent possible, the scientific, technical, and commercial merit and feasibility of ideas submitted pursuant to STTR program solicitations;

(B) a second phase, which shall not include any invitation, pre-screening, or pre-selection process for eligibility for Phase II, that will further develop proposals that meet particular program needs, in which awards shall be made based on the scientific, technical, and commercial merit and feasibility of the idea, as evidenced by the first phase and by other relevant information; and

(C) where appropriate, a third phase for work that derives from, extends, or completes efforts made under prior funding agreements under the STTR program—

(i) in which commercial applications of STTR-funded research or research and development are funded by non-Federal sources of capital or, for products or services intended for use by the Federal Government, by follow-on non-STTR Federal funding awards; and

(ii) for which awards from non-STTR Federal funding sources are used for the continuation of research or research and development that has been competitively selected using peer review or scientific review criteria;

(7) the term “cooperative research and development” means research or research and development conducted jointly by a small business concern and a research institution in which not less than 40 percent of the work is performed by the small business concern, and not less than 30 percent of the work is performed by the research institution;

(8) the term “research institution” means a nonprofit institution, as defined in section 4(5) of the Stevenson-Wydler Technology Innovation Act of 1980, and includes federally funded research and development centers, as identified by the National Scientific Foundation in accordance with the governmentwide Federal Acquisition Regulation issued in accordance with section 35(c)(1) of the Office of Federal Procurement Policy Act (or any successor regulation thereto);

(9) the term “commercial applications” shall not be construed to exclude testing and evaluation of products, services, or technologies for use in technical or weapons systems, and further, awards for testing and evaluation of products, services, or technologies for use in technical or weapons systems may be made in either Phase II or Phase III of the Small Business Innova-

tion Research Program and of the Small Business Technology Transfer Program, as defined in this subsection;

(10) the term “commercialization” means—

(A) the process of developing products, processes, technologies, or services; and

(B) the production and delivery (whether by the originating party or by others) of products, processes, technologies, or services for sale to or use by the Federal Government or commercial markets;

(11) the term “Phase I” means—

(A) with respect to the SBIR program, the first phase described in paragraph (4)(A); and

(B) with respect to the STTR program, the first phase described in paragraph (6)(A);

(12) the term “Phase II” means—

(A) with respect to the SBIR program, the second phase described in paragraph (4)(B); and

(B) with respect to the STTR program, the second phase described in paragraph (6)(B); **[and]**

(13) the term “Phase III” means—

(A) with respect to the SBIR program, the third phase described in paragraph (4)(C); and

(B) with respect to the STTR program, the third phase described in paragraph (6)(C).**[.]**; and

(14) the term “senior procurement executive” means an official designated under section 1702(c) of title 41, United States Code, as the senior procurement executive of a Federal agency participating in a SBIR or STTR program.

(f) FEDERAL AGENCY EXPENDITURES FOR THE SBIR PROGRAM.—

(1) REQUIRED EXPENDITURE AMOUNTS.—Except as provided in paragraph (2)(B), each Federal agency which has an extramural budget for research or research and development in excess of \$100,000,000 for fiscal year 1992, or any fiscal year thereafter, shall expend with small business concerns—

(A) not less than 1.5 percent of such budget in each of fiscal years 1993 and 1994;

(B) not less than 2.0 percent of such budget in each of fiscal years 1995 and 1996;

(C) not less than 2.5 percent of such budget in each of fiscal years 1997 through 2011;

(D) not less than 2.6 percent of such budget in fiscal year 2012;

(E) not less than 2.7 percent of such budget in fiscal year 2013;

(F) not less than 2.8 percent of such budget in fiscal year 2014;

(G) not less than 2.9 percent of such budget in fiscal year 2015;

(H) not less than 3.0 percent of such budget in fiscal year 2016; and

(I) not less than 3.2 percent of such budget in fiscal year 2017 and each fiscal year thereafter, specifically in connection with SBIR programs which meet the requirements of this section, policy directives, and regulations issued under this section.

(2) LIMITATIONS.—A Federal agency shall not—

(A) use any of its SBIR budget established pursuant to paragraph (1) for the purpose of funding administrative costs of the program, including costs associated with salaries and expenses; or

(B) make available for the purpose of meeting the requirements of paragraph (1) an amount of its extramural budget for basic research which exceeds the percentages specified in paragraph (1).

(3) EXCLUSION OF CERTAIN FUNDING AGREEMENTS.—Funding agreements with small business concerns for research or research and development which result from competitive or single source selections other than an SBIR program shall not be considered to meet any portion of the percentage requirements of paragraph (1).

(4) RULE OF CONSTRUCTION.—Nothing in this subsection may be construed to prohibit a Federal agency from expending with small business concerns an amount of the extramural budget for research or research and development of the agency that exceeds the amount required under paragraph (1).

(g) Each Federal agency required by subsection (f) to establish a small business innovation research program shall, in accordance with this Act and regulations issued hereunder—

(1) unilaterally determine categories of projects to be in its SBIR program;

(2) issue small business innovation research solicitations in accordance with a schedule determined cooperatively with the Small Business Administration;

(3) unilaterally determine research topics within the agency's SBIR solicitations, giving special consideration to broad research topics and to topics that further 1 or more critical technologies, as identified by—

(A) the National Critical Technologies Panel (or its successor) in the 1991 report required under section 603 of the National Science and Technology Policy, Organization, and Priorities Act of 1976, and in subsequent reports issued under that authority; or

(B) the Secretary of Defense, in the 1992 report issued in accordance with section 2522 of title 10, United States Code, and in subsequent reports issued under that authority;

(4)(A) unilaterally receive and evaluate proposals resulting from SBIR proposals; and

(B) make a final decision on each proposal submitted under the SBIR program—

(i) not later than 1 year after the date on which the applicable solicitation closes, if with respect to the National Institutes of Health or the National Science Foundation, or 90 days after the date on which the applicable solicitation closes, if with respect to any other participating agency; or

(ii) if the Administrator authorizes an extension with respect to a solicitation, not later than 90 days after the date that would otherwise be applicable to the agency under clause (i);

(5) subject to subsection (l), unilaterally select awardees for the SBIR funding agreements and inform each awardee under such an agreement, to the extent possible, of the expenses of the awardee that will be allowable under the funding agreement;

(6) administer its own SBIR funding agreements (or delegate such administration to another agency);

(7) make payments to recipients of SBIR funding agreements on the basis of progress toward or completion of the funding agreement requirements and, in all cases, make payment to recipients under such agreements in full, subject to audit, on or before the last day of the 12-month period beginning on the date of completion of such requirements;

(8) collect annually, and maintain in a common format in accordance with the simplified reporting requirements under subsection (v), such information from awardees as is necessary to assess the SBIR program, including information necessary to maintain the database described in subsection (k), including—

(A) whether an awardee—

(i) has venture capital, hedge fund, or private equity firm investment or is majority-owned by multiple venture capital operating companies, hedge funds, or private equity firms and, if so—

(I) the amount of venture capital, hedge fund, or private equity firm investment that the awardee has received as of the date of the award; and

(II) the amount of additional capital that the awardee has invested in the SBIR technology;

(ii) has an investor that—

(I) is an individual who is not a citizen of the United States or a lawful permanent resident of the United States and, if so, the name of any such individual; or

(II) is a person that is not an individual and is not organized under the laws of a State or the United States and, if so, the name of any such person;

(iii) is owned by a woman or has a woman as a principal investigator;

(iv) is owned by a socially or economically disadvantaged individual or has a socially or economically disadvantaged individual as a principal investigator;

(v) is a faculty member or a student of an institution of higher education, as that term is defined in section 101 of the Higher Education Act of 1965 (20 U.S.C. 1001); or

(vi) is located in a State described in subsection (u)(3);

(B) a justification statement from the agency, if an awardee receives an award in an amount that is more than the award guidelines under this section; and

(C) data with respect to the Federal and State Technology Partnership Program (FAST Program);

(9) **[make an annual report]** *not later than March 30 of each year, submit a report on the SBIR program to the Small Business Administration [and the Office of Science and Technology Policy], the Office of Science and Technology Policy, the Committee on Science, Space, and Technology and the Committee on Small Business of the House of Representatives, and the Committee on Small Business and Entrepreneurship of the Senate;*

(10) include, as part of its annual performance plan as required by subsections (a) and (b) of section 1115 of title 31, United States Code, a section on its SBIR program, and shall submit such section to the Committee on Small Business of the Senate, and the Committee on Science and the Committee on Small Business of the House of Representatives;

(11) provide for and fully implement the tenets of Executive Order No. 13329 (Encouraging Innovation in Manufacturing); and

(12) provide timely notice to the Administrator of any case or controversy before any Federal judicial or administrative tribunal concerning the SBIR program of the Federal agency.

(h) In addition to the requirements of subsection (f), each Federal agency which has a budget for research or research and development in excess of \$20,000,000 for any fiscal year beginning with fiscal year 1983 or subsequent fiscal year shall establish goals specifically for funding agreements for research or research and development to small business concerns, and no goal established under this subsection shall be less than the percentage of the agency's research or research and development budget expended under funding agreements with small business concerns in the immediately preceding fiscal year.

(i) ANNUAL REPORTING.—

(1) IN GENERAL.—Each Federal agency required by this section to have an SBIR program or to establish goals shall report annually to the Small Business Administration the number of awards (including awards under subsection (y)) pursuant to grants, contracts, or cooperative agreements over \$10,000 in amount and the dollar value of all such awards, identifying SBIR awards and comparing the number and amount of such awards with awards to other than small business concerns.

(2) CALCULATION OF EXTRAMURAL BUDGET.—

(A) METHODOLOGY.—Not later than 4 months after the date of the enactment of each appropriations Act for a Federal agency required by this section to have an SBIR program, the Federal agency shall submit to the Administrator a report, which shall include a description of the methodology used for calculating the amount of the extramural budget of that Federal agency.

(B) ADMINISTRATOR'S ANALYSIS.—The Administrator shall include an analysis of the methodology received from each Federal agency referred to in subparagraph (A) in the report required by subsection (b)(7).

(j)(1) POLICY DIRECTIVES.—The Small Business Administration, after consultation with the Administrator of the Office of Federal Procurement Policy, the Director of the Office of Science and Technology Policy, and the Intergovernmental Affairs Division of the Office of Management and Budget, shall, within one hundred and

twenty days of the enactment of the Small Business Innovation Development Act of 1982, issue policy directives for the general conduct of the SBIR programs within the Federal Government, including providing for—

(A) simplified, standardized, and timely SBIR solicitations;

(B) a simplified, standardized funding process which provides for (i) the timely receipt and review of proposals; (ii) outside peer review for at least Phase II proposals, if appropriate; (iii) protection of proprietary information provided in proposals; (iv) selection of awardees; (v) retention of rights in data generated in the performance of the contract by the small business concern; (vi) transfer of title to property provided by the agency to the small business concern if such a transfer would be more cost effective than recovery of the property by the agency; (vii) cost sharing; and (viii) cost principles and payment schedules;

(C) exemptions from the regulations under paragraph (2) if national security or intelligence functions clearly would be jeopardized;

(D) minimizing regulatory burden associated with participation in the SBIR program for the small business concern which will stimulate the cost-effective conduct of Federal research and development and the likelihood of commercialization of the results of research and development conducted under the SBIR program;

(E) simplified, standardized, and timely annual report on the SBIR program to the Small Business Administration and the Office of Science and Technology Policy;

(F) standardized and orderly withdrawal from program participation by an agency having a SBIR program; at the discretion of the Administration, such directives may require a phased withdrawal over a period of time sufficient in duration to minimize any adverse impact on small business concerns; and

(G) the voluntary participation in a SBIR program by a Federal agency not required to establish such a program pursuant to subsection (f).

(2) MODIFICATIONS.—Not later than 90 days after the date of enactment of the Small Business Research and Development Enhancement Act of 1992, the Administrator shall modify the policy directives issued pursuant to this subsection to provide for—

(A) retention by a small business concern of the rights to data generated by the concern in the performance of an SBIR award for a period of not less than 4 years;

(B) continued use by a small business concern participating in Phase III of the SBIR program, as a directed bailment, of any property transferred by a Federal agency to the small business concern in Phase II of an SBIR program for a period of not less than 2 years, beginning on the initial date of the concern's participation in Phase III of such program;

(C) procedures to ensure, to the extent practicable, that an agency which intends to pursue research, development, or production of a technology developed by a small business concern under an SBIR program enters into follow-on,

non-SBIR funding agreements with the small business concern for such research, development, or production;

(D) an increase to \$150,000 in the amount of funds which an agency may award in Phase I of an SBIR program, and to \$1,000,000 in Phase II of an SBIR program, and an adjustment of such amounts every year for inflation;

(E) a process for notifying the participating SBIR agencies and potential SBIR participants of the 1991, 1992, and the current critical technologies, as identified—

(i) by the National Critical Technologies Panel (or its successor), in accordance with section 603 of the National Science and Technology Policy, Organization, and Priorities Act of 1976; or

(ii) by the Secretary of Defense, in accordance with section 2522 of title 10, United States Code;

(F) enhanced outreach efforts to increase the participation of socially and economically disadvantaged small business concerns, as defined in section 8(a)(4), and the participation of small businesses that are 51 percent owned and controlled by women in technological innovation and in SBIR programs, including Phase III of such programs, and the collection of data to document such participation;

(G) technical and programmatic guidance to encourage agencies to develop gap-funding programs to address the delay between an award for Phase I of an SBIR program and the application for and extension of an award for Phase II of such program;

(H) procedures to ensure that a small business concern that submits a proposal for a funding agreement for Phase I of an SBIR program and that has received more than 15 Phase II SBIR awards during the preceding 5 fiscal years is able to demonstrate the extent to which it was able to secure Phase III funding to develop concepts resulting from previous Phase II SBIR awards; and

(I) procedures to ensure that agencies participating in the SBIR program retain the information submitted under subparagraph (H) at least until the General Accounting Office submits the report required under section 105 of the Small Business Research and Development Enhancement Act of 1992.

(3) ADDITIONAL MODIFICATIONS.—Not later than 120 days after the date of the enactment of the Small Business Innovation Research Program Reauthorization Act of 2000, the Administrator shall modify the policy directives issued pursuant to this subsection—

(A) to clarify that the rights provided for under paragraph (2)(A) apply to all Federal funding awards under this section, including Phase I, Phase II, and Phase III;

(B) to provide for the requirement of a succinct commercialization plan with each application for a Phase II award that is moving toward commercialization;

(C) to require agencies to report to the Administration, not less frequently than annually, all instances in which an agency pursued research, development, or production of

a technology developed by a small business concern using an award made under the SBIR program of that agency, and determined that it was not practicable to enter into a follow-on non-SBIR program funding agreement with the small business concern, which report shall include, at a minimum—

(i) the reasons why the follow-on funding agreement with the small business concern was not practicable;

(ii) the identity of the entity with which the agency contracted to perform the research, development, or production; and

(iii) a description of the type of funding agreement under which the research, development, or production was obtained; and

(D) to implement subsection (v), including establishing standardized procedures for the provision of information pursuant to subsection (k)(3).

*(4) MODIFICATIONS RELATING TO PROCUREMENT CENTER REPRESENTATIVES.—Upon the enactment of this paragraph, the Administrator shall modify the policy directives issued pursuant to this subsection to require procurement center representatives (as described in section 15(l)) to assist small business concerns participating in the SBIR program, particularly in Phase III. The procurement center representatives shall coordinate with the appropriate contracting officer and the appropriate Director of the Office of Small and Disadvantaged Business Utilization established pursuant to section 15(k) for the agency letting the contract.*

(k) DATABASE.—

(1) PUBLIC DATABASE.—Not later than 180 days after the date of the enactment of the Small Business Innovation Research Program Reauthorization Act of 2000, the Administrator shall develop, maintain, and make available to the public a searchable, up-to-date, electronic database that includes—

(A) the name, size, location, and an identifying number assigned by the Administrator, of each small business concern that has received a Phase I or Phase II SBIR or STTR award from a Federal agency;

(B) a description of each Phase I or Phase II SBIR or STTR award received by that small business concern, including—

(i) an abstract of the project funded by the award, excluding any proprietary information so identified by the small business concern;

(ii) the Federal agency making the award; and

(iii) the date and amount of the award;

(C) an identification of any business concern or subsidiary established for the commercial application of a product or service for which an SBIR or STTR award is made;

(D) information regarding mentors and Mentoring Networks, as required by section 35(d);

(E) with respect to assistance under the STTR program only—

(i) whether the small business concern or the research institution initiated their collaboration on each assisted STTR project;

(ii) whether the small business concern or the research institution originated any technology relating to the assisted STTR project;

(iii) the length of time it took to negotiate any licensing agreement between the small business concern and the research institution under each assisted STTR project; and

(iv) how the proceeds from commercialization, marketing, or sale of technology resulting from each assisted STTR project were allocated (by percentage) between the small business concern and the research institution; and

(F) for each small business concern that has received a Phase I or Phase II SBIR or STTR award from a Federal agency, whether the small business concern—

(i) has venture capital, hedge fund, or private equity firm investment and, if so, whether the small business concern is registered as majority-owned by multiple venture capital operating companies, hedge funds, or private equity firms as required under subsection (dd)(3);

(ii) is owned by a woman or has a woman as a principal investigator;

(iii) is owned by a socially or economically disadvantaged individual or has a socially or economically disadvantaged individual as a principal investigator;

(iv) is owned by a faculty member or a student of an institution of higher education, as that term is defined in section 101 of the Higher Education Act of 1965 (20 U.S.C. 1001); or

(v) received assistance under the Federal and State Technology Partnership Program (FAST Program).

(2) GOVERNMENT DATABASE.—Not later than 90 days after the date of enactment of the SBIR/STTR Reauthorization Act of 2011, the Administrator, in consultation with Federal agencies required to have an SBIR program pursuant to subsection (f)(1) or an STTR program pursuant to subsection (n)(1), shall develop and maintain a database to be used exclusively for SBIR and STTR program evaluation that—

(A) contains for each small business concern that applies for, submits a proposal for, or receives an award under Phase I or Phase II of the SBIR program or the STTR program—

(i) the name, size, and location of, and the identifying number assigned by the Administration to, the small business concern;

(ii) an abstract of the applicable project;

(iii) the specific aims of the project;

(iv) the number of employees of the small business concern;

(v) the names and titles of the key individuals that will carry out the project, the position each key indi-

vidual holds in the small business concern, and contact information for each key individual;

(vi) the percentage of effort each individual described in clause (v) will contribute to the project;

(vii) whether the small business concern is majority-owned by multiple venture capital operating companies, hedge funds, or private equity firms; and

(viii) the Federal agency to which the application is made and contact information for the person or office within the Federal agency that is responsible for reviewing applications and making awards under the SBIR program or the STTR program;

(B) contains for each Phase II award made by a Federal agency—

(i) information collected in accordance with paragraph (3) on revenue from the sale of new products or services resulting from the research conducted under the award;

(ii) information collected in accordance with paragraph (3) on additional investment from any source, other than Phase I or Phase II SBIR or STTR awards, to further the research and development conducted under the award; and

(iii) any other information received in connection with the award that the Administrator, in conjunction with the SBIR and STTR program managers of Federal agencies, considers relevant and appropriate;

(C) includes any narrative information that a small business concern receiving a Phase II award voluntarily submits to further describe the outputs and outcomes of its awards;

(D) includes, for each awardee—

(i) the name, size, and location of, and any identifying number assigned by the Administrator to, the awardee;

(ii) whether the awardee has venture capital, hedge fund, or private equity firm investment and, if so—

(I) the amount of venture capital, hedge fund, or private equity firm investment as of the date of the award;

(II) the percentage of ownership of the awardee held by a venture capital operating company, hedge fund, or private equity firm, including whether the awardee is majority-owned by multiple venture capital operating companies, hedge funds, or private equity firms; and

(III) the amount of additional capital that the awardee has invested in the SBIR or STTR technology, which information shall be collected on an annual basis;

(iii) the names and locations of any affiliates of the awardee;

(iv) the number of employees of the awardee;

(v) the number of employees of the affiliates of the awardee; and

(vi) the names of, and the percentage of ownership of the awardee held by—

(I) any individual who is not a citizen of the United States or a lawful permanent resident of the United States; or

(II) any person that is not an individual and is not organized under the laws of a State or the United States;

(E) includes any other data collected by or available to any Federal agency that such agency considers may be useful for SBIR or STTR program evaluation;

(F) is available for use solely for program evaluation purposes by the Federal Government or, in accordance with policy directives issued by the Administration, by other authorized persons who are subject to a use and non-disclosure agreement with the Federal Government covering the use of the database; and

(G) includes a timely and accurate list of any individual or small business concern that has participated in the SBIR program or STTR program that has been—

(i) convicted of a fraud-related crime involving funding received under the SBIR program or STTR program; or

(ii) found civilly liable for a fraud-related violation involving funding received under the SBIR program or STTR program.

(3) UPDATING INFORMATION FOR DATABASE.—

(A) IN GENERAL.—A small business concern applying for a Phase II award under this section shall be required to update information in the database established under this subsection for any prior Phase II award received by that small business concern. In complying with this paragraph, a small business concern may apportion sales or additional investment information relating to more than one Phase II award among those awards, if it notes the apportionment for each award.

(B) ANNUAL UPDATES UPON TERMINATION.—A small business concern receiving a Phase II award under this section shall—

(i) update information in the database concerning that award at the termination of the award period; and

(ii) be requested to voluntarily update such information annually thereafter for a period of 5 years.

(C) GOVERNMENT DATABASE.—Not later than 60 days after the date established by a Federal agency for submitting applications or proposals for a Phase I or Phase II award under the SBIR program or STTR program, the head of the Federal agency shall submit to the Administrator the data required under paragraph (2) with respect to each small business concern that applies or submits a proposal for the Phase I or Phase II award.

(4) PROTECTION OF INFORMATION.—Information provided under paragraph (2) shall be considered privileged and con-

fidential and not subject to disclosure pursuant to section 552 of title 5, United States Code.

(5) RULE OF CONSTRUCTION.—Inclusion of information in the database under this subsection shall not be considered to be publication for purposes of subsection (a) or (b) of section 102 of title 35, United States Code.

(7) REPORTING OF AWARDS MADE FROM SINGLE PROPOSAL, TO MULTIPLE AWARD WINNERS, OR TO CRITICAL TECHNOLOGY TOPICS.—

(1) SINGLE PROPOSAL.—If a Federal agency required to establish an SBIR program under subsection (f) makes an award with respect to an SBIR solicitation topic or subtopic for which the agency received only 1 proposal, the agency shall provide written justification for making the award in its next quarterly report to the Administration and in the agency's next annual report required under subsection (g)(8).

(2) MULTIPLE AWARDS.—An agency referred to in paragraph (1) shall include in its next annual report required under subsection (g)(8) an accounting of the awards the agency has made for Phase I of an SBIR program during the reporting period to entities that have received more than 15 awards for the Phase II of an SBIR program during the preceding 5 fiscal years.

(3) CRITICAL TECHNOLOGY AWARDS.—An agency referred to in paragraph (1) shall include in its next annual report required under subsection (g)(8), an accounting of the number of awards it has made to critical technology topics, as defined in subsection (g)(3), including an identification of the specific critical technologies topics, and the percentage by number and dollar amount of the agency's total SBIR awards to such critical technology topics.

(m) TERMINATION.—The authorization to carry out the Small Business Innovation Research Program established under this section shall terminate on September 30, 2022.

(n) REQUIRED EXPENDITURES FOR STTR BY FEDERAL AGENCIES.—

(1) REQUIRED EXPENDITURE AMOUNTS.—

(A) IN GENERAL.—With respect to each fiscal year through fiscal year 2022, each Federal agency that has an extramural budget for research, or research and development, in excess of \$1,000,000,000 for that fiscal year, shall expend with small business concerns not less than the percentage of that extramural budget specified in subparagraph (B), specifically in connection with STTR programs that meet the requirements of this section and any policy directives and regulations issued under this section.

(B) EXPENDITURE AMOUNTS.—The percentage of the extramural budget required to be expended by an agency in accordance with subparagraph (A) shall be—

- (i) 0.15 percent for each fiscal year through fiscal year 2003;
- (ii) 0.3 percent for each of fiscal years 2004 through 2011;
- (iii) 0.35 percent for each of fiscal years 2012 and 2013;
- (iv) 0.40 percent for each of fiscal years 2014 and 2015; and

- (v) 0.45 percent for fiscal year 2016 and each fiscal year thereafter.
- (2) LIMITATIONS.—A Federal agency shall not—
- (A) use any of its STTR budget established pursuant to paragraph (1) for the purpose of funding administrative costs of the program, including costs associated with salaries and expenses, or, in the case of a small business concern or a research institution, costs associated with salaries, expenses, and administrative overhead (other than those direct or indirect costs allowable under guidelines of the Office of Management and Budget and the governmentwide Federal Acquisition Regulation issued in accordance with section 25(c)(1) of the Office of Federal Procurement Policy Act); or
- (B) make available for the purpose of meeting the requirements of paragraph (1) an amount of its extramural budget for basic research which exceeds the percentage specified in paragraph (1).
- (3) EXCLUSION OF CERTAIN FUNDING AGREEMENTS.—Funding agreements with small business concerns for research or research and development which result from competitive or single source selections other than an STTR program shall not be considered to meet any portion of the percentage requirements of paragraph (1).
- (o) FEDERAL AGENCY STTR AUTHORITY.—Each Federal agency required to establish an STTR program in accordance with subsection
- (n) and regulations issued under this Act, shall—
- (1) unilaterally determine categories of projects to be included in its STTR program;
- (2) issue STTR solicitations in accordance with a schedule determined cooperatively with the Administration;
- (3) unilaterally determine research topics within the agency's STTR solicitations, giving special consideration to broad research topics and to topics that further 1 or more critical technologies, as identified—
- (A) by the National Critical Technologies Panel (or its successor) in reports required under section 603 of the National Science and Technology Policy, Organization, and Priorities Act of 1976; or
- (B) by the Secretary of Defense, in accordance with section 2522 of title 10, United States Code;
- (4)(A) unilaterally receive and evaluate proposals resulting from STTR solicitations; and
- (B) make a final decision on each proposal submitted under the STTR program—
- (i) not later than 1 year after the date on which the applicable solicitation closes, if with respect to the National Institutes of Health or the National Science Foundation, or 90 days after the date on which the applicable solicitation closes, if with respect to any other participating agency; or
- (ii) if the Administrator authorizes an extension for a solicitation, not later than 90 days after the date that would be applicable to the agency under clause (i);

(5) unilaterally select awardees for its STTR funding agreements and inform each awardee under such an agreement, to the extent possible, of the expenses of the awardee that will be allowable under the funding agreement;

(6) administer its own STTR funding agreements (or delegate such administration to another agency);

(7) make payments to recipients of STTR funding agreements on the basis of progress toward or completion of the funding agreement requirements and, in all cases, make payment to recipients under such agreements in full, subject to audit, on or before the last day of the 12-month period beginning on the date of the completion of such requirements;

(8) include, as part of its annual performance plan as required by subsections (a) and (b) of section 1115 of title 31, United States Code, a section on its STTR program, and shall submit such section to the Committee on Small Business of the Senate, and the Committee on Science and the Committee on Small Business of the House of Representatives;

(9) collect annually, and maintain in a common format in accordance with the simplified reporting requirements under subsection (v), such information from applicants and awardees as is necessary to assess the STTR program outputs and outcomes, including information necessary to maintain the database described in subsection (k), including—

(A) whether an applicant or awardee—

(i) has venture capital, hedge fund, or private equity firm investment or is majority-owned by multiple venture capital operating companies, hedge funds, or private equity firms and, if so—

(I) the amount of venture capital, hedge fund, or private equity firm investment that the applicant or awardee has received as of the date of the application or award, as applicable; and

(II) the amount of additional capital that the applicant or awardee has invested in the STTR technology;

(ii) has an investor that—

(I) is an individual who is not a citizen of the United States or a lawful permanent resident of the United States and, if so, the name of any such individual; or

(II) is a person that is not an individual and is not organized under the laws of a State or the United States and, if so, the name of any such person;

(iii) is owned by a woman or has a woman as a principal investigator;

(iv) is owned by a socially or economically disadvantaged individual or has a socially or economically disadvantaged individual as a principal investigator;

(v) is a faculty member or a student of an institution of higher education, as that term is defined in section 101 of the Higher Education Act of 1965 (20 U.S.C. 1001); or

(vi) is located in a State in which the total value of contracts awarded to small business concerns under all STTR programs is less than the total value of contracts awarded to small business concerns in a majority of other States, as determined by the Administrator in biennial fiscal years, beginning with fiscal year 2008, based on the most recent statistics compiled by the Administrator;

(B) if an awardee receives an award in an amount that is more than the award guidelines under this section, a statement from the agency that justifies the award amount; and

(C) data with respect to the Federal and State Technology Partnership Program (FAST Program);

(10) submit an annual report on the STTR program to the Administration and the Office of Science and Technology Policy;

(11) adopt the agreement developed by the Administrator under subsection

(w) as the agency's model agreement for allocating between small business concerns and research institutions intellectual property rights and rights, if any, to carry out follow-on research, development, or commercialization;

(12) develop, in consultation with the Office of Federal Procurement Policy and the Office of Government Ethics, procedures to ensure that federally funded research and development centers (as defined in subsection (e)(8)) that participate in STTR agreements—

(A) are free from organizational conflicts of interests relative to the STTR program;

(B) do not use privileged information gained through work performed for an STTR agency or private access to STTR agency personnel in the development of an STTR proposal; and

(C) use outside peer review, as appropriate;

(13) not later than July 31, 1993, develop procedures for assessing the commercial merit and feasibility of STTR proposals, as evidenced by—

(A) the small business concern's record of successfully commercializing STTR or other research;

(B) the existence of Phase II funding commitments from private sector or non-STTR funding sources;

(C) the existence of Phase III follow-on commitments for the subject of the research; and

(D) the presence of other indicators of the commercial potential of the idea;

(14) implement an outreach program to research institutions and small business concerns for the purpose of enhancing its STTR program, in conjunction with any such outreach done for purposes of the SBIR program;

(15) provide for and fully implement the tenets of Executive Order No. 13329 (Encouraging Innovation in Manufacturing); and

- (16) provide timely notice to the Administrator of any case or controversy before any Federal judicial or administrative tribunal concerning the STTR program of the Federal agency.
- (p) STTR POLICY DIRECTIVE.—
- (1) ISSUANCE.—The Administrator shall issue a policy directive for the general conduct of the STTR programs within the Federal Government. Such policy directive shall be issued after consultation with—
- (A) the heads of each of the Federal agencies required by subsection (n) to establish an STTR program;
  - (B) the Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office; and
  - (C) the Director of the Office of Federal Procurement Policy.
- (2) CONTENTS.—The policy directive required by paragraph (1) shall provide for—
- (A) simplified, standardized, and timely STTR solicitations;
  - (B) a simplified, standardized funding process that provides for—
    - (i) the timely receipt and review of proposals;
    - (ii) outside peer review, if appropriate;
    - (iii) protection of proprietary information provided in proposals;
    - (iv) selection of awardees;
    - (v) retention by a small business concern of the rights to data generated by the concern in the performance of an STTR award for a period of not less than 4 years;
    - (vi) continued use by a small business concern, as a directed bailment, of any property transferred by a Federal agency to the small business concern in Phase II of the STTR program for a period of not less than 2 years, beginning on the initial date of the concern's participation in Phase III of such program;
    - (vii) cost sharing;
    - (viii) cost principles and payment schedules; and
    - (ix) 1-year awards for Phase I of an STTR program, generally not to exceed \$150,000, and 2-year awards for Phase II of an STTR program, generally not to exceed \$1,000,000, (each of which the Administrator shall adjust for inflation annually) greater or lesser amounts to be awarded at the discretion of the awarding agency, and shorter or longer periods of time to be approved at the discretion of the awarding agency where appropriate for a particular project;
  - (C) minimizing regulatory burdens associated with participation in STTR programs;
  - (D) guidelines for a model agreement, to be used by all agencies, for allocating between small business concerns and research institutions intellectual property rights and rights, if any, to carry out follow-on research, development, or commercialization;
  - (E) procedures to ensure that—

(i) a recipient of an STTR award is a small business concern, as defined in section 3 and the regulations promulgated thereunder; and

(ii) such small business concern exercises management and control of the performance of the STTR funding agreement pursuant to a business plan providing for the commercialization of the technology that is the subject matter of the award; **[and]**

(F) procedures to ensure, to the extent practicable, that an agency which intends to pursue research, development, or production of a technology developed by a small business concern under an STTR program enters into follow-on, non-STTR funding agreements with the small business concern for such research, development, or production**[.];**  
*and*

(G) *procedures to ensure that procurement center representatives (as described in section 15(l))—*

*(i) assist small business concerns participating in the STTR program, particularly in Phase III; and*

*(ii) coordinate with the appropriate contracting officer and the appropriate Director of the Office of Small and Disadvantaged Business Utilization established pursuant to section 15(k) for the Federal agency letting the contract in providing the assistance described in clause (i).*

(3) MODIFICATIONS.—Not later than 120 days after the date of enactment of this paragraph, the Administrator shall modify the policy directive issued pursuant to this subsection to clarify that the rights provided for under paragraph (2)(B)(v) apply to all Federal funding awards under this section, including Phase I, Phase II, and Phase III.

(q) DISCRETIONARY TECHNICAL AND BUSINESS ASSISTANCE.—

(1) IN GENERAL.—Each Federal agency required by this section to conduct an SBIR program or STTR program may enter into an agreement with **[a vendor selected under paragraph (2)]** *1 or more vendors selected under paragraph (2)(A)* to provide small business concerns engaged in SBIR or STTR projects with technical *and business* assistance services, such as access to a network of scientists and engineers engaged in a wide range of technologies, *assistance with product sales, intellectual property protections, market research, market validation, and development of regulatory plans and manufacturing plans*, or access to technical and business literature available through on-line data bases, for the purpose of assisting such concerns in—

(A) making better technical decisions concerning such projects;

(B) solving technical problems which arise during the conduct of such projects;

(C) minimizing technical risks associated with such projects; and

(D) developing and commercializing new commercial products and processes resulting from such projects, *including intellectual property protections.*

(2) **VENDOR SELECTION.**—**Each agency may select a vendor to assist small business concerns to meet**

(A) *IN GENERAL.*—*Each agency may select 1 or more vendors from which small business concerns may obtain assistance in meeting the goals listed in paragraph (1) for a term not to exceed 5 years. Such selection shall be competitive and shall utilize merit-based criteria.*

(B) *SELECTION BY SMALL BUSINESS CONCERN.*—*A small business concern may, by contract or otherwise, select 1 or more vendors to assist the small business concern in meeting the goals listed in paragraph (1).*

(3) **ADDITIONAL TECHNICAL ASSISTANCE.**—

(A) **PHASE I.**—A Federal agency described in paragraph (1) may—

(i) provide to the recipient of a Phase I SBIR or STTR award, through a vendor selected under paragraph (2)(A), the services described in paragraph (1), in an amount equal to not more than **[\$5,000 per year] \$6,500 per project**; or

(ii) authorize the recipient of a Phase I SBIR or STTR award to purchase the services described in paragraph (1), in an amount equal to not more than **[\$5,000 per year] \$6,500 per project**, which shall be in addition to the amount of the recipient's award.

(B) **PHASE II.**—A Federal agency described in paragraph (1) may—

(i) provide to the recipient of a Phase II SBIR or STTR award, through a vendor selected under paragraph (2)(A), the services described in paragraph (1), in an amount equal to not more than **[\$5,000 per year] \$35,000 per project**; or

(ii) authorize the recipient of a Phase II SBIR or STTR award to purchase the services described in paragraph (1), in an amount equal to not more than **[\$5,000 per year] \$35,000 per project**, **[which shall be in addition to the amount of the recipient's award]** *which may, as determined appropriate by the head of the agency, be included as part of the recipient's award or be in addition to the amount of the recipient's award.*

(C) **FLEXIBILITY.**—In carrying out subparagraphs (A) and (B), each Federal agency shall provide the allowable amounts to a recipient that meets the eligibility requirements under the applicable subparagraph, if the recipient requests to seek technical or *business* assistance from an individual or entity other than **[the vendor]** *a vendor* selected under paragraph (2)(A) by the Federal agency. *Business-related services aimed at improving the commercialization success of a small business concern may be obtained from an entity, such as a public or private organization or an agency of or other entity established or funded by a State that facilitates or accelerates the commercialization of technologies or assists in the creation and growth of private enterprises that are commercializing technology.*

(D) **LIMITATION.**—A Federal agency may not—

(i) use the amounts authorized under subparagraph (A) or (B) unless **the vendor** *1 or more vendors* selected under paragraph (2)(A) provides the technical or *business* assistance to the recipient; or

(ii) enter a contract with a vendor under paragraph (2)(A) under which the amount provided for technical or *business* assistance is based on total number of Phase I or Phase II awards.

*(E) MULTIPLE AWARD RECIPIENTS.—The Administrator shall establish a limit on the amount of technical and business assistance services that may be received or purchased under subparagraph (B) by a small business concern that has received multiple Phase II SBIR or STTR awards for a fiscal year.*

(r) PHASE III AGREEMENTS.—

(1) IN GENERAL.—In the case of a small business concern that is awarded a funding agreement for Phase II of an SBIR or STTR program, a Federal agency may enter into a Phase III agreement with that business concern for additional work to be performed during or after the Phase II period. The Phase II funding agreement with the small business concern may, at the discretion of the agency awarding the agreement, set out the procedures applicable to Phase III agreements with that agency or any other agency.

(2) DEFINITION.—In this subsection, the term “Phase III agreement” means a follow-on, non-SBIR or non-STTR funded contract as described in paragraph (4)(C) or paragraph (6)(C) of subsection (e).

(3) INTELLECTUAL PROPERTY RIGHTS.—Each funding agreement under an SBIR or STTR program shall include provisions setting forth the respective rights of the United States and the small business concern with respect to intellectual property rights and with respect to any right to carry out follow-on research.

(4) PHASE III AWARDS.—To the greatest extent practicable, Federal agencies and Federal prime contractors shall issue Phase III awards relating to technology~~], including sole source awards,~~ *as direct follow-on awards issued without further competition* to the SBIR and STTR award recipients that developed the technology.

(s) COMPETITIVE SELECTION PROCEDURES FOR SBIR AND STTR PROGRAMS.—All funds awarded, appropriated, or otherwise made available in accordance with subsection (f) or (n) must be awarded pursuant to competitive and merit-based selection procedures.

(t) INCLUSION IN STRATEGIC PLANS.—Program information relating to the SBIR and STTR programs shall be included by each Federal agency in any update or revision required of the Federal agency under section 306(b) of title 5, United States Code.

(u) COORDINATION OF TECHNOLOGY DEVELOPMENT PROGRAMS.—

(1) DEFINITION OF TECHNOLOGY DEVELOPMENT PROGRAM.—In this subsection, the term “technology development program” means—

(A) the Experimental Program to Stimulate Competitive Research of the National Science Foundation, as estab-

lished under section 113 of the National Science Foundation Authorization Act of 1988 (42 U.S.C. 1862g);

(B) the Defense Experimental Program to Stimulate Competitive Research of the Department of Defense;

(C) the Experimental Program to Stimulate Competitive Research of the Department of Energy;

(D) the Experimental Program to Stimulate Competitive Research of the Environmental Protection Agency;

(E) the Experimental Program to Stimulate Competitive Research of the National Aeronautics and Space Administration;

(F) the Institutional Development Award Program of the National Institutes of Health; and

(G) the National Research Initiative Competitive Grants Program of the Department of Agriculture.

(2) COORDINATION REQUIREMENTS.—Each Federal agency that is subject to subsection (f) and that has established a technology development program may, in each fiscal year, review for funding under that technology development program—

(A) any proposal to provide outreach and assistance to one or more small business concerns interested in participating in the SBIR program, including any proposal to make a grant or loan to a company to pay a portion or all of the cost of developing an SBIR proposal, from an entity, organization, or individual located in—

(i) a State that is eligible to participate in that program; or

(ii) a State described in paragraph (3); or

(B) any proposal for Phase I of the SBIR program, if the proposal, though meritorious, is not funded through the SBIR program for that fiscal year due to funding restraints, from a small business concern located in—

(i) a State that is eligible to participate in a technology development program; or

(ii) a State described in paragraph (3).

(3) ADDITIONALLY ELIGIBLE STATE.—A State referred to in subparagraph (A)(ii) or (B)(ii) of paragraph (2) is a State in which the total value of contracts awarded to small business concerns under all SBIR programs is less than the total value of contracts awarded to small business concerns in a majority of other States, as determined by the Administrator in biennial fiscal years, beginning with fiscal year 2000, based on the most recent statistics compiled by the Administrator.

(v) REDUCING PAPERWORK AND COMPLIANCE BURDEN.—

(1) STANDARDIZATION OF REPORTING REQUIREMENTS.—The Administrator shall work with the Federal agencies required by this section to have an SBIR or STTR program to standardize reporting requirements for the collection of data from SBIR or STTR applicants and awardees, including data for inclusion in the database under subsection (k), taking into consideration the unique needs of each agency, and to the extent possible, permitting the updating of previously reported information by electronic means. Such requirements shall be designed to minimize the burden on small businesses.

(2) SIMPLIFICATION OF APPLICATION AND AWARD PROCESS.—Not later than 1 year after the date of enactment of this paragraph, and after a period of public comment, the Administrator shall issue regulations or guidelines, taking into consideration the unique needs of each Federal agency, to ensure that each Federal agency required to carry out an SBIR program or STTR program simplifies and standardizes the program proposal, selection, contracting, compliance, and audit procedures for the SBIR program or STTR program of the Federal agency (including procedures relating to overhead rates for applicants and documentation requirements) to reduce the paperwork and regulatory compliance burden on small business concerns applying to and participating in the SBIR program or STTR program.

(w) STTR MODEL AGREEMENT FOR INTELLECTUAL PROPERTY RIGHTS.—

(1) IN GENERAL.—The Administrator shall promulgate regulations establishing a single model agreement for use in the STTR program that allocates between small business concerns and research institutions intellectual property rights and rights, if any, to carry out follow-on research, development, or commercialization.

(2) OPPORTUNITY FOR COMMENT.—In promulgating regulations under paragraph (1), the Administrator shall provide to affected agencies, small business concerns, research institutions, and other interested parties the opportunity to submit written comments.

(x) RESEARCH AND DEVELOPMENT FOCUS.—

(1) REVISION AND UPDATE OF CRITERIA AND PROCEDURES OF IDENTIFICATION.—In carrying out subsection (g), the Secretary of Defense shall, not less often than once every 4 years, revise and update the criteria and procedures utilized to identify areas of the research and development efforts of the Department of Defense which are suitable for the provision of funds under the Small Business Innovation Research Program and the Small Business Technology Transfer Program.

(2) UTILIZATION OF PLANS.—The criteria and procedures described in paragraph (1) shall be developed through the use of the most current versions of the following plans:

(A) The Joint Warfighting Science and Technology Plan required under section 270 of the National Defense Authorization Act for Fiscal Year 1997 (Public Law 104–201; 10 U.S.C. 2501 note).

(B) The Defense Technology Area Plan of the Department of Defense.

(C) The Basic Research Plan of the Department of Defense.

(3) INPUT IN IDENTIFICATION OF AREAS OF EFFORT.—The criteria and procedures described in paragraph (1) shall include input in the identification of areas of research and development efforts described in that paragraph from Department of Defense program managers (PMs) and program executive officers (PEOs).

(y) COMMERCIALIZATION READINESS PROGRAM.—

(1) IN GENERAL.—The Secretary of Defense and the Secretary of each military department is authorized to create and administer a “Commercialization Readiness Program” to accelerate the transition of technologies, products, and services developed under the Small Business Innovation Research Program or Small Business Technology Transfer Program to Phase III, including the acquisition process. The authority to create and administer a Commercialization Readiness Program under this subsection may not be construed to eliminate or replace any other SBIR program or STTR program that enhances the insertion or transition of SBIR or STTR technologies, including any such program in effect on the date of enactment of the National Defense Authorization Act for Fiscal Year 2006 (Public Law 109–163; 119 Stat. 3136).

(2) IDENTIFICATION OF RESEARCH PROGRAMS FOR ACCELERATED TRANSITION TO ACQUISITION PROCESS.—In carrying out the Commercialization Readiness Program, the Secretary of Defense and the Secretary of each military department shall identify research programs of the Small Business Innovation Research Program or Small Business Technology Transfer Program that have the potential for rapid transitioning to Phase III and into the acquisition process.

(3) LIMITATION.—No research program may be identified under paragraph (2) unless the Secretary of the military department concerned certifies in writing that the successful transition of the program to Phase III and into the acquisition process is expected to meet high priority military requirements of such military department.

(4) FUNDING.—

(A) IN GENERAL.—The Secretary of Defense and each Secretary of a military department may use not more than an amount equal to 1 percent of the funds available to the Department of Defense or the military department pursuant to the Small Business Innovation Research Program for payment of expenses incurred to administer the Commercialization Readiness Program under this subsection.

(B) LIMITATIONS.—The funds described in subparagraph (A)—

(i) shall not be subject to the limitations on the use of funds in subsection (f)(2); and

(ii) shall not be used to make Phase III awards.

(5) INSERTION INCENTIVES.—For any contract with a value of not less than \$100,000,000, the Secretary of Defense **[is authorized to]** *shall*—

(A) establish goals for the transition of Phase III technologies in subcontracting plans; and

(B) require a prime contractor on such a contract to report the number and dollar amount of contracts entered into by that prime contractor for Phase III SBIR or STTR projects.

(6) GOAL FOR SBIR AND STTR TECHNOLOGY INSERTION.—The Secretary of Defense shall—

(A) set a goal to increase the number of Phase II SBIR contracts and the number of Phase II STTR contracts

awarded by the Secretary that lead to technology transition into programs of record or fielded systems;

(B) use incentives in effect on the date of enactment of the SBIR/STTR Reauthorization Act of 2011, or create new incentives, to encourage agency program managers and prime contractors to meet the goal under subparagraph (A); **[and]**

(C) submit to the Administrator for inclusion in the annual report under subsection (b)(7)—

(i) the number and percentage of Phase II SBIR and STTR contracts awarded by the Secretary that led to technology transition into programs of record or fielded systems;

(ii) information on the status of each project that received funding through the Commercialization Readiness Program and efforts to transition those projects into programs of record or fielded systems; and

(iii) a description of each incentive that has been used by the Secretary under subparagraph (B) and the effectiveness of that incentive with respect to meeting the goal under subparagraph (A) **[.]; and**

*(D) not later than 120 days after the date of the enactment of this subparagraph, and not later than December 31 of each year thereafter, submit to the Committee on Science, Space, and Technology and the Committee on Small Business of the House of Representatives, and to the Committee on Small Business and Entrepreneurship of the Senate, a report describing the goals set under subparagraph (A) and the incentives used or created under subparagraph (B).*

**(z) ENCOURAGING INNOVATION IN ENERGY EFFICIENCY.—**

**(1) FEDERAL AGENCY ENERGY-RELATED PRIORITY.—**In carrying out its duties under this section relating to SBIR and STTR solicitations by Federal departments and agencies, the Administrator shall—

(A) ensure that such departments and agencies give high priority to small business concerns that participate in or conduct energy efficiency or renewable energy system research and development projects; and

(B) include in the annual report to Congress under subsection (b)(7) a determination of whether the priority described in subparagraph (A) is being carried out.

**(2) CONSULTATION REQUIRED.—**The Administrator shall consult with the heads of other Federal departments and agencies in determining whether priority has been given to small business concerns that participate in or conduct energy efficiency or renewable energy system research and development projects, as required by this subsection.

**(3) GUIDELINES.—**The Administrator shall, as soon as is practicable after the date of enactment of this subsection, issue guidelines and directives to assist Federal agencies in meeting the requirements of this subsection.

**(4) DEFINITIONS.—**In this subsection—

(A) the term “biomass”—

(i) means any organic material that is available on a renewable or recurring basis, including—

- (I) agricultural crops;
- (II) trees grown for energy production;
- (III) wood waste and wood residues;
- (IV) plants (including aquatic plants and grasses);
- (V) residues;
- (VI) fibers;
- (VII) animal wastes and other waste materials;
- and
- (VIII) fats, oils, and greases (including recycled fats, oils, and greases); and

(ii) does not include—

- (I) paper that is commonly recycled; or
- (II) unsegregated solid waste;

(B) the term “energy efficiency project” means the installation or upgrading of equipment that results in a significant reduction in energy usage; and

(C) the term “renewable energy system” means a system of energy derived from—

- (i) a wind, solar, biomass (including biodiesel), or geothermal source; or
- (ii) hydrogen derived from biomass or water using an energy source described in clause (i).

(aa) LIMITATION ON SIZE OF AWARDS.—

(1) LIMITATION.—No Federal agency may issue an award under the SBIR program or the STTR program if the size of the award exceeds the award guidelines established under this section by more than 50 percent.

(2) MAINTENANCE OF INFORMATION.—Participating agencies shall maintain information on awards exceeding the guidelines established under this section, including—

- (A) the amount of each award;
- (B) a justification for exceeding the guidelines for each award;
- (C) the identity and location of each award recipient; and

(D) whether an award recipient has received any venture capital, hedge fund, or private equity firm investment and, if so, whether the recipient is majority-owned by multiple venture capital operating companies, hedge funds, or private equity firms.

(3) REPORTS.—The Administrator shall include the information described in paragraph (2) in the annual report of the Administrator to Congress.

(4) WAIVER FOR SPECIFIC TOPIC.—Upon the receipt of an application from a Federal agency, the Administrator may grant a waiver from the requirement under paragraph (1) with respect to a specific topic (but not for the agency as a whole) for a fiscal year if the Administrator determines, based on the information contained in the application from the agency, that—

- (A) the requirement under paragraph (1) will interfere with the ability of the agency to fulfill its research mission through the SBIR program or the STTR program; and
- (B) the agency will minimize, to the maximum extent possible, the number of awards that do not satisfy the re-

quirement under paragraph (1) to preserve the nature and intent of the SBIR program and the STTR program.

(5) RULE OF CONSTRUCTION.—Nothing in this subsection shall be construed to prevent a Federal agency from supplementing an award under the SBIR program or the STTR program using funds of the Federal agency that are not part of the SBIR program or the STTR program of the Federal agency.

(bb) SUBSEQUENT PHASE II AWARDS.—

(1) AGENCY FLEXIBILITY.—A small business concern that received a Phase I award from a Federal agency under this section shall be eligible to receive a subsequent Phase II award from another Federal agency, if the head of each relevant Federal agency or the relevant component of the Federal agency makes a written determination that the topics of the relevant awards are the same and both agencies report the awards to the Administrator for inclusion in the public database under subsection (k).

(2) SBIR AND STTR PROGRAM FLEXIBILITY.—A small business concern that received a Phase I award under this section under the SBIR program or the STTR program may receive a subsequent Phase II award in either the SBIR program or the STTR program and the participating agency or agencies shall report the awards to the Administrator for inclusion in the public database under subsection (k).

(3) PREVENTING DUPLICATIVE AWARDS.—The head of a Federal agency shall verify that any activity to be performed with respect to a project with a Phase I or Phase II SBIR or STTR award has not been funded under the SBIR program or STTR program of another Federal agency.

(cc) PHASE FLEXIBILITY.—[During fiscal years 2012 through 2017, the National Institutes of Health, the Department of Defense, and the Department of Education may each provide] *During fiscal years 2018 through 2022, all agencies participating in the SBIR program may provide* to a small business concern an award under Phase II of the SBIR program with respect to a project, without regard to whether the small business concern was provided an award under Phase I of an SBIR program with respect to such project, if the head of the applicable agency determines that the small business concern has completed the determinations described in subsection (e)(4)(A) with respect to such project despite not having been provided a Phase I award.

(dd) PARTICIPATION OF SMALL BUSINESS CONCERNS MAJORITY-OWNED BY VENTURE CAPITAL OPERATING COMPANIES, HEDGE FUNDS, OR PRIVATE EQUITY FIRMS IN THE SBIR PROGRAM.—

(1) AUTHORITY.—Upon providing a written determination described in paragraph (2) to the Administrator, the Committee on Small Business and Entrepreneurship of the Senate, and the Committee on Small Business and the Committee on Science, Space, and Technology of the House of Representatives, not later than 30 days before the date on which any such award is made—

(A) the Director of the National Institutes of Health, the Secretary of Energy, and the Director of the National Science Foundation may award not more than 25 percent

of the funds allocated for the SBIR program of the applicable Federal agency to small business concerns that are owned in majority part by multiple venture capital operating companies, hedge funds, or private equity firms through competitive, merit-based procedures that are open to all eligible small business concerns; and

(B) the head of a Federal agency other than a Federal agency described in subparagraph (A) that participates in the SBIR program may award not more than 15 percent of the funds allocated for the SBIR program of the Federal agency to small business concerns that are owned in majority part by multiple venture capital operating companies, hedge funds, or private equity firms through competitive, merit-based procedures that are open to all eligible small business concerns.

(2) DETERMINATION.—A written determination described in this paragraph is a written determination by the head of a Federal agency that explains how the use of the authority under paragraph (1) will—

(A) induce additional venture capital, hedge fund, or private equity firm funding of small business innovations;

(B) substantially contribute to the mission of the Federal agency;

(C) demonstrate a need for public research; and

(D) otherwise fulfill the capital needs of small business concerns for additional financing for SBIR projects.

(3) REGISTRATION.—A small business concern that is majority-owned by multiple venture capital operating companies, hedge funds, or private equity firms and qualified for participation in the program authorized under paragraph

(1) shall—

(A) register with the Administrator on the date that the small business concern submits an application for an award under the SBIR program; and

(B) indicate in any SBIR proposal that the small business concern is registered under subparagraph (A) as majority-owned by multiple venture capital operating companies, hedge funds, or private equity firms.

(4) COMPLIANCE.—

(A) IN GENERAL.—The head of a Federal agency that makes an award under this subsection during a fiscal year shall collect and submit to the Administrator data relating to the number and dollar amount of Phase I awards, Phase II awards, and any other category of awards by the Federal agency under the SBIR program during that fiscal year.

(B) ANNUAL REPORTING.—The Administrator shall include as part of each annual report by the Administration under subsection (b)(7) any data submitted under subparagraph (A) and a discussion of the compliance of each Federal agency that makes an award under this subsection during the fiscal year with the maximum percentages under paragraph (1).

(5) ENFORCEMENT.—If a Federal agency awards more than the percent of the funds allocated for the SBIR program of the

Federal agency authorized under paragraph (1) for a purpose described in paragraph (1), the head of the Federal agency shall transfer an amount equal to the amount awarded in excess of the amount authorized under paragraph (1) to the funds for general SBIR programs from the non-SBIR and non-STTR research and development funds of the Federal agency not later than 180 days after the date on which the Federal agency made the award that caused the total awarded under paragraph (1) to be more than the amount authorized under paragraph (1) for a purpose described in paragraph (1).

(6) FINAL DECISIONS ON APPLICATIONS UNDER THE SBIR PROGRAM.—

(A) DEFINITION.—In this paragraph, the term “covered small business concern” means a small business concern that—

(i) was not majority-owned by multiple venture capital operating companies, hedge funds, or private equity firms on the date on which the small business concern submitted an application in response to a solicitation under the SBIR programs; and

(ii) on the date of the award under the SBIR program is majority-owned by multiple venture capital operating companies, hedge funds, or private equity firms.

(B) IN GENERAL.—If a Federal agency does not make an award under a solicitation under the SBIR program before the date that is 9 months after the date on which the period for submitting applications under the solicitation ends—

(i) a covered small business concern is eligible to receive the award, without regard to whether the covered small business concern meets the requirements for receiving an award under the SBIR program for a small business concern that is majority-owned by multiple venture capital operating companies, hedge funds, or private equity firms, if the covered small business concern meets all other requirements for such an award; and

(ii) the head of the Federal agency shall transfer an amount equal to any amount awarded to a covered small business concern under the solicitation to the funds for general SBIR programs from the non-SBIR and non-STTR research and development funds of the Federal agency, not later than 90 days after the date on which the Federal agency makes the award.

(7) EVALUATION CRITERIA.—A Federal agency may not use investment of venture capital or investment from hedge funds or private equity firms as a criterion for the award of contracts under the SBIR program or STTR program.

(ee) COLLABORATING WITH FEDERAL LABORATORIES AND RESEARCH AND DEVELOPMENT CENTERS.—

(1) AUTHORIZATION.—Subject to the limitations under this section, the head of each participating Federal agency may make SBIR and STTR awards to any eligible small business concern that—

- (A) intends to enter into an agreement with a Federal laboratory or federally funded research and development center for portions of the activities to be performed under that award; or
- (B) has entered into a cooperative research and development agreement (as defined in section 12(d) of the Stevenson-Wydler Technology Innovation Act of 1980 (15 U.S.C. 3710a(d))) with a Federal laboratory.
- (2) PROHIBITION.—No Federal agency shall—
- (A) condition an SBIR or STTR award upon entering into agreement with any Federal laboratory or any federally funded laboratory or research and development center for any portion of the activities to be performed under that award;
- (B) approve an agreement between a small business concern receiving an SBIR or STTR award and a Federal laboratory or federally funded laboratory or research and development center, if the small business concern performs a lesser portion of the activities to be performed under that award than required by this section and by the SBIR Policy Directive and the STTR Policy Directive of the Administrator; or
- (C) approve an agreement that violates any provision, including any data rights protections provision, of this section or the SBIR and the STTR Policy Directives.
- (3) IMPLEMENTATION.—Not later than 180 days after the date of enactment of this subsection, the Administrator shall modify the SBIR Policy Directive and the STTR Policy Directive issued under this section to ensure that small business concerns—
- (A) have the flexibility to use the resources of the Federal laboratories or federally funded research and development centers; and
- (B) are not mandated to enter into agreement with any Federal laboratory or any federally funded laboratory or research and development center as a condition of an award.
- (4) ADVANCE PAYMENT.—If a small business concern receiving an award under this section enters into an agreement with a Federal laboratory or federally funded research and development center for portions of the activities to be performed under that award, the Federal laboratory or federally funded research and development center may not require advance payment from the small business concern in an amount greater than the amount necessary to pay for 30 days of such activities.
- (ff) ADDITIONAL SBIR AND STTR AWARDS.—
- (1) EXPRESS AUTHORITY FOR AWARDED A SEQUENTIAL PHASE II AWARD.—A small business concern that receives a Phase II SBIR award or a Phase II STTR award for a project remains eligible to receive 1 additional Phase II SBIR award or Phase II STTR award for continued work on that project.
- (2) PREVENTING DUPLICATIVE AWARDS.—The head of a Federal agency shall verify that any activity to be performed with respect to a project with a Phase I or Phase II SBIR or STTR

award has not been funded under the SBIR program or STTR program of another Federal agency.

(gg) **PILOT PROGRAM.—** *CIVILIAN AGENCY COMMERCIALIZATION READINESS PROGRAM.—*

(1) **AUTHORIZATION.—**The head of each covered Federal agency may allocate not more than 10 percent of the funds allocated to the SBIR program and the STTR program of the covered Federal agency *to establish a Civilian Agency Commercialization Readiness Program for civilian agencies—*

(A) for awards for technology development, testing, evaluation, and commercialization assistance for SBIR and STTR Phase II technologies; or

(B) to support the progress of research, research and development, and commercialization conducted under the SBIR or STTR programs to Phase III.

(2) **APPLICATION BY FEDERAL AGENCY.—**

(A) **IN GENERAL.—**A covered Federal agency may not **establish a pilot program** *establish a Civilian Agency Commercialization Readiness Program under this subsection* unless the covered Federal agency makes a written application to the Administrator, not later than 90 days before the first day of the fiscal year in which **the pilot program** *such Civilian Agency Commercialization Readiness Program* is to be established, that describes a compelling reason that additional investment in SBIR or STTR technologies is necessary, including unusually high regulatory, systems integration, or other costs relating to development or manufacturing of identifiable, highly promising small business technologies or a class of such technologies expected to substantially advance the mission of the agency.

(B) **DETERMINATION.—**The Administrator shall—

(i) make a determination regarding an application submitted under subparagraph (A) not later than 30 days before the first day of the fiscal year for which the application is submitted;

(ii) publish the determination in the Federal Register; and

(iii) make a copy of the determination and any related materials available to the Committee on Small Business and Entrepreneurship of the Senate and the Committee on Small Business and the Committee on Science, Space, and Technology of the House of Representatives.

(3) **MAXIMUM AMOUNT OF AWARD.—**The head of a covered Federal agency may not make an award under **a pilot program** *a Civilian Commercialization Readiness Program* in excess of 3 times the dollar amounts generally established for Phase II awards under subsection (j)(2)(D) or (p)(2)(B)(ix).

(4) **REGISTRATION.—**Any applicant that receives an award under **a pilot program** *a Civilian Commercialization Readiness Program* shall register with the Administrator in a registry that is available to the public.

(5) **AWARD CRITERIA OR CONSIDERATION.—**When making an award under this section, the head of a covered Federal agency shall give consideration to whether the technology to be sup-

ported by the award is likely to be manufactured in the United States.

(6) REPORT.—The head of each covered Federal agency shall include in the annual report of the covered Federal agency to the Administrator an analysis of the various activities considered for inclusion in **the pilot program** a *Civilian Agency Commercialization Readiness Program* of the covered Federal agency and a statement of the reasons why each activity considered was included or not included, as the case may be.

**[(7) TERMINATION.—The authority to establish a pilot program under this section expires at the end of fiscal year 2017.]**

**[(8)] (7) DEFINITIONS.—In this subsection—**

(A) the term “covered Federal agency”—

(i) means a Federal agency participating in the SBIR program or the STTR program; and

(ii) does not include the Department of Defense; and

**[(B) the term “pilot program” means each program established under paragraph (1).]**

*(B) the term “Civilian Agency Commercialization Readiness Program” means each program established under paragraph (1).*

(hh) TIMING OF RELEASE OF FUNDING.—Federal agencies participating in the SBIR program or STTR program shall, to the extent possible, attempt to shorten the amount of time between the provision of notice of an award under the SBIR program or STTR program and the subsequent release of funding with respect to the award.

(ii) REPORTING ON TIMING.—Federal agencies participating in the SBIR program or STTR program shall provide to the Administrator, for the annual report on the SBIR and STTR program under subsection (b)(7), the average amount of time the agency takes to make a final decision on proposals submitted under such programs, the average amount of time the agency takes to release funding with respect to an award under such programs, and the goals established to reduce such amounts.

(jj) PHASE 0 PROOF OF CONCEPT PARTNERSHIP PILOT PROGRAM.—

(1) IN GENERAL.—The Director of the National Institutes of Health may use \$5,000,000 of the funds allocated under subsection (n)(1) for a Proof of Concept Partnership pilot program to accelerate the creation of small businesses and the commercialization of research innovations from qualifying institutions. To implement this program, the Director shall award, through a competitive, merit-based process, grants to qualifying institutions. These grants shall only be used to administer Proof of Concept Partnership awards in conformity with this subsection.

(2) DEFINITIONS.—In this subsection—

(A) the term “Director” means the Director of the National Institutes of Health;

(B) the term “pilot program” refers to the Proof of Concept Partnership pilot program; and

(C) the terms “qualifying institution” and “institution” mean a university or other research institution that participates in the National Institutes of Health’s STTR program.

## (3) PROOF OF CONCEPT PARTNERSHIPS.—

(A) IN GENERAL.—A Proof of Concept Partnership shall be set up by a qualifying institution to award grants to individual researchers. These grants should provide researchers with the initial investment and the resources to support the proof of concept work and commercialization mentoring needed to translate promising research projects and technologies into a viable company. This work may include technical validations, market research, clarifying intellectual property rights position and strategy, and investigating commercial or business opportunities.

(B) AWARD GUIDELINES.—The administrator of a Proof of Concept Partnership program shall award grants in accordance with the following guidelines:

(i) The Proof of Concept Partnership shall use a market-focused project management oversight process, including—

(I) a rigorous, diverse review board comprised of local experts in translational and proof of concept research, including industry, start-up, venture capital, technical, financial, and business experts and university technology transfer officials;

(II) technology validation milestones focused on market feasibility;

(III) simple reporting effective at redirecting projects; and

(IV) the willingness to reallocate funding from failing projects to those with more potential.

(ii) Not more than \$100,000 shall be awarded towards an individual proposal.

(C) EDUCATIONAL RESOURCES AND GUIDANCE.—The administrator of a Proof of Concept Partnership program shall make educational resources and guidance available to researchers attempting to commercialize their innovations.

## (4) AWARDS.—

(A) SIZE OF AWARD.—The Director may make awards to a qualifying institution for up to \$1,000,000 per year for up to 3 years.

(B) AWARD CRITERIA.—In determining which qualifying institutions receive pilot program grants, the Director shall consider, in addition to any other criteria the Director determines necessary, the extent to which qualifying institutions—

(i) have an established and proven technology transfer or commercialization office and have a plan for engaging that office in the program's implementation;

(ii) have demonstrated a commitment to local and regional economic development;

(iii) are located in diverse geographies and are of diverse sizes;

(iv) can assemble project management boards comprised of industry, start-up, venture capital, technical, financial, and business experts;

(v) have an intellectual property rights strategy or office; and

(vi) demonstrate a plan for sustainability beyond the duration of the funding award.

(5) LIMITATIONS.—The funds for the pilot program shall not be used—

(A) for basic research, but to evaluate the commercial potential of existing discoveries, including—

(i) proof of concept research or prototype development; and

(ii) activities that contribute to determining a project's commercialization path, to include technical validations, market research, clarifying intellectual property rights, and investigating commercial and business opportunities; or

(B) to fund the acquisition of research equipment or supplies unrelated to commercialization activities.

(6) EVALUATIVE REPORT.—The Director shall submit to the Committee on Science, Space, and Technology and the Committee on Small Business of the House of Representatives and the Committee on Small Business and Entrepreneurship of the Senate an evaluative report regarding the activities of the pilot program. The report shall include—

(A) a detailed description of the institutional and proposal selection process;

(B) an accounting of the funds used in the pilot program;

(C) a detailed description of the pilot program, including incentives and activities undertaken by review board experts;

(D) a detailed compilation of results achieved by the pilot program, including the number of small business concerns included and the number of business packages developed, and the number of projects that progressed into subsequent STTR phases; and

(E) an analysis of the program's effectiveness with supporting data.

(7) SUNSET.—The pilot program under this subsection shall terminate at the end of fiscal year 2017.

(kk) PHASE III REPORTING.—The annual SBIR or STTR report to Congress by the Administration under subsection (b)(7) shall include, for each Phase III award—

(1) the name of the agency or component of the agency or the non-Federal source of capital making the Phase III award;

(2) the name of the small business concern or individual receiving the Phase III award; and

(3) the dollar amount of the Phase III award.

(ll) CONSENT TO RELEASE CONTACT INFORMATION TO ORGANIZATIONS.—

(1) ENABLING CONCERN TO GIVE CONSENT.—Each Federal agency required by this section to conduct an SBIR program or an STTR program shall enable a small business concern that is an SBIR applicant or an STTR applicant to indicate to the Federal agency whether the Federal agency has the consent of the concern to—

(A) identify the concern to appropriate local and State-level economic development organizations as an SBIR applicant or an STTR applicant; and

(B) release the contact information of the concern to such organizations.

(2) RULES.—The Administrator shall establish rules to implement this subsection. The rules shall include a requirement that a Federal agency include in the SBIR and STTR application a provision through which the applicant can indicate consent for purposes of paragraph (1).

(mm) ASSISTANCE FOR ADMINISTRATIVE, OVERSIGHT, AND CONTRACT PROCESSING COSTS.—

(1) IN GENERAL.—Subject to paragraph (3) and until **September 30, 2017** *September 30, 2022*, the Administrator shall allow each Federal agency required to conduct an SBIR program to use not more than 3 percent of the funds allocated to the SBIR program of the Federal agency for—

(A) the administration of the SBIR program or the STTR program of the Federal agency;

(B) the provision of outreach and technical assistance relating to the SBIR program or STTR program of the Federal agency, including technical assistance site visits, personnel interviews, and national conferences;

(C) the implementation of commercialization and outreach initiatives that were not in effect on the date of enactment of this subsection;

(D) carrying out the program under subsection (y);

(E) activities relating to oversight and congressional reporting, including waste, fraud, and abuse prevention activities;

(F) targeted reviews of recipients of awards under the SBIR program or STTR program of the Federal agency that the head of the Federal agency determines are at high risk for fraud, waste, or abuse to ensure compliance with requirements of the SBIR program or STTR program, respectively;

(G) the implementation of oversight and quality control measures, including verification of reports and invoices and cost reviews;

(H) carrying out subsection (dd);

(I) contract processing costs relating to the SBIR program or STTR program of the Federal agency; **and**

(J) funding for additional personnel and assistance with application reviews**【.】**; *and*

*(K) the annual meeting required under subsection (tt).*

**【(2) OUTREACH AND TECHNICAL ASSISTANCE.—**

**【(A) IN GENERAL.—**Except as provided in subparagraph (B), a Federal agency participating in the program under this subsection shall use a portion of the funds authorized for uses under paragraph (1) to carry out the policy directive required under subsection (j)(2)(F) and to increase the participation of States with respect to which a low level of SBIR awards have historically been awarded.

**【(B) WAIVER.—**A Federal agency may request the Administrator to waive the requirement contained in sub-

paragraph (A). Such request shall include an explanation of why the waiver is necessary. The Administrator may grant the waiver based on a determination that the agency has demonstrated a sufficient need for the waiver, that the outreach objectives of the agency are being met, and that there is increased participation by States with respect to which a low level of SBIR awards have historically been awarded.】

(2) *OUTREACH AND TECHNICAL ASSISTANCE.*—A Federal agency participating in the program under this subsection shall use a portion of the funds authorized for uses under paragraph (1) to carry out the policy directive required under subsection (j)(2)(F) and to increase the participation of States with respect to which a low level of SBIR awards have historically been awarded.

(3) *PERFORMANCE CRITERIA.*—A Federal agency may not use funds as authorized under paragraph (1) until after the effective date of performance criteria, which the Administrator shall establish, to measure any benefits of using funds as authorized under paragraph (1) and to assess continuation of the authority under paragraph (1).

(4) *RULES.*—Not later than 180 days after the date of enactment of this subsection, the Administrator shall issue rules to carry out this subsection.

(5) *COORDINATION WITH IG.*—Each Federal agency shall coordinate the activities funded under subparagraph (E), (F), or (G) of paragraph (1) with their respective Inspectors General, when appropriate, and each Federal agency that allocates more than \$50,000,000 to the SBIR program of the Federal agency for a fiscal year may share such funding with its Inspector General when the Inspector General performs such activities.

(6) *REPORTING.*—The Administrator shall collect data and provide to the Committee on Small Business and Entrepreneurship of the Senate and the Committee on Small Business, the Committee on Science, Space, and Technology, and the Committee on Appropriations of the House of Representatives a report on the use of funds under this subsection, including funds used to achieve the objectives of 【paragraph (2)(A) and any use of the waiver authority under paragraph (2)(B)】 *paragraph (2).*

(nn) *ANNUAL REPORT ON SBIR AND STTR PROGRAM GOALS.*—

(1) *DEVELOPMENT OF METRICS.*—The head of each Federal agency required to participate in the SBIR program or the STTR program shall develop metrics to evaluate the effectiveness and the benefit to the people of the United States of the SBIR program and the STTR program of the Federal agency that—

- (A) are science-based and statistically driven;
- (B) reflect the mission of the Federal agency; and
- (C) include factors relating to the economic impact of the programs.

(2) *EVALUATION.*—The head of each Federal agency described in paragraph (1) shall conduct an annual evaluation using the metrics developed under paragraph (1) of—

- (A) the SBIR program and the STTR program of the Federal agency; and
  - (B) the benefits to the people of the United States of the SBIR program and the STTR program of the Federal agency.
- (3) REPORT.—
- (A) IN GENERAL.—The head of each Federal agency described in paragraph (1) shall submit to the appropriate committees of Congress and the Administrator an annual report describing in detail the results of an evaluation conducted under paragraph (2).
  - (B) PUBLIC AVAILABILITY OF REPORT.—The head of each Federal agency described in paragraph (1) shall make each report submitted under subparagraph (A) available to the public online.
  - (C) DEFINITION.—In this paragraph, the term “appropriate committees of Congress” means—
    - (i) the Committee on Small Business and Entrepreneurship of the Senate; and
    - (ii) the Committee on Small Business and the Committee on Science, Space, and Technology of the House of Representatives.
- (oo) COMPETITIVE SELECTION PROCEDURES FOR SBIR AND STTR PROGRAMS.—All funds awarded, appropriated, or otherwise made available in accordance with subsection (f) or (n) must be awarded pursuant to competitive and merit-based selection procedures.
- (pp) LIMITATION ON PILOT PROGRAMS.—
- (1) EXISTING PILOT PROGRAMS.—The Administrator may only carry out a covered pilot program that is in operation on the date of enactment of this subsection during the 3-year period beginning on such date of enactment.
  - (2) NEW PILOT PROGRAMS.—The Administrator may only carry out a covered pilot program established after the date of enactment of this subsection—
    - (A) during the 3-year period beginning on the date on which such program is established; and
    - (B) if such program does not continue and is not based on, in any manner, a previously established covered pilot program.
  - (3) COVERED PILOT PROGRAM DEFINED.—In this subsection, the term “covered pilot program” means any initiative, project, innovation, or other activity—
    - (A) established by the Administrator;
    - (B) relating to an SBIR or STTR program; and
    - (C) not specifically authorized by law.
- (qq) MINIMUM STANDARDS FOR PARTICIPATION.—
- (1) PROGRESS TO PHASE II SUCCESS.—
    - (A) ESTABLISHMENT OF SYSTEM AND MINIMUM COMMERCIALIZATION RATE.—Not later than 1 year after the date of enactment of this subsection, the head of each Federal agency participating in the SBIR or STTR program shall—
      - (i) establish a system to measure, where appropriate, the success of small business concerns with respect to the receipt of Phase II SBIR or STTR awards

for projects that have received Phase I SBIR or STTR awards;

(ii) establish a minimum performance standard for small business concerns with respect to the receipt of Phase II SBIR or STTR awards for projects that have received Phase I SBIR or STTR awards; and

(iii) begin evaluating, each fiscal year, whether each small business concern that received a Phase I SBIR or STTR award from the agency meets the minimum performance standard established under clause (ii).

(B) CONSEQUENCE OF FAILURE TO MEET MINIMUM COMMERCIALIZATION RATE.—If the head of a Federal agency determines that a small business concern that received a Phase I SBIR or STTR award from the agency is not meeting the minimum performance standard established under subparagraph (A)(ii), such concern may not participate in Phase I (or Phase II if under the authority of subsection (cc)) of the SBIR or STTR program of that agency during the 1-year period beginning on the date on which such determination is made.

(2) PROGRESS TO PHASE III SUCCESS.—

(A) ESTABLISHMENT OF SYSTEM AND MINIMUM COMMERCIALIZATION RATE.—Not later than 2 years after the date of enactment of this subsection, the head of each Federal agency participating in the SBIR or STTR program shall—

(i) establish a system to measure, where appropriate, the success of small business concerns with respect to the receipt of Phase III SBIR or STTR awards for projects that have received Phase I SBIR or STTR awards;

(ii) establish a minimum performance standard for small business concerns with respect to the receipt of Phase III SBIR or STTR awards for projects that have received Phase I SBIR or STTR awards; and

(iii) begin evaluating, each fiscal year, whether each small business concern that received a Phase I SBIR or STTR award from the agency meets the minimum performance standard established under clause (ii).

(B) CONSEQUENCE OF FAILURE TO MEET MINIMUM COMMERCIALIZATION RATE.—If the head of a Federal agency determines that a small business concern that received a Phase I SBIR or STTR award from the agency is not meeting the minimum performance standard established under subparagraph (A)(ii), such concern may not participate in Phase I (or Phase II if under the authority of subsection (cc)) of the SBIR or STTR program of that agency during the 1-year period beginning on the date on which such determination is made.

(3) ADMINISTRATION OVERSIGHT.—

(A) APPROVAL AND PUBLICATION OF SYSTEMS AND MINIMUM PERFORMANCE STANDARDS.—Each system and minimum performance standard established under paragraph (1) or paragraph (2) shall be submitted by the head of the applicable Federal agency to the Administrator and shall be subject to the approval of the Administrator. In making

a determination with respect to approval, the Administrator shall ensure that the minimum performance standard exceeds a de minimis level. The Administrator shall publish on the Internet Web site of the Administration the systems and minimum performance standards approved.

(B) SUBMISSION OF EVALUATION RESULTS BY AGENCY.—The head of each covered Federal agency shall submit to the Administrator the results of each evaluation conducted under paragraph (1) or paragraph (2).

(4) REQUIREMENT OF NOTICE AND COMMENT.—Each system and minimum performance standard established under paragraph (1) or paragraph (2) and each approval provided by the Administrator under paragraph (3)(A), at least 60 days before becoming effective, shall be preceded by the provision of notice of and an opportunity for public comment on such system, standard, or approval.

(rr) PUBLICATION OF CERTAIN INFORMATION.—In order to increase the number of small businesses receiving awards under the SBIR or STTR programs of participating agencies, and to simplify the application process for such awards, the Administrator shall establish and maintain a public Internet Web site on which the Administrator shall publish such information relating to notice of and application for awards under the SBIR program and STTR program of each participating Federal agency as the Administrator determines appropriate.

(ss) REPORT ON ENHANCEMENT OF MANUFACTURING ACTIVITIES.—Not later than October 1, 2013, and annually thereafter, the head of each Federal agency that makes more than \$50,000,000 in awards under the SBIR and STTR programs of the agency combined shall submit to the Administrator, for inclusion in the annual report required under subsection (b)(7), information that includes—

(1) a description of efforts undertaken by the head of the Federal agency to enhance United States manufacturing activities;

(2) a comprehensive description of the actions undertaken each year by the head of the Federal agency in carrying out the SBIR or STTR program of the agency in support of Executive Order 13329 (69 Fed. Reg. 9181; relating to encouraging innovation in manufacturing);

(3) an assessment of the effectiveness of the actions described in paragraph (2) at enhancing the research and development of United States manufacturing technologies and processes;

(4) a description of efforts by vendors selected to provide discretionary technical assistance under subsection (q)(1) to help SBIR and STTR concerns manufacture in the United States; and

(5) recommendations that the program managers of the SBIR or STTR program of the agency consider appropriate for additional actions to increase the effectiveness of enhancing manufacturing activities.

(tt) ANNUAL MEETING.—

(1) IN GENERAL.—The head of each Federal agency required to have a program under this section (or a designee) and the

Administrator (or a designee) shall meet annually to discuss methods—

(A) to improve the collection of data under this section;

(B) to improve the reporting of data to the Administrator under this section;

(C) to make the application processes for programs under this section more efficient; and

(D) to increase participation in the programs established under this section.

(2) *REPORT.*—Not later than 60 days after the date on which an annual meeting required under paragraph (1) is held, the Administrator shall submit to the Committee on Small Business and Entrepreneurship of the Senate and the Committee on Small Business and the Committee on Science, Space, and Technology of the House of Representatives, a report on the findings of such meeting and recommendations on how to implement changes to programs under this section.

(uu) *COMMERCIALIZATION ASSISTANCE PILOT PROGRAMS.*—

(1) *PILOT PROGRAMS IMPLEMENTED.*—

(A) *IN GENERAL.*—Except as provided in subparagraph (B), not later than one year after the date of the enactment of this subsection, a covered agency shall implement a commercialization assistance pilot program, under which an eligible entity may receive a subsequent Phase II SBIR award.

(B) *EXCEPTION.*—If the Administrator determines that a covered agency has a program that is sufficiently similar to the commercialization assistance pilot program established under this subsection, such covered agency shall not be required to implement a commercialization assistance pilot program under this subsection.

(2) *PERCENT OF AGENCY FUNDS.*—The head of each covered agency may allocate not more than 5 percent of the funds allocated to the SBIR program of the covered agency for the purpose of making a subsequent Phase II SBIR award under the commercialization assistance pilot program.

(3) *TERMINATION.*—A commercialization assistance pilot program established under this subsection shall terminate on September 30, 2022.

(4) *APPLICATION.*—To be selected to receive a subsequent Phase II SBIR award under a commercialization assistance pilot program, an eligible entity shall submit to the covered agency implementing such pilot program an application at such time, in such manner, and containing such information as the covered agency may require, including—

(A) an updated Phase II commercialization plan; and

(B) the source and amount of the matching funding required under paragraph (5).

(5) *MATCHING FUNDING.*—

(A) *IN GENERAL.*—The Administrator shall require, as a condition of any subsequent Phase II SBIR award made to an eligible entity under this subsection, that a matching amount (excluding any fees collected by the eligible entity receiving such award) equal to the amount of such award be provided from an eligible third-party investor.

(B) *INELIGIBLE SOURCES.*—An eligible entity may not use funding from ineligible sources to meet the matching requirement of subparagraph (A).

(6) *AWARD.*—A subsequent Phase II SBIR award made to an eligible entity under this subsection—

(A) may not exceed the limitation described under subsection (aa)(1); and

(B) shall be disbursed during Phase II.

(7) *USE OF FUNDS.*—The funds awarded to an eligible entity under this subsection may only be used for research and development activities that build on eligible entity's Phase II program and ensure the research funded under such Phase II is rapidly progressing towards commercialization.

(8) *SELECTION.*—In selecting eligible entities to participate in a commercialization assistance pilot program under this subsection, the head of a covered agency shall consider—

(A) the extent to which such award could aid the eligible entity in commercializing the research funded under the eligible entity's Phase II program;

(B) whether the updated Phase II commercialization plan submitted under paragraph (4) provides a sound approach for establishing technical feasibility that could lead to commercialization of such research;

(C) whether the proposed activities to be conducted under such updated Phase II commercialization plan further improve the likelihood that such research will provide societal benefits;

(D) whether the small business concern has progressed satisfactorily in Phase II to justify receipt of a subsequent Phase II SBIR award;

(E) the expectations of the eligible third-party investor that provides matching funding under paragraph (5); and

(F) the likelihood that the proposed activities to be conducted under such updated Phase II commercialization plan using matching funding provided by such eligible third-party investor will lead to commercial and societal benefit.

(9) *EVALUATION REPORT.*—Not later than 3 years after the date of the enactment of this subsection, the Comptroller General of the United States shall submit to the Committee on Science, Space, and Technology and the Committee on Small Business of the House of Representatives, and the Committee on Small Business and Entrepreneurship of the Senate, a report including—

(A) a summary of the activities of commercialization assistance pilot programs carried out under this subsection;

(B) a detailed compilation of results achieved by such commercialization assistance pilot programs, including the number of eligible entities that received awards under such programs;

(C) the rate at which each eligible entity that received a subsequent Phase II SBIR award under this subsection commercialized research of the recipient;

(D) the growth in employment and revenue of eligible entities that is attributable to participation in a commercialization assistance pilot program;

(E) a comparison of commercialization success of eligible entities participating in a commercialization assistance pilot program with recipients of an additional Phase II SBIR award under subsection (ff);

(F) demographic information, such as ethnicity and geographic location, of eligible entities participating in a commercialization assistance pilot program;

(G) an accounting of the funds used at each covered agency that implements a commercialization assistance pilot program under this subsection;

(H) the amount of matching funding provided by eligible third-party investors, set forth separately by source of funding;

(I) an analysis of the effectiveness of the commercialization assistance pilot program implemented by each covered agency; and

(J) recommendations for improvements to the commercialization assistance pilot program.

(10) DEFINITIONS.—For purposes of this subsection:

(A) COVERED AGENCY.—The term “covered agency” means a Federal agency required to have an SBIR program.

(B) ELIGIBLE ENTITY.—The term “eligible entity” means a small business concern that has received a Phase II award under an SBIR program and an additional Phase II SBIR award under subsection (ff) from the covered agency to which such small business concern is applying for a subsequent Phase II SBIR award.

(C) ELIGIBLE THIRD-PARTY INVESTOR.—The term “eligible third-party investor” means a small business concern other than an eligible entity, a venture capital firm, an individual investor, a non-SBIR Federal, State or local government, or any combination thereof.

(D) INELIGIBLE SOURCES.—The term “ineligible sources” means the following:

(i) The eligible entity’s internal research and development funds.

(ii) Funding in forms other than cash, such as in-kind or other intangible assets.

(iii) Funding from the owners of the eligible entity, or the family members or affiliates of such owners.

(iv) Funding attained through loans or other forms of debt obligations.

(E) SUBSEQUENT PHASE II SBIR AWARD.—The term “subsequent Phase II SBIR award” means an award granted to an eligible entity under this subsection to carry out further commercialization activities for research conducted pursuant to an SBIR program.

\* \* \* \* \*

SEC. 15.

(a) SMALL BUSINESS PROCUREMENTS.—

(1) IN GENERAL.—For purposes of this Act, small business concerns shall receive any award or contract if such award or

contract is, in the determination of the Administrator and the contracting agency, in the interest of—

- (A) maintaining or mobilizing the full productive capacity of the United States;
- (B) war or national defense programs; or
- (C) assuring that a fair proportion of the total purchase and contracts for goods and services of the Government in each industry category (as defined under paragraph (2)) are awarded to small business concerns.

(2) INDUSTRY CATEGORY DEFINED.—

(A) IN GENERAL.—In this subsection, the term “industry category” means a discrete group of similar goods and services, as determined by the Administrator in accordance with the North American Industry Classification System codes used to establish small business size standards, except that the Administrator shall limit an industry category to a greater extent than provided under the North American Industry Classification System codes if the Administrator receives evidence indicating that further segmentation of the industry category is warranted—

- (i) due to special capital equipment needs;
- (ii) due to special labor requirements;
- (iii) due to special geographic requirements, except as provided in subparagraph (B);
- (iv) due to unique Federal buying patterns or requirements; or
- (v) to recognize a new industry.

(B) EXCEPTION FOR GEOGRAPHIC REQUIREMENTS.—The Administrator may not further segment an industry category based on geographic requirements unless—

- (i) the Government typically designates the geographic area where work for contracts for goods or services is to be performed;
- (ii) Government purchases comprise the major portion of the entire domestic market for such goods or services; and
- (iii) it is unreasonable to expect competition from business concerns located outside of the general geographic area due to the fixed location of facilities, high mobilization costs, or similar economic factors.

(3) DETERMINATIONS WITH RESPECT TO AWARDS OR CONTRACTS.—Determinations made pursuant to paragraph (1) may be made for individual awards or contracts, any part of an award or contract or task order, or for classes of awards or contracts or task orders.

(4) INCREASING PRIME CONTRACTING OPPORTUNITIES FOR SMALL BUSINESS CONCERNS.—

(A) DESCRIPTION OF COVERED PROPOSED PROCUREMENTS.—The requirements of this paragraph shall apply to a proposed procurement that includes in its statement of work goods or services currently being supplied or performed by a small business concern and, as determined by the Administrator—

(i) is in a quantity or of an estimated dollar value which makes the participation of a small business concern as a prime contractor unlikely;

(ii) in the case of a proposed procurement for construction, seeks to bundle or consolidate discrete construction projects; or

(iii) is a solicitation that involves an unnecessary or unjustified bundling of contract requirements.

(B) NOTICE TO PROCUREMENT CENTER REPRESENTATIVES.—With respect to proposed procurements described in subparagraph (A), at least 30 days before issuing a solicitation and concurrent with other processing steps required before issuing the solicitation, the contracting agency shall provide a copy of the proposed procurement to the procurement center representative of the contracting agency (as described in subsection (1)) along with a statement explaining—

(i) why the proposed procurement cannot be divided into reasonably small lots (not less than economic production runs) to permit offers on quantities less than the total requirement;

(ii) why delivery schedules cannot be established on a realistic basis that will encourage the participation of small business concerns in a manner consistent with the actual requirements of the Government;

(iii) why the proposed procurement cannot be offered to increase the likelihood of the participation of small business concerns;

(iv) in the case of a proposed procurement for construction, why the proposed procurement cannot be offered as separate discrete projects; or

(v) why the contracting agency has determined that the bundling of contract requirements is necessary and justified.

(C) ALTERNATIVES TO INCREASE PRIME CONTRACTING OPPORTUNITIES FOR SMALL BUSINESS CONCERNS.—If the procurement center representative believes that the proposed procurement will make the participation of small business concerns as prime contractors unlikely, the procurement center representative, within 15 days after receiving the statement described in subparagraph (B), shall recommend to the contracting agency alternative procurement methods for increasing prime contracting opportunities for small business concerns.

(D) FAILURE TO AGREE ON AN ALTERNATIVE PROCUREMENT METHOD.—If the procurement center representative and the contracting agency fail to agree on an alternative procurement method, the Administrator shall submit the matter to the head of the appropriate department or agency for a determination.

(5) CONTRACTS FOR SALE OF GOVERNMENT PROPERTY.—With respect to a contract for the sale of Government property, small business concerns shall receive any such contract if, in the determination of the Administrator and the disposal agency, the award of such contract is in the interest of assuring

that a fair proportion of the total sales of Government property be made to small business concerns.

(6) SALE OF ELECTRICAL POWER OR OTHER PROPERTY.—Nothing in this subsection shall be construed to change any preferences or priorities established by law with respect to the sale of electrical power or other property by the Federal Government.

(7) COSTS EXCEEDING FAIR MARKET PRICE.—A contract may not be awarded under this subsection if the cost of the contract to the awarding agency exceeds a fair market price.

(b) With respect to any work to be performed the amount of which would exceed the maximum amount of any contract for which a surety may be guaranteed against loss under section 411 of the Small Business Investment Act of 1958 (15 U.S.C. 694(b)), the contracting procurement agency shall, to the extent practicable, place contracts so as to allow more than one small business concern to perform such work.

(c)(1) As used in this subsection:

(A) The term “Committee” means the Committee for Purchase from the Blind and Other Severely Handicapped established under the first section of the Act entitled “An Act to create a Committee on Purchases of Blind-made Products, and for other purposes”, approved June 25, 1938 (41 U.S.C. 46).

(B) The term “public or private organization for the handicapped” has the same meaning given such term in section 3(e).

(C) The term “handicapped individual” has the same meaning given such term in section 3(f).

(2)(A) During fiscal year 1995, public or private organizations for the handicapped shall be eligible to participate in programs authorized under this section in an aggregate amount not to exceed \$40,000,000.

(B) None of the amounts authorized for participation by subparagraph (A) may be placed on the procurement list maintained by the Committee pursuant to section 2 of the Act entitled “An Act to create a Committee on Purchases of Blind-made Products, and for other purposes”, approved June 25, 1938 (41 U.S.C. 47).

(3) The Administrator shall monitor and evaluate such participation.

(4)(A) Not later than ten days after the announcement of a proposed award of a contract by an agency or department to a public or private organization for the handicapped, a for-profit small business concern that has experienced or is likely to experience severe economic injury as the result of the proposed award may file an appeal of the proposed award with the Administrator.

(B) If such a concern files an appeal of a proposed award under subparagraph (A) and the Administrator, after consultation with the Executive Director of the Committee, finds that the concern has experienced or is likely to experience severe economic injury as the result of the proposed award, not later than thirty days after the filing of the appeal, the Administration shall require each agency and department having procurement powers to take such action as may be appropriate to alleviate economic injury sustained or likely to be sustained by the concern.

(5) Each agency and department having procurement powers shall report to the Office of Federal Procurement Policy each time

a contract subject to paragraph (2)(A) is entered into, and shall include in its report the amount of the next higher bid submitted by a for-profit small business concern. The Office of Federal Procurement Policy shall collect data reported under the preceding sentence through the Federal procurement data system and shall report to the Administration which shall notify all such agencies and departments when the maximum amount of awards authorized under paragraph (2)(A) has been made during any fiscal year.

(6) For the purpose of this subsection, a contract may be awarded only if at least 75 per centum of the direct labor performed on each item being produced under the contract in the sheltered workshop or performed in providing each type of service under the contract by the sheltered workshop is performed by handicapped individuals.

(7) Agencies awarding one or more contracts to such an organization pursuant to the provisions of this subsection may use multiyear contracts, if appropriate.

(d) For purposes of this section priority shall be given to the awarding of contracts and the placement of subcontracts to small business concerns which shall perform a substantial proportion of the production on those contracts and subcontracts within areas of concentrated unemployment or underemployment or within labor surplus areas. Notwithstanding any other provision of law, total labor surplus area set-asides pursuant to Defense Manpower Policy Number 4 (32A C.F.R. Chapter 1) or any successor policy shall be authorized if the Secretary or his designee specifically determines that there is a reasonable expectation that offers will be obtained from a sufficient number of eligible concerns so that awards will be made at reasonable prices. As soon as practicable and to the extent possible, in determining labor surplus areas, consideration shall be given to those persons who would be available for employment were suitable employment available. Until such definition reflects such number, the present criteria of such policy shall govern.

(e) PROCUREMENT STRATEGIES; CONTRACT BUNDLING.—

(1) IN GENERAL.—To the maximum extent practicable, procurement strategies used by a Federal department or agency having contracting authority shall facilitate the maximum participation of small business concerns as prime contractors, subcontractors, and suppliers, and each such Federal department or agency shall—

(A) provide opportunities for the participation of small business concerns during acquisition planning processes and in acquisition plans; and

(B) invite the participation of the appropriate Director of Small and Disadvantaged Business Utilization in acquisition planning processes and provide that Director access to acquisition plans.

(2) MARKET RESEARCH.—

(A) IN GENERAL.—Before proceeding with an acquisition strategy that could lead to a contract containing consolidated procurement requirements, the head of an agency shall conduct market research to determine whether consolidation of the requirements is necessary and justified.

(B) FACTORS.—For purposes of subparagraph (A), consolidation of the requirements may be determined as being

necessary and justified if, as compared to the benefits that would be derived from contracting to meet those requirements if not consolidated, the Federal Government would derive from the consolidation measurably substantial benefits, including any combination of benefits that, in combination, are measurably substantial. Benefits described in the preceding sentence may include the following:

- (i) Cost savings.
- (ii) Quality improvements.
- (iii) Reduction in acquisition cycle times.
- (iv) Better terms and conditions.
- (v) Any other benefits.

(C) REDUCTION OF COSTS NOT DETERMINATIVE.—The reduction of administrative or personnel costs alone shall not be a justification for bundling of contract requirements unless the cost savings are expected to be substantial in relation to the dollar value of the procurement requirements to be consolidated.

(3) STRATEGY SPECIFICATIONS.—If the head of a contracting agency determines that an acquisition plan for a procurement involves a substantial bundling of contract requirements, the head of a contracting agency shall publish a notice on a public website that such determination has been made not later than 7 days after making such determination. Any solicitation for a procurement related to the acquisition plan may not be published earlier than 7 days after such notice is published. Along with the publication of the solicitation, the head of a contracting agency shall publish a justification for the determination, which shall include the following information:

(A) The specific benefits anticipated to be derived from the bundling of contract requirements and a determination that such benefits justify the bundling.

(B) An identification of any alternative contracting approaches that would involve a lesser degree of bundling of contract requirements.

(C) An assessment of—

(i) the specific impediments to participation by small business concerns as prime contractors that result from the bundling of contract requirements; and

(ii) the specific actions designed to maximize participation of small business concerns as subcontractors (including suppliers) at various tiers under the contract or contracts that are awarded to meet the requirements.

(4) CONTRACT TEAMING.—

(A) IN GENERAL.—In the case of a solicitation of offers for a bundled or consolidated contract that is issued by the head of an agency, a small business concern that provides for use of a particular team of subcontractors or a joint venture of small business concerns may submit an offer for the performance of the contract.

(B) EVALUATION OF OFFERS.—The head of the agency shall evaluate an offer described in subparagraph (A) in the same manner as other offers, with due consideration to

the capabilities of all of the proposed subcontractors or members of the joint venture as follows:

(i) TEAMS.—When evaluating an offer of a small business prime contractor that includes a proposed team of small business subcontractors, the head of the agency shall consider the capabilities and past performance of each first tier subcontractor that is part of the team as the capabilities and past performance of the small business prime contractor.

(ii) JOINT VENTURES.—When evaluating an offer of a joint venture of small business concerns, if the joint venture does not demonstrate sufficient capabilities or past performance to be considered for award of a contract opportunity, the head of the agency shall consider the capabilities and past performance of each member of the joint venture as the capabilities and past performance of the joint venture.

(C) STATUS AS A SMALL BUSINESS CONCERN.—Participation of a small business concern in a team or a joint venture under this paragraph shall not affect the status of that concern as a small business concern for any other purpose.

(f) CONTRACTING PREFERENCE FOR SMALL BUSINESS CONCERNS IN A MAJOR DISASTER AREA.—

(1) DEFINITION.—In this subsection, the term “disaster area” means the area for which the President has declared a major disaster, during the period of the declaration.

(2) CONTRACTING PREFERENCE.—An agency shall provide a contracting preference for a small business concern located in a disaster area if the small business concern will perform the work required under the contract in the disaster area.

(3) CREDIT FOR MEETING CONTRACTING GOALS.—If an agency awards a contract to a small business concern under the circumstances described in paragraph (2), the value of the contract shall be doubled for purposes of determining compliance with the goals for procurement contracts under subsection (g)(1)(A).

(g)

(1) GOVERNMENTWIDE GOALS.—

(A) ESTABLISHMENT.—The President shall annually establish Governmentwide goals for procurement contracts awarded to small business concerns, small business concerns owned and controlled by service-disabled veterans, qualified HUBZone small business concerns, small business concerns owned and controlled by socially and economically disadvantaged individuals, and small business concerns owned and controlled by women in accordance with the following:

(i) The Governmentwide goal for participation by small business concerns shall be established at not less than 23 percent of the total value of all prime contract awards for each fiscal year. In meeting this goal, the Government shall ensure the participation of small business concerns from a wide variety of indus-

tries and from a broad spectrum of small business concerns within each industry.

(ii) The Governmentwide goal for participation by small business concerns owned and controlled by service-disabled veterans shall be established at not less than 3 percent of the total value of all prime contract and subcontract awards for each fiscal year.

(iii) The Governmentwide goal for participation by qualified HUBZone small business concerns shall be established at not less than 3 percent of the total value of all prime contract and subcontract awards for each fiscal year.

(iv) The Governmentwide goal for participation by small business concerns owned and controlled by socially and economically disadvantaged individuals shall be established at not less than 5 percent of the total value of all prime contract and subcontract awards for each fiscal year.

(v) The Governmentwide goal for participation by small business concerns owned and controlled by women shall be established at not less than 5 percent of the total value of all prime contract and subcontract awards for each fiscal year.

(B) ACHIEVEMENT OF GOVERNMENTWIDE GOALS.—Each agency shall have an annual goal that presents, for that agency, the maximum practicable opportunity for small business concerns, small business concerns owned and controlled by service-disabled veterans, qualified HUBZone small business concerns, small business concerns owned and controlled by socially and economically disadvantaged individuals, and small business concerns owned and controlled by women to participate in the performance of contracts let by such agency. The Small Business Administration and the Administrator for Federal Procurement Policy shall, when exercising their authority pursuant to paragraph (2), insure that the cumulative annual prime contract goals for all agencies meet or exceed the annual Governmentwide prime contract goal established by the President pursuant to this paragraph.

(2)(A) The head of each Federal agency shall, after consultation with the Administration, establish goals for the participation by small business concerns, by small business concerns owned and controlled by service-disabled veterans, by qualified HUBZone small business concerns, by small business concerns owned and controlled by socially and economically disadvantaged individuals, and by small business concerns owned and controlled by women in procurement contracts of such agency. Such goals shall separately address prime contract awards and subcontract awards for each category of small business covered.

(B) Goals established under this subsection shall be jointly established by the Administration and the head of each Federal agency and shall realistically reflect the potential of small business concerns, small business concerns owned and controlled by service-disabled veterans, qualified HUBZone small business concerns, small business concerns owned and controlled by socially and economi-

cally disadvantaged individuals, and small business concerns owned and controlled by women to perform such contracts and to perform subcontracts under such contracts.

(C) Whenever the Administration and the head of any Federal agency fail to agree on established goals, the disagreement shall be submitted to the Administrator for Federal Procurement Policy for final determination.

(D) After establishing goals under this paragraph for a fiscal year, the head of each Federal agency shall develop a plan for achieving such goals at both the prime contract and the subcontract level, which shall apportion responsibilities among the agency's acquisition executives and officials. In establishing goals under this paragraph, the head of each Federal agency shall make a consistent effort to annually expand participation by small business concerns from each industry category in procurement contracts and subcontracts of such agency, including participation by small business concerns owned and controlled by service-disabled veterans, qualified HUBZone small business concerns, small business concerns owned and controlled by socially and economically disadvantaged individuals, and small business concerns owned and controlled by women.

(E) The head of each Federal agency, in attempting to attain expanded participation under subparagraph (D), shall consider—

(i) contracts awarded as the result of unrestricted competition; and

(ii) contracts awarded after competition restricted to eligible small business concerns under this section and under the program established under section 8(a).

(F)(i) Each procurement employee or program manager described in clause (ii) shall communicate to the subordinates of the procurement employee or program manager the importance of achieving goals established under subparagraph (A).

(ii) A procurement employee or program manager described in this clause is a senior procurement executive, senior program manager, or Director of Small and Disadvantaged Business Utilization of a Federal agency having contracting authority.

(3) First tier subcontracts that are awarded by Management and Operating contractors sponsored by the Department of Energy to small business concerns, small businesses concerns owned and controlled by service disabled veterans, qualified HUBZone small business concerns, small business concerns owned and controlled by socially and economically disadvantaged individuals, and small business concerns owned and controlled by women, shall be considered toward the annually established agency and Government-wide goals for procurement contracts awarded.

(h) REPORTING ON GOALS FOR PROCUREMENT CONTRACTS AWARDED TO SMALL BUSINESS CONCERNS.—

(1) AGENCY REPORTS.—At the conclusion of each fiscal year, the head of each Federal agency shall submit to the Administrator a report describing—

(A) the extent of the participation by small business concerns, small business concerns owned and controlled by veterans (including service-disabled veterans), qualified

HUBZone small business concerns, small business concerns owned and controlled by socially and economically disadvantaged individuals, and small business concerns owned and controlled by women in the procurement contracts of such agency during such fiscal year;

(B) whether the agency achieved the goals established for the agency under subsection (g)(2) with respect to such fiscal year;

(C) any justifications for a failure to achieve such goals; and

(D) a remediation plan with proposed new practices to better meet such goals, including analysis of factors leading to any failure to achieve such goals.

(2) REPORTS BY ADMINISTRATOR.—Not later than 60 days after receiving a report from each Federal agency under paragraph (1) with respect to a fiscal year, the Administrator shall submit to the President and Congress, and to make available on a public Web site, a report that includes—

(A) a copy of each report submitted to the Administrator under paragraph (1);

(B) a determination of whether each goal established by the President under subsection (g)(1) for such fiscal year was achieved;

(C) a determination of whether each goal established by the head of a Federal agency under subsection (g)(2) for such fiscal year was achieved;

(D) the reasons for any failure to achieve a goal established under paragraph (1) or (2) of subsection (g) for such fiscal year and a description of actions planned by the applicable agency to address such failure, including the Administrator's comments and recommendations on the proposed remediation plan; and

(E) for the Federal Government and each Federal agency, an analysis of the number and dollar amount of prime contracts awarded during such fiscal year to—

(i) small business concerns—

(I) in the aggregate;

(II) through sole source contracts;

(III) through competitions restricted to small business concerns; and

(IV) through unrestricted competition;

(ii) small business concerns owned and controlled by service-disabled veterans—

(I) in the aggregate;

(II) through sole source contracts;

(III) through competitions restricted to small business concerns;

(IV) through competitions restricted to small business concerns owned and controlled by service-disabled veterans; and

(V) through unrestricted competition;

(iii) qualified HUBZone small business concerns—

(I) in the aggregate;

(II) through sole source contracts;

- (III) through competitions restricted to small business concerns;
- (IV) through competitions restricted to qualified HUBZone small business concerns;
- (V) through unrestricted competition where a price evaluation preference was used; and
- (VI) through unrestricted competition where a price evaluation preference was not used;
- (iv) small business concerns owned and controlled by socially and economically disadvantaged individuals—
  - (I) in the aggregate;
  - (II) through sole source contracts;
  - (III) through competitions restricted to small business concerns;
  - (IV) through competitions restricted to small business concerns owned and controlled by socially and economically disadvantaged individuals;
  - (V) through unrestricted competition; and
  - (VI) by reason of that concern's certification as a small business owned and controlled by socially and economically disadvantaged individuals;
- (v) small business concerns owned by an Indian tribe (as such term is defined in section 8(a)(13)) other than an Alaska Native Corporation—
  - (I) in the aggregate;
  - (II) through sole source contracts;
  - (III) through competitions restricted to small business concerns;
  - (IV) through competitions restricted to small business concerns owned and controlled by socially and economically disadvantaged individuals; and
  - (V) through unrestricted competition;
- (vi) small business concerns owned by a Native Hawaiian Organization—
  - (I) in the aggregate;
  - (II) through sole source contracts;
  - (III) through competitions restricted to small business concerns;
  - (IV) through competitions restricted to small business concerns owned and controlled by socially and economically disadvantaged individuals; and
  - (V) through unrestricted competition;
- (vii) small business concerns owned by an Alaska Native Corporation—
  - (I) in the aggregate;
  - (II) through sole source contracts;
  - (III) through competitions restricted to small business concerns;
  - (IV) through competitions restricted to small business concerns owned and controlled by socially and economically disadvantaged individuals; and
  - (V) through unrestricted competition; and

(viii) small business concerns owned and controlled by women—

(I) in the aggregate;

(II) through competitions restricted to small business concerns;

(III) through competitions restricted using the authority under section 8(m)(2);

(IV) through competitions restricted using the authority under section 8(m)(2) and in which the waiver authority under section 8(m)(3) was used;

(V) through sole source contracts awarded using the authority under subsection 8(m)(7);

(VI) through sole source contracts awarded using the authority under section 8(m)(8);

(VII) by industry for contracts described in subclause (III), (IV), (V), or (VI); and

(VIII) through unrestricted competition; and

(F) for the Federal Government, the number, dollar amount, and distribution with respect to the North American Industry Classification System of subcontracts awarded during such fiscal year to small business concerns, small business concerns owned and controlled by service-disabled veterans, qualified HUBZone small business concerns, small business concerns owned and controlled by socially and economically disadvantaged individuals, and small business concerns owned and controlled by women, provided that such information is publicly available through data systems developed pursuant to the Federal Funding Accountability and Transparency Act of 2006 (Public Law 109–282), or otherwise available as provided in paragraph (3).

(3) PROCUREMENT DATA.—

(A) FEDERAL PROCUREMENT DATA SYSTEM.—

(i) IN GENERAL.—To assist in the implementation of this section, the Administrator shall have access to information collected through the Federal Procurement Data System, Federal Subcontracting Reporting System, or any new or successor system.

(ii) GSA REPORT.—On the date that the Administrator makes available the report required under paragraph (2), the Administrator of the General Services Administration shall submit to the President and Congress, and shall make available on a public website, a report in the same form and manner, and including the same information, as the report required under paragraph (2). The report shall include all procurements made for the period covered by the report and may not exclude any contract awarded.

(B) AGENCY PROCUREMENT DATA SOURCES.—To assist in the implementation of this section, the head of each contracting agency shall provide, upon request of the Administrator, procurement information collected through agency data collection sources in existence at the time of the request. Contracting agencies shall not be required to establish new data collection systems to provide such data.

(i) Nothing in this Act or any other provision of law precludes exclusive small business set-asides for procurements of architectural and engineering services, research, development, test and evaluation, and each Federal agency is authorized to develop such set-asides to further the interests of small business in those areas.

(j)(1) Each contract for the purchase of goods and services that has an anticipated value greater than \$2,500 but not greater than \$100,000 shall be reserved exclusively for small business concerns unless the contracting officer is unable to obtain offers from two or more small business concerns that are competitive with market prices and are competitive with regard to the quality and delivery of the goods or services being purchased.

(2) In carrying out paragraph (1), a contracting officer shall consider a responsive offer timely received from an eligible small business offeror.

(3) Nothing in paragraph (1) shall be construed as precluding an award of a contract with a value not greater than \$100,000 under the authority of subsection (a) of section 8 of this Act, section 2323 of title 10, United States Code, section 712 of the Business Opportunity Development Reform Act of 1988 (Public Law 100-656; 15 U.S.C. 644 note), or section 7102 of the Federal Acquisition Streamlining Act of 1994.

(k) There is hereby established in each Federal agency having procurement powers an office to be known as the "Office of Small and Disadvantaged Business Utilization". The management of each such office shall be vested in an officer or employee of such agency, with experience serving in any combination of the following roles: program manager, deputy program manager, or assistant program manager for Federal acquisition program; chief engineer, systems engineer, assistant engineer, or product support manager for Federal acquisition program; Federal contracting officer; small business technical advisor; contracts administrator for Federal Government contracts; attorney specializing in Federal procurement law; small business liaison officer; officer or employee who managed Federal Government contracts for a small business; or individual whose primary responsibilities were for the functions and duties of section 8, 15, 31, 36, or 44 of this Act. Such officer or employee—

(1) shall be known as the "Director of Small and Disadvantaged Business Utilization" for such agency;

(2) shall be appointed by the head of such agency to a position that is a Senior Executive Service position (as such term is defined under section 3132(a) of title 5, United States Code), except that, for any agency in which the positions of Chief Acquisition Officer and senior procurement executive (as such terms are defined under section 44(a) of this Act) are not Senior Executive Service positions, the Director of Small and Disadvantaged Business Utilization may be appointed to a position compensated at not less than the minimum rate of basic pay payable for grade GS-15 of the General Schedule under section 5332 of such title (including comparability payments under section 5304 of such title);

(3) shall be responsible only to (including with respect to performance appraisals), and report directly and exclusively to, the head of such agency or to the deputy of such head, except that the Director for the Office of the Secretary of Defense

shall be responsible only to (including with respect to performance appraisals), and report directly and exclusively to, such Secretary or the Secretary's designee;

(4) shall be responsible for the implementation and execution of the functions and duties under sections 8, 15, 31, 36, and 44 of this Act which relate to such agency;

(5) shall identify proposed solicitations that involve significant bundling of contract requirements, and work with the agency acquisition officials and the Administration to revise the procurement strategies for such proposed solicitations where appropriate to increase the probability of participation by small businesses as prime contractors, or to facilitate small business participation as subcontractors and suppliers, if a solicitation for a bundled contract is to be issued;

(6) shall assist small business concerns to obtain payments, required late payment interest penalties, or information regarding payments due to such concerns from an executive agency or a contractor, in conformity with chapter 39 of title 31, United States Code, or any other protection for contractors or subcontractors (including suppliers) that is included in the Federal Acquisition Regulation or any individual agency supplement to such Government-wide regulation;

(7) shall have supervisory authority over personnel of such agency to the extent that the functions and duties of such personnel relate to functions and duties under sections 8, 15, 31, 36, and 44 of this Act;

(8) shall assign a small business technical adviser to each office to which the Administration has assigned a procurement center representative—

(A) who shall be a full-time employee of the procuring activity and shall be well qualified, technically trained and familiar with the supplies or services purchased at the activity; and

(B) whose principal duty shall be to assist the Administration procurement center representative in his duties and functions relating to sections 8, 15, 31, 36, and 44 of this Act,

(9) shall cooperate, and consult on a regular basis, with the Administration with respect to carrying out the functions and duties described in paragraph (4) of this subsection;

(10) shall make recommendations to contracting officers as to whether a particular contract requirement should be awarded pursuant to subsection (a), section 8, 15, 31, or 36 of this Act, or section 2323 of title 10, United States Code, which shall be made with due regard to the requirements of subsection (m), and the failure of the contracting officer to accept any such recommendations shall be documented and included within the appropriate contract file;

(11) shall review and advise such agency on any decision to convert an activity performed by a small business concern to an activity performed by a Federal employee;

(12) shall provide to the Chief Acquisition Officer and senior procurement executive of such agency advice and comments on acquisition strategies, market research, and justifications related to section 44 of this Act;

(13) may provide training to small business concerns and contract specialists, except that such training may only be provided to the extent that the training does not interfere with the Director carrying out other responsibilities under this subsection;

(14) shall receive unsolicited proposals and, when appropriate, forward such proposals to personnel of the activity responsible for reviewing such proposals;

(15) shall carry out exclusively the duties enumerated in this Act, and shall, while the Director, not hold any other title, position, or responsibility, except as necessary to carry out responsibilities under this subsection;

(16) shall submit, each fiscal year, to the Committee on Small Business of the House of Representatives and the Committee on Small Business and Entrepreneurship of the Senate a report describing—

(A) the training provided by the Director under paragraph (13) in the most recently completed fiscal year;

(B) the percentage of the budget of the Director used for such training in the most recently completed fiscal year;

(C) the percentage of the budget of the Director used for travel in the most recently completed fiscal year; and

(D) any failure of the agency to comply with section 8, 15, 31, or 36;

(17) shall, when notified by a small business concern prior to the award of a contract that the small business concern believes that a solicitation, request for proposal, or request for quotation unduly restricts the ability of the small business concern to compete for the award—

(A) submit the notice of the small business concern to the contracting officer and, if necessary, recommend ways in which the solicitation, request for proposal, or request for quotation may be altered to increase the opportunity for competition;

(B) inform the advocate for competition of such agency (as established under section 1705 of title 41, United States Code, or section 2318 of title 10, United States Code) of such notice; and

(C) ensure that the small business concern is aware of other resources and processes available to address unduly restrictive provisions in a solicitation, request for proposal, or request for quotation, even if such resources and processes are provided by such agency, the Administration, the Comptroller General, or a procurement technical assistance program established under chapter 142 of title 10, United States Code;

(18) shall review summary data provided by purchase card issuers of purchases made by the agency greater than the micro-purchase threshold (as defined under section 1902 of title 41, United States Code) and less than the simplified acquisition threshold to ensure that the purchases have been made in compliance with the provisions of this Act and have been properly recorded in the Federal Procurement Data System, if the method of payment is a purchase card issued by the Department of Defense pursuant to section 2784 of title 10,

United States Code, or by the head of an executive agency pursuant to section 1909 of title 41, United States Code;

(19) shall provide assistance to a small business concern awarded a contract or subcontract under this Act or under title 10 or title 41, United States Code, in finding resources for education and training on compliance with contracting regulations (including the Federal Acquisition Regulation) after award of such a contract or subcontract; **[and]**

(20) shall review all subcontracting plans required by paragraph (4) or (5) of section 8(d) to ensure that the plan provides maximum practicable opportunity for small business concerns to participate in the performance of the contract to which the plan applies**[.]**;

*(21) shall assist small business concerns participating in a SBIR or STTR program under section 9 with researching applicable solicitations for the award of a Federal contract (particularly with the Federal agency that has a funding agreement (as defined under section 9) with the concern) to market the research developed by such concern under such SBIR or STTR program; and*

*(22) shall provide technical assistance to small business concerns participating in a SBIR or STTR program under section 9 to submit a bid for an award of a Federal contract, including coordination with procurement center representatives and the appropriate senior procurement executive for the agency letting the contract.*

This subsection shall not apply to the Administration.

(1) PROCUREMENT CENTER REPRESENTATIVES.—

(1) ASSIGNMENT AND ROLE.—The Administrator shall assign to each major procurement center a procurement center representative with such assistance as may be appropriate.

(2) ACTIVITIES.—A procurement center representative is authorized to—

(A) attend any provisioning conference or similar evaluation session during which determinations are made as to whether requirements are to be procured through other than full and open competition and make recommendations with respect to such requirements to the members of such conference or session;

(B) review, at any time, barriers to small business participation in Federal contracting previously imposed on goods and services through acquisition method coding or similar procedures, and recommend to personnel of the appropriate activity the prompt reevaluation of such barriers;

(C) review barriers to small business participation in Federal contracting arising out of restrictions on the rights of the United States in technical data, and, when appropriate, recommend that personnel of the appropriate activity initiate a review of the validity of such an asserted restriction;

(D) review any bundled or consolidated solicitation or contract in accordance with this Act;

(E) have access to procurement records and other data of the procurement center commensurate with the level of such representative's approved security clearance classi-

fication, with such data provided upon request in electronic format, when available;

(F) receive unsolicited proposals from small business concerns and transmit such proposals to personnel of the activity responsible for reviewing such proposals, who shall furnish the procurement center representative with information regarding the disposition of any such proposal;

(G) consult with the Director the Office of Small and Disadvantaged Business Utilization of that agency and the agency personnel described in paragraph (7) and (8) of subsection (k) with regard to agency insourcing decisions covered by subsection (k)(11);

(H) be an advocate for the maximum practicable utilization of small business concerns in Federal contracting, including by advocating against the consolidation or bundling of contract requirements when not justified;

(I) assist small business concerns with finding resources for education and training on compliance with contracting regulations (including the Federal Acquisition Regulation) after award of a contract or subcontract; **[and]**

*(J) assist small business concerns participating in a SBIR or STTR program under section 9 with Phase III;*

*(K) coordinate with the appropriate contracting officer and the appropriate Director of the Office of Small and Disadvantaged Business Utilization established pursuant to subsection (k) for the agency letting the contract; and*

**[(J)]** *(L) carry out any other responsibility assigned by the Administrator.*

(3) APPEALS.—A procurement center representative is authorized to appeal the failure to act favorably on any recommendation made pursuant to paragraph (2). Such appeal shall be filed and processed in the same manner and subject to the same conditions and limitations as an appeal filed by the Administrator pursuant to subsection (a).

(4) The Administration shall assign and co-locate at least two small business technical advisers to each major procurement center in addition to such other advisers as may be authorized from time to time. The sole duties of such advisers shall be to assist the procurement center representative for the center to which such advisers are assigned in carrying out the functions described in paragraph (2) and the representatives referred to in subsection (k)(6).

(5) POSITION REQUIREMENTS.—

(A) IN GENERAL.—A procurement center representative assigned under this subsection shall—

(i) be a full-time employee of the Administration;

(ii) be fully qualified, technically trained, and familiar with the goods and services procured by the major procurement center to which that representative is assigned; and

(iii) have the certification described in subparagraph

(C).

(B) COMPENSATION.—The Administrator shall establish personnel positions for procurement center representatives assigned under this subsection, which are classified at a

grade level of the General Schedule sufficient to attract and retain highly qualified personnel.

(C) CERTIFICATION REQUIREMENTS.—

(i) IN GENERAL.—Consistent with the requirements of clause (ii), a procurement center representative shall have a Level III Federal Acquisition Certification in Contracting (or any successor certification) or the equivalent Department of Defense certification, except that any person serving in such a position on or before January 3, 2013, may continue to serve in that position for a period of 5 years without the required certification.

(ii) DELAY OF CERTIFICATION REQUIREMENTS.—

(I) TIMING.—The certification described in clause (i) is not required for any person serving as a procurement center representative until the date that is one calendar year after the date such person is appointed as a procurement center representative.

(II) APPLICATION.—The requirements of subclause (I) shall—

(aa) be included in any initial job posting for the position of a procurement center representative; and

(bb) apply to any person appointed as a procurement center representative after January 3, 2013.

(6) MAJOR PROCUREMENT CENTER DEFINED.—For purposes of this subsection, the term “major procurement center” means a procurement center that, in the opinion of the Administrator, purchases substantial dollar amounts of goods or services, including goods or services that are commercially available.

(7) TRAINING.—

(A) AUTHORIZATION.—At such times as the Administrator deems appropriate, the breakout procurement center representative shall conduct familiarization sessions for contracting officers and other appropriate personnel of the procurement center to which such representative is assigned. Such sessions shall acquaint the participants with the provisions of this subsection and shall instruct them in methods designed to further the purposes of such subsection.

(B) LIMITATION.—A procurement center representative may provide training under subparagraph

(A) only to the extent that the training does not interfere with the representative carrying out other activities under this subsection.

(8) ANNUAL BRIEFING AND REPORT.—A procurement center representative shall prepare and personally deliver an annual briefing and report to the head of the procurement center to which such representative is assigned. Such briefing and report shall detail the past and planned activities of the representative and shall contain such recommendations for improvement in the operation of the center as may be appropriate. The head of such center shall personally receive such

briefing and report and shall, within 60 calendar days after receipt, respond, in writing, to each recommendation made by such representative.

(9) SCOPE OF REVIEW.—The Administrator—

(A) may not limit the scope of review by the procurement center representative for any solicitation of a contract or task order without regard to whether the contract or task order or part of the contract or task order is set aside for small business concerns, whether 1 or more contracts or task order awards are reserved for small business concerns under a multiple award contract, or whether or not the solicitation would result in a bundled or consolidated contract (as defined in subsection (s)) or a bundled or consolidated task order; and

(B) shall, unless the contracting agency requests a review, limit the scope of review by the procurement center representative for any solicitation of a contract or task order if such solicitation is awarded by or for the Department of Defense and—

(i) is conducted pursuant to section 22 of the Arms Export Control Act (22 U.S.C. 2762);

(ii) is a humanitarian operation as defined in section 401(e) of title 10, United States Code;

(iii) is for a contingency operation, as defined in section 101(a)(13) of title 10, United States Code;

(iv) is to be awarded pursuant to an agreement with the government of a foreign country in which Armed Forces of the United States are deployed; or

(v) both the place of award and the place of performance are outside of the United States and its territories.

(m)(1) Each agency subject to the requirements of section 2323 of title 10, United States Code, shall, when implementing such requirements—

(A) establish policies and procedures that insure that there will be no reduction in the number of dollar value of contracts awarded pursuant to this section and section 8

(a) in order to achieve any goal or other program objective; and

(B) assure that such requirements will not alter or change the procurement process used to implement this section or section 8(a).

(2) All procurement center representatives (including those referred to in subsection (k)(6)), in addition to such other duties as may be assigned by the Administrator, shall—

(A) monitor the performance of the procurement activities to which they are assigned to ascertain the degree of compliance with the requirements of paragraph (1);

(B) report to their immediate supervisors all instances of noncompliance with such requirements; and

(C) increase, insofar as possible, the number and dollar value of procurements that may be used for the programs established under this section, section 8(a), and section 2323 of title 10, United States Code.

(n) For purposes of this section, the determination of labor surplus areas shall be made on the basis of the criteria in effect at

the time of the determination, except that any minimum population criteria shall not exceed twenty-five thousand. Such determination, as modified by the preceding sentence, shall be made by the Secretary of Labor.

(o) LIMITATIONS ON SUBCONTRACTING.—A concern may not be awarded a contract under subsection

(a) as a small business concern unless the concern agrees to satisfy the requirements of section 46.

(p) ACCESS TO DATA.—

(1) BUNDLED CONTRACT DEFINED.—In this subsection, the term “bundled contract” has the meaning given such term in section 3(o)(1).

(2) DATABASE.—

(A) IN GENERAL.—Not later than 180 days after the date of the enactment of this subsection, the Administrator of the Small Business Administration shall develop and shall thereafter maintain a database containing data and information regarding—

(i) each bundled contract awarded by a Federal agency; and

(ii) each small business concern that has been displaced as a prime contractor as a result of the award of such a contract.

(3) ANALYSIS.—For each bundled contract that is to be re-competed as a bundled contract, the Administrator shall determine—

(A) the amount of savings and benefits (in accordance with subsection (e)) achieved under the bundling of contract requirements; and

(B) whether such savings and benefits will continue to be realized if the contract remains bundled, and whether such savings and benefits would be greater if the procurement requirements were divided into separate solicitations suitable for award to small business concerns.

(4) ANNUAL REPORT ON CONTRACT BUNDLING.—

(A) IN GENERAL.—Not later than 1 year after the date of the enactment of this paragraph, and annually in March thereafter, the Administration shall transmit a report on contract bundling to the Committees on Small Business of the House of Representatives and the Senate.

(B) CONTENTS.—Each report transmitted under subparagraph (A) shall include—

(i) data on the number, arranged by industrial classification, of small business concerns displaced as prime contractors as a result of the award of bundled contracts by Federal agencies; and

(ii) a description of the activities with respect to previously bundled contracts of each Federal agency during the preceding year, including—

(I) data on the number and total dollar amount of all contract requirements that were bundled; and

(II) with respect to each bundled contract, data or information on—

(aa) the justification for the bundling of contract requirements;

(bb) the cost savings realized by bundling the contract requirements over the life of the contract;

(cc) the extent to which maintaining the bundled status of contract requirements is projected to result in continued cost savings;

(dd) the extent to which the bundling of contract requirements complied with the contracting agency's small business subcontracting plan, including the total dollar value awarded to small business concerns as subcontractors and the total dollar value previously awarded to small business concerns as prime contractors; and

(ee) the impact of the bundling of contract requirements on small business concerns unable to compete as prime contractors for the consolidated requirements and on the industries of such small business concerns, including a description of any changes to the proportion of any such industry that is composed of small business concerns.

(5) ACCESS TO DATA.—

(A) FEDERAL PROCUREMENT DATA SYSTEM.—To assist in the implementation of this section, the Administration shall have access to information collected through the Federal Procurement Data System.

(B) AGENCY PROCUREMENT DATA SOURCES.—To assist in the implementation of this section, the head of each contracting agency shall provide, upon request of the Administration, procurement information collected through existing agency data collection sources.

(q) REPORTS RELATED TO PROCUREMENT CENTER REPRESENTATIVES.—

(1) TEAMING AND JOINT VENTURE REQUIREMENTS.—

(A) IN GENERAL.—Each Federal agency shall include in each solicitation for any multiple award contract above the substantial bundling threshold of the Federal agency a provision soliciting bids from any responsible source, including responsible small business concerns and teams or joint ventures of small business concerns.

(B) TEAMS.—When evaluating an offer of a small business prime contractor that includes a proposed team of small business subcontractors for any multiple award contract above the substantial bundling threshold of the Federal agency, the head of the agency shall consider the capabilities and past performance of each first tier subcontractor that is part of the team as the capabilities and past performance of the small business prime contractor.

(C) JOINT VENTURES.—When evaluating an offer of a joint venture of small business concerns for any multiple award contract above the substantial bundling threshold of the Federal agency, if the joint venture does not dem-

onstrate sufficient capabilities or past performance to be considered for award of a contract opportunity, the head of the agency shall consider the capabilities and past performance of each member of the joint venture as the capabilities and past performance of the joint venture.

(2) POLICIES ON REDUCTION OF CONTRACT BUNDLING.—

(A) IN GENERAL.—Not later than 1 year after the date of enactment of this subsection, the Federal Acquisition Regulatory Council established under section 25(a) of the Office of Federal Procurement Policy Act (41 U.S.C. 4219(a)) shall amend the Federal Acquisition Regulation issued under section 25 of such Act to—

(i) establish a Government-wide policy regarding contract bundling, including regarding the solicitation of teaming and joint ventures under paragraph (1); and

(ii) require that the policy established under clause (i) be published on the website of each Federal agency.

(B) RATIONALE FOR CONTRACT BUNDLING.—Not later than 30 days after the date on which the head of a Federal agency submits data certifications to the Administrator for Federal Procurement Policy, the head of the Federal agency shall publish on the website of the Federal agency a list and rationale for any bundled contract for which the Federal agency solicited bids or that was awarded by the Federal agency.

(3) REPORTING.—Not later than 90 days after the date of enactment of this subsection, and every 3 years thereafter, the Administrator shall submit to the Committee on Small Business and Entrepreneurship of the Senate and the Committee on Small Business of the House of Representatives a report regarding procurement center representatives and commercial market representatives, which shall—

(A) identify each area for which the Administration has assigned a procurement center representative or a commercial market representative;

(B) explain why the Administration selected the areas identified under subparagraph (A); and

(C) describe the activities performed by procurement center representatives and commercial market representatives.

(r) MULTIPLE AWARD CONTRACTS.—Not later than 1 year after the date of enactment of this subsection, the Administrator for Federal Procurement Policy and the Administrator, in consultation with the Administrator of General Services, shall, by regulation, establish guidance under which Federal agencies may, at their discretion—

(1) set aside part or parts of a multiple award contract for small business concerns, including the subcategories of small business concerns identified in subsection (g)(2);

(2) notwithstanding the fair opportunity requirements under section 2304c(b) of title 10, United States Code, and section 303J(b) of the Federal Property and Administrative Services Act of 1949 (41 U.S.C. 253j(b)), set aside orders placed against multiple award contracts for small business concerns, including

the subcategories of small business concerns identified in subsection (g)(2); and

(3) reserve 1 or more contract awards for small business concerns under full and open multiple award procurements, including the subcategories of small business concerns identified in subsection (g)(2).

(s) DATA QUALITY IMPROVEMENT PLAN.—

(1) IN GENERAL.—Not later than October 1, 2015, the Administrator of the Small Business Administration, in consultation with the Small Business Procurement Advisory Council, the Administrator for Federal Procurement Policy, and the Administrator of General Services, shall develop a plan to improve the quality of data reported on bundled or consolidated contracts in the Federal procurement data system (described in section 1122(a)(4)

(A) of title 41, United States Code).

(2) PLAN REQUIREMENTS.—The plan shall—

(A) describe the roles and responsibilities of the Administrator of the Small Business Administration, each Director of Small and Disadvantaged Business Utilization, the Administrator for Federal Procurement Policy, the Administrator of General Services, senior procurement executives, and Chief Acquisition Officers in—

(i) improving the quality of data reported on bundled or consolidated contracts in the Federal procurement data system; and

(ii) contributing to the annual report required by subsection (p)(4);

(B) recommend changes to policies and procedures, including training procedures of relevant personnel, to properly identify and mitigate the effects of bundled or consolidated contracts;

(C) recommend requirements for periodic and statistically valid data verification and validation; and

(D) recommend clear data verification responsibilities.

(3) PLAN SUBMISSION.—The Administrator of the Small Business Administration shall submit the plan to the Committee on Small Business of the House of Representatives and the Committee on Small Business and Entrepreneurship of the Senate not later than December 1, 2016.

(4) IMPLEMENTATION.—Not later than October 1, 2016, the Administrator of the Small Business Administration shall implement the plan described in this subsection.

(5) CERTIFICATION.—The Administrator shall annually provide to the Committee on Small Business of the House of Representatives and the Committee on Small Business and Entrepreneurship of the Senate a certification of the accuracy and completeness of data reported on bundled and consolidated contracts.

(6) DEFINITIONS.—In this subsection, the following definitions apply:

(A) CHIEF ACQUISITION OFFICER; SENIOR PROCUREMENT EXECUTIVE.—The terms “Chief Acquisition Officer” and “senior procurement executive” have the meanings given such terms in section 44(a) of this Act.

(B) BUNDLED OR CONSOLIDATED CONTRACT.—The term “bundled or consolidated contract” means a bundled contract (as defined in section 3(o)) or a contract resulting from the consolidation of contracting requirements (as defined in section 44(a)(2)).

(t) GAO REPORT ON SMALL BUSINESS ADMINISTRATION PROGRAMS IN PUERTO RICO.—Not later than one year after the date of enactment of this subsection, the Comptroller General of the United States shall submit to the Committee on Small Business of the House of Representatives and the Committee on Small Business and Entrepreneurship of the Senate a report on the application and utilization of contracting activities of the Administration (including contracting activities relating to HUBZone small business concerns) in Puerto Rico. The report shall also identify any provisions of Federal law that may create an obstacle to the efficient implementation of such contracting activities.

(u) POST-AWARD COMPLIANCE RESOURCES.—The Administrator shall provide to small business development centers and entities participating in the Procurement Technical Assistance Cooperative Agreement Program under chapter 142 of title 10, United States Code, and shall make available on the website of the Administration, a list of resources for small business concerns seeking education and assistance on compliance with contracting regulations (including the Federal Acquisition Regulation) after award of a contract or subcontract.

(v) REGULATORY CHANGES AND TRAINING MATERIALS.—Not less than annually, the Administrator shall provide to the Defense Acquisition University (established under section 1746 of title 10, United States Code), the Federal Acquisition Institute (established under section 1201 of title 41, United States Code), the individual responsible for mandatory training and education of the acquisition workforce of each agency (described under section 1703(f)(1)(C) of title 41, United States Code), small business development centers, and entities participating in the Procurement Technical Assistance Cooperative Agreement Program under chapter 142 of title 10, United States Code—

(1) a list of all changes made in the prior year to regulations promulgated—

(A) by the Administrator that affect Federal acquisition; and

(B) by the Federal Acquisition Council that implement amendments to this Act; and

(2) any materials the Administrator has developed that explain, train, or assist Federal agencies or departments or small business concerns with compliance with the regulations described in paragraph (1).

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