

GAO Highlights

Highlights of [GAO-17-453](#), a report to congressional committees

Why GAO Did This Study

Through the SBIR and STTR programs, federal agencies have awarded contracts and grants totaling about \$44 billion to small businesses to develop and commercialize innovative technologies. The Small Business Act requires agencies with extramural R&D obligations that meet certain thresholds—\$100 million for SBIR and \$1 billion for STTR—to spend a percentage of these funds on the programs. The agencies are to report on their activities to SBA and, in turn, SBA is to report to Congress.

The 2011 reauthorization of the programs includes a provision for GAO to review agencies' compliance with SBIR and STTR spending and reporting requirements and other program aspects. This report examines, for fiscal year 2015, (1) the extent to which participating agencies met spending requirements, (2) the extent to which agencies and SBA met certain reporting requirements, (3) the potential effects of basing spending requirements on total R&D budget authority instead of on extramural R&D obligations, and (4) what is known about the amounts agencies spent to administer the programs. GAO reviewed agency spending data and reports and interviewed program officials from SBA and the 11 participating agencies.

What GAO Recommends

GAO recommends that DOD and EPA establish procedures to report obligations data or propose to Congress an alternative methodology for calculating spending requirements. DOD and EPA agreed with GAO's recommendation.

View [GAO-17-453](#). For more information, contact John Neumann at (202) 512-3841 or neumannj@gao.gov.

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SMALL BUSINESS RESEARCH PROGRAMS

Most Agencies Met Spending Requirements, but DOD and EPA Need to Improve Data Reporting

What GAO Found

Data submitted to the Small Business Administration (SBA) indicate that most of the agencies participating in the Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs met spending requirements for fiscal year 2015. Nine of the 11 agencies participating in the SBIR program and 4 of the 5 agencies participating in the STTR program submitted the required data on obligations for extramural research or research and development (R&D)—which is generally conducted by nonfederal employees outside of federal facilities—needed to determine whether they met spending requirements. Of the agencies that submitted the required obligations data, 8 of 9 met SBIR spending requirements and all 4 met STTR spending requirements for fiscal year 2015. GAO could not determine compliance for 2 agencies—the Department of Defense (DOD) and the Environmental Protection Agency (EPA)—because these agencies did not submit the required obligations data. Officials at most agencies, including DOD and EPA, identified difficulties in using extramural R&D obligations data to calculate spending requirements and determine compliance. A working group of several participating agencies is considering proposing an alternative methodology to calculate spending requirements, according to an agency official involved in leading the effort. Until DOD and EPA find ways to provide obligations data or until the calculation methodology is changed, these 2 agencies will not know whether they have met the spending requirements, which limits SBA's reporting of that information to Congress.

Agencies inconsistently met certain requirements to report to SBA on their methodologies for calculating their extramural R&D budgets in fiscal year 2015, and SBA officials said they are taking steps to expedite SBA's required reporting to Congress. Five of the 11 agencies submitted their required methodology reports on time. Most agencies provided detailed information in these reports, but they did not consistently provide all of the information required. Regarding SBA's own reporting requirements, as of May 2017, SBA had not submitted its report for fiscal year 2015. GAO has previously made recommendations to SBA to address these issues, and SBA is in the process of implementing them.

GAO's analysis shows that basing SBIR and STTR spending requirements on an agency's total R&D budget authority instead of on its extramural R&D obligations for fiscal year 2015 would have increased spending requirements and the number of agencies required to participate in the programs. Officials from each of the participating agencies identified benefits or drawbacks of this potential change. For example, agency officials identified more awards to small businesses as a benefit, but officials from several agencies also stated that such a change could limit resources for other R&D programs.

Total administrative spending for the SBIR and STTR programs for fiscal year 2015 is unknown, but 9 agencies participating in an administrative pilot program—which permits agencies to fund new administrative activities—reported spending about \$33.9 million on these activities for that year. Agencies are not required to and generally do not track their total administrative costs, so GAO could not determine total spending.