

A Bill to improve the SBIR and STTR programs under the Small Business Act: [Investing in National Next-Generation Opportunities for Venture Acceleration and Technological Excellence](#) (aka “[Innovate Act](#)”, March 5th, 2025)

By following these guidelines and leveraging the available resources, small businesses can increase their chances of success in securing funding and advancing their innovative technologies.

Title I: Promoting Transition for Battle-Ready Technologies

- Enhances small business success in the STTR program
- Introduces Phase II strategic breakthrough funding up to \$30 million
- Requires implementation briefings to Congress
- Establishes fixed-price contracts as the default for SBIR/STTR awards

Title II: Encouraging Small Business Innovation in All of America

- Creates new entrant opportunities with funding caps and eligibility requirements
- Establishes a Phase 1A program for new SBIR participants
- Addresses discriminatory practices in the programs
- Focuses on supporting businesses in emerging states and rural areas

Title III: Streamlining Participation in SBIR and STTR Programs

- Defines "open topics" for broader innovation opportunities
- Reduces administrative burden for applicants
- Limits proposal submissions to prevent system overload

Title IV: Protecting American Innovation from Adversarial Influence

- Defines "foreign risk" to protect national security interests
- Strengthens due diligence programs to assess security risks
- Enhances agency recovery authority for intellectual property concerns
- Establishes best practices for investor information rights

Title V: Simplifying SBIR-STTR Commercialization Standards

- Streamlines transition and commercialization benchmarks
- Improves direct-to-Phase II authorities
- Enhances data collection for better program tracking
- Extends SBIR and STTR authorization through 2028



Title I: Promoting Transition for Battle-Ready Technologies

STTR Program Enhancements

- Increases STTR funding allocation to 3.45% by 2026
- Clarifies STTR program purpose for fundamental scientific research
- Requires DoD and NASA to use STTR budget for early-stage research (TRL 1-3)
- Adjusts research institution participation requirements (50% small business/20% research institution)

Strategic Breakthrough Funding

- Creates a strategic breakthrough allocation within DoD's SBIR program (0.25% of extramural R&D budget)
- Allows awards up to \$30 million with 48-month performance periods
- Establishes eligibility criteria:
 - Prior Phase II award recipient
 - 100% matching funds requirement
 - Less than \$50M in cumulative DoD contracts
 - Technology must meet military requirements
- Requires 90-day contract award timeline
- Eligible activities include manufacturing design, facility setup, materials, testing, and production
- Selection criteria focus on national security capabilities, cost savings, and military enhancement
- Requires DoD to establish mechanisms for small businesses to access program offices

Implementation and Contract Structure

- Requires DoD to brief Congress on implementation within 60 days
- Establishes firm-fixed-price contracts as the default for SBIR/STTR awards
- Allows agency heads to use different contract structures with written justification
- Sets goals to increase Phase II contracts that transition to programs of record

The document emphasizes streamlining the programs, increasing funding for breakthrough technologies, and creating clearer pathways for small businesses to transition their innovations into military use.



Title II: Encouraging Small Business Innovation in All of America

New Entrant Provisions

- Establishes \$75 million lifetime cap on SBIR/STTR Phase I and II funding per company
- Prohibits individuals from serving as primary investigator on multiple proposals simultaneously
- Sets \$40 million annual receipts limit for Phase I applicants
- Creates Phase 1A program with 2.5% of SBIR funding allocated for first-time participants
- Requires Phase 1A proposals to be limited to 2 pages with simplified requirements
- Sets Phase 1A award limit at \$40,000 per company

Phase 1A Program Details

- Establishes open topic solicitations for Phase 1A
- Requires proposals to identify problems, describe solutions, explain impact, differentiate from existing solutions, and outline commercialization strategy
- Mandates 90-day notification timeline for award decisions
- Allows Phase 1A recipients to apply directly for Phase II awards

Geographic and Demographic Provisions

- Shifts focus from "socially and economically disadvantaged individuals" to "individuals who reside in emerging States or rural areas"
- Defines "emerging State" as the 25 states with fewest SBIR/STTR first-time recipients
- Defines "rural area" as counties defined as mostly or completely rural by Census Bureau
- Prohibits agencies from:
 - Considering race, gender, or ethnicity in award decisions
 - Requiring diversity or equity statements in applications
 - Offering supplemental funds based on demographic characteristics
- Maintains outreach programs to increase participation from historically underrepresented states
- Removes previous provisions related to socially and economically disadvantaged individuals

This section focuses on broadening program participation through geographic diversity rather than demographic characteristics, while creating simplified entry points for new participants.



Title III: Streamlining Participation in the SBIR and STTR Programs

Definition of Open Topics (Section 301):

- Defines "open topic announcement" as solicitations that:
 - Present generalized problem statements or broad technology areas
 - Don't require solutions to follow specific technological specifications
 - Evaluate proposals based on how well they meet the agency's innovation needs

Reducing Administrative Burden (Section 302):

- Limits small businesses (including affiliates and spinouts) to:
 - Maximum of 3 proposals per single Phase I or Phase II solicitation
 - Maximum of 25 total proposals to Phase I or Phase II solicitations from a single agency per fiscal year

Title IV: Protecting American Innovation from Adversarial Influence

Definition of Foreign Risk (Section 401):

- Defines "foreign risk" as any foreign affiliation, technology licensing, joint venture, financial obligation, or research relationship within the past 10 years between:
 - A small business applying for SBIR/STTR funding (including its personnel)
 - Any individual, institution, business, or government entity in a foreign country of concern

Bolstering Research Security (Section 402):

- Requires agencies to evaluate national security risks through due diligence, disclosures, and coordination with intelligence agencies
- Establishes grounds for denying awards to businesses with connections to entities on various security watchlists
- Prohibits agencies from informing applicants that their application was denied due to foreign risk before formal notification



Strengthening Due Diligence (Section 403):

- Enhances security assessment by requiring examination of relationships with entities on security watchlists

Agency Recovery Authority (Section 404):

- Extends the period during which agencies can recover funds if:
 - A business misrepresents information (10+ years)
 - Intellectual property is transferred to foreign entities (5-10+ years)
- Adjusts recovery amounts for inflation

Investor Informational Rights (Section 405):

- Requires development of best practices to protect proprietary technology from unintentional sharing with foreign entities through venture capital, hedge funds, or private equity firms

GAO Report (Section 406):

- Mandates annual studies on the effectiveness of due diligence programs in identifying cybersecurity risks, patent risks, foreign influence, and ownership concerns

The title creates a comprehensive framework to protect American innovation from foreign adversaries while maintaining program integrity.

Title V: Simplifying SBIR-STTR Commercialization Standards

Streamlining Performance Benchmarks (Section 501):

- Sets clearer Phase I to Phase II conversion requirements:
 - For businesses with >10 Phase I awards: Must achieve at least 0.25 ratio of Phase II to Phase I awards
 - For businesses with >25 Phase I awards: Must achieve at least 0.5 ratio of Phase II to Phase I awards
- Establishes consequences for non-compliance, including temporary program restrictions
- Updates commercialization requirements for businesses with >25 Phase II awards



Improving Direct to Phase II Authorities (Section 502):

- Allows agencies to award Phase II funding without requiring Phase I completion
- Sets agency funding limits: 10% for most agencies, 30% for NIH and DoD
- Caps eligible businesses at 25 total Direct to Phase II awards

Enhancing Data Collection (Section 503):

- Adds new data fields to track award types (Phase 1A, direct to Phase II, strategic breakthrough, etc.)
- Updates Federal Procurement Data System to improve tracking of Phase III contracts

Streamlining Program Administration (Section 504):

- Removes "pilot" designations from established programs
- Eliminates redundant reporting requirements
- Simplifies cross-agency collaboration

Extending Program Authorization (Section 505):

- Extends SBIR and STTR programs from 2025 to 2028

The title aims to reduce administrative burden while improving program effectiveness, data tracking, and commercialization outcomes.

