

September 2, 2025

The Honorable Joni Ernst
Chair, Senate Committee on Small Business
& Entrepreneurship
428A Russell Senate Office Building
Washington, DC 20510

The Honorable Roger Williams
Chair, House Committee on Small Business
2361 Rayburn House Office Building
Washington, DC 20515

The Honorable Edward Markey
Ranking Member, Senate Committee on
Small Business & Entrepreneurship
428A Russell Senate Office Building
Washington, DC 20510

The Honorable Nydia Velázquez
Ranking Member, House Committee on
Small Business
2361 Rayburn House Office Building
Washington, DC 20515

Re: Support for SBIR/STTR Reauthorization and Recommendations on Provisions in the House and Senate INNOVATE Act

Dear Chairs Ernst and Williams, and Ranking Members Markey and Velázquez:

On behalf of the undersigned organizations, we write to express our strong support for reauthorization of the Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs. Together, we represent a broad cross-section of the U.S. startup ecosystem and small innovation-driven businesses—companies that develop cutting-edge technologies, create high-quality jobs, and drive America’s technological leadership. Our members include technology startups, life sciences innovators, defense contractors, and other small businesses that leverage SBIR/STTR to bring critical new products to market, commercialize cutting-edge research, and strengthen U.S. economic and national security.

As Congress works toward reauthorization, we appreciate the thoughtful provisions included in the House and Senate versions of the legislation. Several of these measures would meaningfully strengthen the innovation pipeline, while others raise concerns that could unintentionally limit participation or slow commercialization. Below, we outline the provisions we support and those we recommend revising to ensure SBIR/STTR continues to serve as a cornerstone of America’s innovation economy.

Key Provisions We Support:

- **Increase in SBIR Program Funding:** We appreciate the proposed 3.45% budget allocated for the SBIR program starting in fiscal year 2026. This growth is crucial for fostering innovation and boosting the capabilities of small technology firms across the nation.
- **Entrepreneurial Pipelines and Strategic Breakthrough Fund:** Establishing pathways for entrepreneurs to connect with requirement officials along with the strategic breakthrough fund, are pivotal improvements. These initiatives serve as critical pathways for moving from early-stage R&D to deployment and align with the Department of Defense mission

to help defense tech companies bridge the "valley of death" and transition seamlessly into implementation.

- **Phase 1A Program:** We strongly support the inclusion of the Phase 1A program in both the House and Senate versions of the INNOVATE Act. This provision provides \$40,000 awards to first-time SBIR applicants, lowering barriers to entry, and opening the innovation ecosystem to a broader range of firms. By incentivizing new entrants into the SBIR system, Phase 1A will infuse fresh perspectives and solutions into the federal R&D pipeline, strengthening our entrepreneurial landscape and accelerating innovation on critical national challenges.
- **Strengthening Commercialization:** Separate and apart from concerns about "SBIR mills," many small businesses are not gaming the system, but rather face significant bureaucratic and interagency barriers that hinder their ability to transition from prototype to production.

In particular, there is a persistent disconnect between the agencies funding early-stage R&D and the defense acquisition and procurement systems. This breakdown in coordination often means that the agency best positioned to benefit from a technology that is highly relevant to national security needs may not know it exists.

We support the provisions introduced in the RAMP Act, which proposes the creation of Chief Commercialization Officers within participating agencies. Empowered and resourced appropriately, these officers would play a vital role in bridging the innovation-to-acquisition gap and ensuring taxpayer-funded technologies get to the end user.

Concerns & Recommendations:

- **Cap on Awards** – The House and Senate versions of the INNOVATE Act both propose capping lifetime SBIR/STTR awards at \$75 million. We believe this cap is problematic for several reasons. First, SBIR/STTR awards should be made based on the strongest technical submissions with the highest likelihood of meeting agency needs rather than on an arbitrary lifetime total. While the legislation includes a waiver process, the short turnaround periods for most solicitations will almost certainly discourage otherwise eligible small businesses from applying. Because the waiver is applied on *an award-by-award basis* and there is no mechanism for a standing waiver for companies with demonstrated commercialization success and good standing, firms would need a new waiver for each solicitation. With solicitation windows often limited to 30 days or less, this structure leaves insufficient time for small businesses to navigate the waiver process effectively.

Second, we recognize that most companies will never approach the proposed \$75 million lifetime cap. However, there are a small number of long-standing, highly successful small businesses that are beginning to run into this issue despite not being "SBIR mills." For example, some small businesses have been in business for decades, have a strong record of commercialization and are consistently transitioning technology to meet agency needs.

As a result of sustained performance over many years they will naturally approach the \$75 million cap. This illustrates a concern we have heard repeatedly from mature, mission-driven firms: the cap can unintentionally penalize companies that have built trust with the government and delivered mission-critical innovations over time. These firms are exactly the kind of companies the SBIR program is intended to support — small businesses that serve as engines of innovation to meet federal R&D needs and commercialize technology for the benefit of taxpayers. By statutory definition, they represent an SBIR success story. Success should be measured by a company's ability to transition technology and deliver value to the government. Companies that have built trusted relationships and delivered mission-critical innovations over time exemplify the program's intent rather than abuse it.

We fully support the goal of rooting out bad actors or so-called "SBIR mills." However, we should not unintentionally punish the very companies that are meeting mission needs, commercializing technologies, and fulfilling the statutory goals of the program. Thoughtful safeguards are needed to target true abuse while allowing high-performing firms to continue serving the government's evolving requirements.

Recommendation: Remove the cap entirely; if retained, apply it to "the most recent 10-year period" rather than over the life of the company to avoid penalizing long-standing, high-performing firms. In addition, make the waiver process more flexible so that it is not limited to an award-by-award basis; for example, allow companies with a strong commercialization track record and good standing to qualify for a standing waiver that applies across solicitations.

- **Elimination of Phase II STTRs** – The House and Senate versions propose eliminating Phase II STTR awards. This change would significantly weaken one of the most effective pathways for moving federally funded research from the lab to the marketplace. Phase II STTRs provide critical follow-on funding that enables small businesses to partner with universities, federal laboratories, and nonprofit research institutions to refine prototypes, validate technology, and prepare for commercialization. Removing this phase would break the continuity between early-stage research and market-ready products, slowing technology transfer, undermining return on taxpayer investment, and discouraging the very partnerships that fuel innovation in areas like defense, energy, advanced manufacturing, and life sciences.

Recommendation: Retain Phase II STTRs to preserve these joint innovation pathways, strengthen the commercialization pipeline, and ensure federally funded discoveries have a clear path to deployment.

- **Redefining "Small Business" – \$40 Million Revenue Cap** – The House version of the INNOVATE Act introduces a \$40 million annual revenue cap for SBIR/STTR eligibility. While intended to ensure program access for smaller firms, this threshold may be overly restrictive and risks excluding precisely the kind of high-performing companies the program is designed to advance. Many successful SBIR/STTR participants grow their

revenues through follow-on awards such as TacFi, StratFi, Strategic Breakthrough, or Phase III contracts — all of which reflect the successful commercialization and deployment of taxpayer-funded innovations. Counting these revenues toward the cap would inadvertently penalize companies for doing exactly what the program seeks to incentivize: transitioning technology into production and scaling to meet mission needs. This change would not only shrink the pool of experienced innovators able to compete but could also undermine agency acquisition goals, particularly in critical technology areas where proven suppliers are essential.

Recommendation: Exclude revenue from TacFi, StratFi, Strategic Breakthrough, and Phase III awards when calculating the \$40 million cap to preserve participation from companies with demonstrated capacity to deliver high-impact, mission-critical solutions.

- **Primary Investigator Restrictions** – The House and Senate INNOVATE Acts prevent a single Primary Investigator (PI) from being listed on multiple submissions simultaneously. While intended to expand participation, this restriction could unintentionally harm small innovators by limiting their ability to participate in the program in a way that advances the objective of commercializing needed technologies. Many of these innovators rely on a small technical team whose expertise is central to multiple proposals and work with experts involved in highly specialized research. The number and availability of persons conducting this type of research, especially in the context of medtech, can be very limited. Limiting a PI to one submission at a time would negatively impact the ability to compete effectively and provide innovative solutions across different solicitations.

Recommendation: Eliminate or revise the PI restriction to allow small innovators greater flexibility, such as permitting a PI to be listed on multiple submissions, ensuring that qualified companies with limited staff and/or those engaged in highly specialized research can continue to submit competitive, high-value proposals.

We stand ready to work with both chambers to ensure SBIR/STTR continues to foster innovation, expand participation, and accelerate commercialization. We welcome the opportunity to provide member insights, coordinate national feedback, and amplify the importance of these programs across America's innovation ecosystem.

Thank you for your commitment to the nation's entrepreneurs and innovators.

Sincerely,
Advanced Medical Technology Association
Angel Capital Association
Carta
Center for American Entrepreneurship
Medical Device Manufacturing Association (MDMA)
Technology Councils of North America (TECNA)