

# Advancing U.S. Innovation Through SBIR Reauthorization

The **Small Business Innovation Research (SBIR)** program has been a catalyst for American technological advancement for decades. By providing early-stage capital alongside a structured pathway to commercialization, SBIR has supported the development of groundbreaking innovations spanning industries from healthcare to defense. These advancements, which might otherwise struggle to secure funding in traditional markets, have positioned the United States as a global leader in cutting-edge technology.

The SBIR program plays a vital role in fostering economic growth, strengthening national security, and ensuring that small businesses have the necessary resources to develop and transition new technologies. As the deadline for SBIR's reauthorization approaches on September 30, 2025, it is imperative that Congress acts swiftly to ensure this critical initiative continues to fuel U.S. competitiveness and technological leadership.

## The Importance of SBIR in U.S. Innovation

SBIR enables small businesses—defined as U.S.-based, U.S.-controlled entities with fewer than 500 employees—to access federal funding for research and development. These investments have resulted in major breakthroughs, including medical advancements, cybersecurity improvements, and defense innovations. The program also serves as an entry point for additional federal funding programs, such as the Air Force's STRATFI (Strategic Funding Increase) and TACFI (Tactical Funding Increase) initiatives, which further enhance the Department of Defense's ability to access agile, high-impact solutions from non-traditional defense contractors. TechLink, a national DoD partnership intermediary at Montana State University-Bozeman, conducted a research study that examines the economic outcomes and impacts up to 2018 from DoD SBIR/STTR Phase II contracts initiated between 1995-2012. Their results showed a 22:1 return on DoD investment, a total nationwide economic impact of \$347 billion, and a total of 1,508,295 jobs created & supported.<sup>1</sup>

### Reauthorizing SBIR will ensure that:

- The United States remains a global leader in innovation
- Small businesses continue to receive funding to develop and transition new tech
- The Department of Defense and other federal agencies can access emerging solutions to maintain national security and technological superiority

## The Outpost: Driving Innovation Through SBIR

The Outpost has been at the forefront of accelerating innovation in the federal marketplace, particularly in the national security and defense sectors. As an organization dedicated to bridging the gap between emerging technology and federal mission needs, The Outpost has leveraged

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<sup>1</sup> [https://www.sbir.gov/sites/default/files/2022-06/DOD\\_SBIR%20Economic%20Impacts\\_1995-2018.pdf](https://www.sbir.gov/sites/default/files/2022-06/DOD_SBIR%20Economic%20Impacts_1995-2018.pdf)

programs like SBIR to help startups and small businesses scale their capabilities and transition breakthrough technologies into operational use across the federal space.

**Through strategic engagement with SBIR-backed companies, The Outpost has played a key role in:**

- Connecting early-stage innovators with DoD and federal agencies, ensuring that high-potential technologies reach government customers faster.
- Guiding companies through the complexities of federal contracting, helping them navigate regulatory and procurement challenges to secure funding and scale effectively.
- Facilitating partnerships between commercial technology firms and government stakeholders, fostering collaboration that accelerates technology adoption.
- Championing policy reforms that enhance SBIR's efficiency, ensuring that taxpayer investments translate into mission-ready solutions for national security.

Without the SBIR program, many of the companies that The Outpost supports would face significant barriers to entry in the federal market. The program provides essential non-dilutive funding that allows startups to conduct critical R&D, demonstrate proof of concept, and ultimately commercialize technologies that enhance U.S. military capabilities, cybersecurity, and overall economic competitiveness. Famously, the integrated network chips that power modern electronics' GPS, WiFi, & Bluetooth capabilities were pioneered and then commercialized by Dr. Ahmadreza Rofougaran explicitly due to his work on a DARPA SBIR award as a post-doctoral student.

As SBIR reauthorization approaches, The Outpost strongly advocates for reforms that will improve the program's effectiveness and ensure that more small businesses successfully transition from early-stage development to large-scale impact. By strengthening SBIR, Congress will enable organizations like The Outpost to continue fostering groundbreaking innovation that secures America's technological edge.

## **Recommendations for Strengthening SBIR**

While SBIR has consistently delivered immense value, there are opportunities for improvement. Enhancing the program through key reforms will accelerate commercialization, streamline operations, and ensure taxpayer-funded research transitions into real-world applications that strengthen the defense industrial base and economic competitiveness.

The Alliance for Commercial Technology in Government, the Software in Defense Coalition, and the National Venture Capital Association have outlined 10 key recommendations based on industry experience and government analysis, including reports from the Defense Innovation Board and Government Accountability Office (GAO).

### **1. Bridge the Valley of Death by Formalizing a Phase III SBIR Program**

A formal Phase III program should be implemented across all federal agencies, modeled on the Air Force's STRATFI and TACFI programs. **This program should:**

- Utilize a mix of Transition Dollars, End-User Procurement Funds, and Private Capital Sources to scale technologies efficiently.
- Incentivize prime contractors to shift in-house R&D spending toward external commercial technology investments.
- Establish a standardized contract form and process to ease the transition from Phase II to Phase III.
- Create an online catalog with pre-awarded contracts for Phase II awardees who successfully commercialize their technology.

## **2. Require a Minimum of 50% SBIR Funding Through Open Topics**

The GAO has found that many Open Topics do not truly allow for broad innovation but instead favor incumbents. **To enhance effectiveness:**

- At least 50% of all SBIR funding should be dedicated to Open Topics, which encourage problem-driven rather than solution-prescribed proposals.
- Independent third-party validation should ensure that Open Topics conform to GAO's definition.

## **3. Institute and Enforce a “Shot Clock” for Award Notifications & Contracts**

Long delays discourage participation and hinder innovation. **We propose:**

- **Phase I:** 30 days for notification, 60 days for contract issuance.
- **Phase II:** 60 days for notification, 60 days for contract issuance.
- **Accountability:** Agencies that fail to meet deadlines should have their funding reallocated to those that comply.

## **4. Standardize Foreign Malign Influence Assurance Across Industrial Base**

All DoD and intelligence contractors should adhere to the same clear and consistent foreign ownership and influence standards.

## **5. Direct the FAR Council to Codify SBIR Phase III Authority**

Formally including SBIR Phase III authority in the Federal Acquisition Regulation (FAR) will create a clear and permanent procurement pathway for SBIR-developed technologies.

## **6. Enforce Market Research Requirements in Federal Acquisition Law**

The Federal Acquisition Streamlining Act (FASA) and FAR Part 10 require agencies to conduct market research before developing new solutions. **To improve adoption:**

- Establish a tech scouting database for SBIR products.
- Implement career incentives for acquisition professionals who successfully integrate commercial technology.
- Audit market research to ensure compliance and effectiveness.

## 7. Eliminate “SBIR Mills”

The top 25 SBIR recipients have received 18% of all DoD Phase I/II funding, yet only four have generated more in Phase III contracts than they received in non-dilutive Phase I/II awards.

### To prevent misuse:

- Implement commercialization benchmarks requiring companies with more than 25 Phase II awards to show a 1:1 ratio of non-SBIR revenue to lifetime SBIR funding.
- Companies failing to meet the benchmark should be restricted from submitting new Phase I proposals until compliance is demonstrated.

## 8. Establish a Standardized DoD-Wide Proposal Format

A uniform SBIR proposal format across all DoD agencies will:

- Reduce administrative burdens on small businesses.
- Encourage broader participation from non-traditional defense contractors.

## 9. Require Proposal Evaluation Teams to Include Commercial Market Experts

Current SBIR evaluations often focus solely on technical feasibility without assessing commercial viability. **We recommend:**

- Mandating the inclusion of commercial market experts in evaluation teams.
- Ensuring that SBIR funds are directed toward dual-use innovations with strong commercialization potential.

## 10. Strictly Enforce Open Interoperability Standards

Prime contractors often circumvent inter-operability laws to maintain vendor lock-in.

### To prevent this:

- Strengthen enforcement of the Clinger-Cohen Act and OMB A-119, which mandate open standards.
- Prohibit proprietary interfaces that prevent integration with third-party commercial solutions.

## Secure the Future of Innovation

The SBIR program has been instrumental in driving U.S. innovation, but its future is uncertain without congressional action. Reauthorizing SBIR by September 30, 2025, alongside these critical reforms, will ensure that small businesses remain at the forefront of technological advancement and national security.

We urge lawmakers, industry leaders, and entrepreneurs to support SBIR reauthorization and advocate for these improvements. By doing so, we can build an industrial base that is agile, competitive, and capable of delivering the next generation of breakthrough technologies.

**Let’s work together to ensure the continued success of SBIR and secure America’s innovation leadership for decades to come.**