



June 8, 2018

*Robert Schmidt  
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*Jere Glover  
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*Russ Farmer  
DCAA Committee  
Chair*

The Honorable John McCain  
Chairman  
Senate Committee on Armed Services  
228 Russell Senate Building  
Washington, D.C. 20510

The Honorable Jack Reed  
Ranking Member  
Senate Committee on Armed Services  
228 Russell Senate Building  
Washington, D.C. 20510

The Honorable James Risch  
Chairman  
Senate Committee on Small Business &  
Entrepreneurship  
428A Russell Senate Building  
Washington, D.C. 20510

The Honorable Ben Cardin  
Ranking Member  
Senate Committee on Small Business &  
Entrepreneurship  
428A Russell Senate Building  
Washington, D.C. 20510

Dear Chairman McCain, Ranking Member Reed, Chairman Risch, & Ranking Member Cardin,

The National Defense Authorization Act that was released in the House (HR 5515) included a provision (Sec. 858) that would require a separate budget justification for the DOD SBIR/STTR program with: "amount obligated or expended, for each appropriation and functional area, for each activity conducted under [DOD's SBIR/STTR program], with supporting narrative descriptions and rationale for the funding levels and a summary and estimate of funding required [for future years]."

The Small Business Technology Council (SBTC) strongly opposes this provision, as it could have unintended consequences for the SBIR/STTR program while imposing an unnecessary additional regulatory and paperwork burden on a successful program at a time when DOD is looking to streamline and speed up its acquisition process.

Currently, the SBIR/STTR programs' budgets are set at a percentage of DOD's extramural R&D budget, thereby giving the power to fund the program to the Congress. Creating the proposed added budget justification at the specific DOD program level would allow DOD to potentially supersede Congress's authority to fund these programs. It would open the door for DOD or the White House to go against Congress's will and intent and reduce funding below statutory requirements, or perhaps even zeroing out SBIR/STTR. Congress should not abdicate the important role they play in setting DOD's budget and in recognizing the role for small business.

A separate budget justification is also duplicative and unnecessary from an information point of view, as DOD already provides justification for its proposed programs in its budget submission. SBIR/STTR spending is already done within the existing DOD programs in fulfillment of their objectives, an effective and productive inclusion of small business innovation into DOD R&D solutions. Congress also already mandates that DOD provide an annual report on its SBIR/STTR program, which includes spending and financial details. The DOD has not been able to meet this



requirement, and is currently far behind schedule in providing these reports. The DOD also requires program budget submissions, submitted in detail by each appropriation and functional area.

One area that the DOD, the White House, and Congress are in complete agreement is the need to streamline and speed acquisition at the DOD. The Section 809 report, written by the DOD to come up with ways to accomplish this, recommended doubling the SBIR program as well as increasing the program's flexibility to increase response time. Adding an unnecessary, redundant, and burdensome budget justification requirement to this program will do nothing but slow down small business innovation, and make it harder to quickly transition the next generation of technology into the field.

Small business is the engine of innovation in America, producing 20% of America's best innovations with only 1.7% of the federal budget. Recent DOD studies have recognized the remarkably high productivity of the SBIR/STTR program. Small businesses produce more patents than universities, and create more new jobs than large firms. In spite of this, the US continues to fall behind China and Europe in R&D funding to small business. Congress must prioritize the role of small businesses in R&D if we want to continue to lead the world in high-tech innovation. Adding more red tape and additional paperwork requirements to the most successful small business innovation program will work against improved DOD innovation, capability and efficiency..

We ask that you oppose the language in Sec 858 of HR 5515 and ensure that it does not get added to the Senate National Defense Authorization Act or to the final NDAA bill.

Sincerely,

Small Business Technology Council

A handwritten signature in blue ink, appearing to read "Jere W. Glover".

Jere W. Glover  
Executive Director

A handwritten signature in blue ink, appearing to read "Robert N. Schmidt".

Robert N. Schmidt  
Co-Chairman

A handwritten signature in blue ink, appearing to read "Kevin Burns".

Kevin Burns  
Co-Chairman