

Priority Wins:

- **Speeds payments to small contractors doing business with the federal government**

The bill includes Senator Cardin's amendment directing the Department of Defense to make every effort to pay small business prime contractors and large prime contractors with small business subcontractors within 15 days of receiving an invoice. Current law requires payment in 30 days.

Senator Cardin introduced the amendment with Senators Mike Enzi (R-WY) and Deb Fischer (R-NE) to codify longstanding Office of Management and Budget policy directives, permanently ensuring prompt payments to small businesses working as federal contractors across the Defense Department. This is also similar to the Cardin/Enzi bill, S. 2893.

- **Accelerates funding to innovative small businesses in SBIR and STTR programs**

The bill includes Senator Cardin's amendment to accelerate funding for innovative businesses that participate in the Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs that increase the utilization of small, high technology firms in federal research and development. The SBIR and STTR programs play an important role in Maryland's high-tech and biohealth sciences ecosystem. Between 1983 and 2015, Maryland firms ranked fourth in the nation for winning the most SBIR and STTR awards, pumping more than \$2 billion in seed funding into 1,225 small businesses.

According to the Small Business Administration (SBA), the Defense Department took nearly 500 days in 2015 to enter into contracts with SBIR and STTR firms. When awards are not made in a timely manner, small businesses are deprived of working capital for their research needs.

Senator Cardin's amendment establishes a pilot program to accelerate the Defense Department's SBIR/STTR decision making and reduce contracting times for awards to as close to 90 days as possible.

- **Strengthens Budget Transparency for DoD's SBIR and STTR Programs and Restates Support for the Federal Government's Largest Small Business R&D initiatives**

This bill requires DoD to provide more detail in its annual budget proposal to Congress on how each military department used its SBIR and STTR funding in the previous year, including information about products, technologies, or services that were transitioned into programs of record and follow-on contracts, and an estimate of the SBIR and STTR funding in the future years. Senators Cardin and Risch were instrumental in working with the Armed Services

Committees to ensure that nothing in this bill would modify or otherwise undermine the requirement for DoD to expend at least 3.65 percent of its extramural research and development funding on SBIR and STTR projects. These programs and their funding mechanism are a world model for innovation, providing a stable source of more than \$1 billion in essential seed funding for key innovative technologies that benefit our national security and health of our soldiers.

- **Increases SBA capital and counseling support to employee-owned businesses**

Senator Cardin cosponsored *The Main Street Employee Ownership Act* to improve access to capital and other technical assistance that can help small businesses transition to an employee ownership structure.

Baby boomers at or near retirement own nearly half of the nation's privately-held businesses – more than 2.3 million companies that employ one in six workers nationwide (close to 25 million people). While more than half of small business owners expect to retire in the next 10 years, fewer than 15 percent have a formal exit plan. Many will close due to this lack of planning or inability to find a buyer.

The Main Street Employee Ownership Act, written by Senator Kirsten Gillibrand (D-NY), gives SBA authority to increase access to the agency's flagship 7(a) loan program for employee stock owned plan (ESOP) and cooperative small businesses. The amendment also directs SBA to provide a range of training, education, and consulting services on employee ownership options for small businesses.

Other Items:

- **Increases access to microloans for underserved communities**

Senator Cardin partnered with Senator Fischer to include a provision in this bill to expand the capacity of SBA microlenders to reach more borrowers who have a good businesses but are not yet ready for traditional banks. The key provision increases the maximum amount of loans outstanding to any one SBA microloan lender from \$5 million to \$6 million.

The improvements in this bill are identical provisions in S. 526, a bill voted out of Committee unanimously in March, and complement legislation enacted as part of the FY18 Omnibus Act that provides regulatory flexibility to Microloan lenders who provide technical assistance to existing and prospective borrowers, such as developing a business plan and managing cash

flow. This flexibility ensures borrowers are stronger when they start a business and more likely to succeed and repay their loans.

SBA's Microloan program partners with nonprofit intermediary lenders that offer loans up to \$50,000 to very small businesses to start up and expand. It serves more women and minorities on a proportional basis than any other SBA finance program. In FY17, women-owned firms received nearly 47 percent of the number of microloans issued, the largest share of any SBA loan program, and black entrepreneurs received nearly 33 percent of microloans issued.

Maryland Stats: Approximately 200 loans, totaling \$1,8 million were made to small businesses in FY17. The program supported more than 500 jobs. Microlenders serving Maryland: Accion East, Inc; Maryland Capital Enterprises, Inc.; Washington Area Community Investment Fund; Life Asset, Inc.; ECDC Enterprise Development Group; and Latino Economic Development Corp.

- **Jumpstarts expired SBIR and STTR pilot programs**

The bill extends through 2020 four pilot programs that were enacted as part of the comprehensive SBIR/STTR Reauthorization Act in 2011. Advocates have emphasized that these pilots have provided vital support for early-stage companies, especially medical technology companies working with NIH, to advance their product development and commercialization.

The pilot programs are: **SBIR/STTR 3% Administrative Funding**, which allows agencies to use up to 3 percent of their SBIR funding to administer the SBIR and STTR programs; **Skipping Phase I**, which allows the NIH, DoD, and DoEd to permit applicants to go straight to phase II awards; **Commercialization Readiness Pilot Program for Civilian Agencies**, which allows agencies other than DoD to use up to 10% of their SBIR/STTR funding for additional Phase II funding for the most promising commercial innovations; and **Phase 0 Proof of Concept Partnership**, which allows the NIH to shift \$5 million of its annual STTR funds from awards for small businesses to awards to universities for their researchers to determine if their federally funded projects are commercially viable. The bill also strengthens oversight of these pilot programs by requiring the agencies to comply with outstanding reports that are needed to evaluate whether the pilots are working as intended and should be continued when they come up for consideration again. These provisions are similar to changes in S. 1961, the Risch-Shaheen bill that was unanimously voted out of Committee in March.

- **Boosts Commercialization Assistance and Protections for SBIR and STTR technologies**

This bill modifies the discretionary technical assistance available to SBIR and STTR firms in order to help firms commercialize their technologies. Specifically, the bill would increase the funding for discretionary technical assistance to participant firms from the current level of \$5,000 to \$6,500 per Phase I award and from \$10,000 to \$50,000 per Phase II project. It also would expand the uses of the funds to include such services as IP protections and market research and

validation. These changes were based on S. 2419, the Coons-Gardner bill that was unanimously voted out of Committee in March.

- **Codifies the Rapid Innovation Fund (RIF) to accelerate national security technologies**

RIF was created in 2011 to accelerate the insertion of innovative technologies into military systems, especially technologies developed through Phase II SBIR/STTR projects and defense labs. Annual appropriations are typically around \$250 million. Firms compete for awards of up to \$3 million, using the funding to bridge the gap between early stage research and commercialization. More than 89% of awards go to small firms and 59% to SBIR/STTR participants. RIF was made permanent in the FY17 NDAA (P.L. 114-328). This codifies permanency and clarifies that DoD can provide follow-on funding to RIF recipients instead of losing time and money on additional competitions. Codifying the RIF program provides an extra layer of certainty for the SBIR and other high-tech firms in Maryland that are looking for follow-on funding to commercialize their DoD projects.

- **Strengthens Protections for Small Firms on Federal Construction Contracts**

This bill requires agencies to include a description of their policies and procedures regarding change orders as part of their solicitations for any small business construction contract. [Change order payments are often delayed to the detriment of a small construction firm. These changes will provide some accountability to ensure small companies do not go bankrupt while waiting for payment. The bill also requires agencies to post their track record of paying change orders, allowing contractors to see up front which agencies do a good job or a poor job of providing timely payment.](#)

- **Requires Survey to Document Small Business Disadvantages in Broadband Availability and Costs**

In light of concerns about the price and availability of broadband to small businesses, this bill requires GAO to survey small businesses on the broadband speeds available to them, the costs of various speeds, the type of broadband technology used by small businesses, and any policy recommendations that may improve access to comparable broadband services at comparable rates in all regions of the United States for small businesses.