

Small Business Innovation and Economic Security Act Summary

Background: The Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs have empowered small businesses and entrepreneurs to drive technological innovation for over 40 years. Unfortunately, due to disagreements over the long-term future of the program, Congress failed to reauthorize SBIR/STTR programs in September last year, and the programs officially lapsed on October 1st, 2025. SBIR/STTR grants have not been awarded since, and innovative firms seeking these grants have been forced to wait on Congress for the past five months.

Reauthorization Breakthrough: On March 3rd, the Senate passed the [Small Business Innovation and Economic Security Act](#) a compromise package that would reauthorize the program for five years through the end of FY 2031, (September 30, 2031). The House passed the same legislation on March 17th. The bill will become law if signed by the President or if ten qualifying days have passed after the bill is presented to the President without a veto. Note, as of March 24th, the bill has yet to be presented to the White House. In addition to a five-year extension, the bill alters these programs in several ways:

1. **Foreign Due Diligence Program:** It maintains guardrails to identify potential companies with strong ties to foreign entities of concern. It also standardizes these rules across agencies and boosts transparency. The bill creates an explicit baseline for assessing risk of foreign ties and minimum standards for communicating the justification of a foreign risk denial to applying firms.
2. **Annual Application Limits:** The bill directs the head of each SBIR agency office to establish annual limits for maximum applications by a single firm. Though agencies have wide latitude to implement these limits (e.g., by fiscal year, solicitation, or topic), the bill does not implement lifetime caps for companies. Limits will go into effect beginning in FY27.
3. **DOE and NASA - Direct to Phase II Awards:** The Department of Energy and NASA now have explicit authority to make direct to Phase II SBIR Awards under this legislation.
4. **Phase II Strategic Breakthrough Awards program:** The largest SBIR implementing agencies (DOD, HHS, DOE, NASA, and NSF) can now issue sequential Phase II awards of up to \$30M through a new "Breakthrough Awards" program. These awards require matching private funds or funds from non-SBIR government contracts.
5. **Internal Agency Phase III Training:** Agency acquisition and contracting officers will have required training to familiarize them with Phase III processes and regulations.
6. **Phase III Award Standardization:** The legislation standardizes and simplifies Phase III award procedures. It also directs agencies to establish standardized data rights frameworks.
7. **Technical and Business Assistance:** SBIR awardees will have greater flexibility to spend a portion of awards on technical assistance to third party consultants such as for cyber security.
8. **Data Collection:** Data collection on awardees will be standardized for databases on SBIR.gov and FPDS.gov. Direct to Phase II and Phase III awards will be explicitly tracked going forward.
9. **FY26 Funds Retained:** Any unspent FY26 funds are authorized to carry over into FY27.

It remains to be seen how rapidly SBIR/STTR programs will be up and running. CEBN will continue to update our network as updates are available as these programs reopen and implement new rules.