

116TH CONGRESS
1ST SESSION

H. R. 206

To amend the small business laws to create certain requirements with respect to the SBIR and STTR program, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 3, 2019

Mr. ROUDA introduced the following bill; which was referred to the Committee on Small Business, and in addition to the Committee on Science, Space, and Technology, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To amend the small business laws to create certain requirements with respect to the SBIR and STTR program, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Encouraging Small
5 Business Innovation Act”.

1 **SEC. 2. INCLUSION OF TESTING AND EVALUATION IN THE**
 2 **DEFINITION OF RESEARCH AND DEVELOP-**
 3 **MENT.**

4 Section 9(e)(5) of the Small Business Act (15 U.S.C.
 5 638(e)(5)) is amended—

6 (1) by redesignating subparagraphs (A), (B),
 7 and (C) as clauses (i), (ii), and (iii), respectively
 8 (and conforming the margins accordingly);

9 (2) by striking “means any activity which is”
 10 and inserting the following: “means—

11 “(A) any activity which is—”; and

12 (3) in clause (iii), as so redesignated, by adding
 13 “and” after the semicolon at the end; and

14 (4) by adding at the end the following new sub-
 15 paragraph:

16 “(B) any testing or evaluation in connec-
 17 tion with such an activity;”.

18 **SEC. 3. INCLUSION OF SMALL BUSINESS INVESTMENT COM-**
 19 **PANIES IN SBIR AND STTR.**

20 Section 9 of the Small Business Act (15 U.S.C. 638)
 21 is amended—

22 (1) by striking “or private equity firm invest-
 23 ment” each place such term appears and inserting
 24 “private equity firm, or SBIC investment”;

25 (2) by striking “or private equity firms” and in-
 26 serting “private equity firms, or SBICs”;

1 (3) in subsection (e)—

2 (A) in paragraph (12)(B), by striking
3 “and” at the end;

4 (B) in paragraph (13)(B), by striking the
5 period at the end and inserting “; and”; and

6 (C) by adding at the end the following new
7 paragraph:

8 “(14) the term ‘SBIC’ means a small business
9 investment company as defined in section 103 of the
10 Small Business Investment Act of 1958.”; and

11 (4) in the heading for subsection (dd), by strik-
12 ing “OR PRIVATE EQUITY FIRMS” and inserting
13 “PRIVATE EQUITY FIRMS, OR SBICS”.

14 **SEC. 4. CALCULATION OF LEVERAGE OF SMALL BUSINESS**

15 **INVESTMENT COMPANIES THAT INVEST IN**

16 **SBIR OR STTR PARTICIPANTS.**

17 Section 303(b)(2) of the Small Business Investment
18 Act of 1958 (15 U.S.C. 683(b)(2)) is amended by adding
19 at the end the following new subparagraph:

20 “(E) INVESTMENTS IN SBIR AND STTR
21 PARTICIPANTS.—

22 “(i) IN GENERAL.—Subject to clause
23 (ii), in calculating the outstanding leverage
24 of a company for purposes of subpara-
25 graph (A), the Administrator shall exclude

1 the amount of any investment made in a
2 SBIR or STTR participant, if such invest-
3 ment is made in the first fiscal year after
4 the date of enactment of this subparagraph
5 or any fiscal year thereafter by a company
6 licensed during the applicable fiscal year.

7 “(ii) LIMITATIONS.—

8 “(I) AMOUNT OF EXCLUSION.—

9 The amount excluded under clause (i)
10 for a company shall not exceed 33
11 percent of the private capital of that
12 company.

13 “(II) MAXIMUM INVESTMENT.—

14 A company shall not make an invest-
15 ment in any one SBIR or STTR par-
16 ticipant in an amount equal to more
17 than 20 percent of the private capital
18 of that company.

19 “(III) OTHER TERMS.—The ex-

20 clusion of amounts under clause (i)
21 shall be subject to such terms as the
22 Administrator may impose to ensure
23 that there is no cost (as that term is
24 defined in section 502 of the Federal
25 Credit Reform Act of 1990 (2 U.S.C.

1 661a)) with respect to purchasing or
2 guaranteeing any debenture involved.

3 “(iii) DEFINITIONS.—In this subpara-
4 graph, the term ‘SBIR or STTR partici-
5 pant’ means a small business concern that
6 receives contracts or grants pursuant to
7 section 9 of the Small Business Act.”.

8 **SEC. 5. ENCOURAGING PARTICIPATION IN THE MENTOR-**
9 **PROTEGE PROGRAM.**

10 Section 9 of the Small Business Act (15 U.S.C. 638)
11 is amended by adding at the end the following:

12 “(tt) ENCOURAGING PARTICIPATION IN THE MEN-
13 TOR-PROTEGE PROGRAM.—The Administrator shall pro-
14 vide an increase to the past performance rating of any
15 small business concern that has participated in the SBIR
16 or STTR program that serves as a mentor under section
17 45 to a small business concern that seeks to participate
18 in the SBIR or STTR program.”.

19 **SEC. 6. ANNUAL MEETING FOR FEDERAL AGENCIES WITH A**
20 **SBIR OR STTR PROGRAM.**

21 (a) IN GENERAL.—Section 9 of the Small Business
22 Act (15 U.S.C. 638), as amended by section 3, is further
23 amended by adding at the end the following new sub-
24 section:

25 “(uu) ANNUAL MEETING.—

1 “(1) IN GENERAL.—The head of each Federal
2 agency required to have a program under this sec-
3 tion (or a designee) and the Administrator (or a des-
4 ignee) shall meet annually to discuss methods—

5 “(A) to improve the collection of data
6 under this section;

7 “(B) to improve the reporting of data to
8 the Administrator under this section;

9 “(C) to make the application processes for
10 programs under this section more efficient; and

11 “(D) to increase participation in the pro-
12 grams under this section.

13 “(2) REPORTING.—Not later than 60 days after
14 the date on which an annual meeting required under
15 paragraph (1) is held, the Administrator shall sub-
16 mit to the Committee on Small Business and Entre-
17 preneurship of the Senate, and the Committee on
18 Small Business and the Committee on Science,
19 Space, and Technology of the House of Representa-
20 tives, a report on the findings of such meeting and
21 recommendations on how to implement changes to
22 programs under this section.”.

23 (b) FUNDING FOR ANNUAL MEETING.—Section
24 9(mm)(1) of the Small Business Act (15 U.S.C.
25 638(mm)(1)) is amended—

1 (1) in subparagraph (I), by striking the “and”
 2 at the end;

3 (2) in subparagraph (J), by striking the period
 4 at the end and inserting “; and”; and

5 (3) by adding at the end the following new sub-
 6 paragraph:

7 “(K) the annual meeting required under
 8 subsection (uu).”.

9 **SEC. 7. INCREASING PARTICIPATION OF UNDERSERVED**
 10 **POPULATIONS IN THE SBIR AND STTR PRO-**
 11 **GRAMS.**

12 (a) IN GENERAL.—Section 9(mm)(2) of the Small
 13 Business Act (15 U.S.C. 638(mm)(2)) is amended to read
 14 as follows:

15 “(2) OUTREACH AND TECHNICAL ASSIST-
 16 ANCE.—A Federal agency participating in the pro-
 17 gram under this subsection shall use a portion of the
 18 funds authorized for uses under paragraph (1) to
 19 carry out the policy directive required under sub-
 20 section (j)(2)(F) and to increase the participation of
 21 States with respect to which a low level of SBIR
 22 awards have historically been awarded.”.

23 (b) CONFORMING AMENDMENT.—Section 9(mm)(6)
 24 of the Small Business Act (15 U.S.C. 638(mm)(6)) is
 25 amended by striking “paragraph (2)(A) and any use of

- 1 the waiver authority under paragraph (2)(B)” and insert-
- 2 ing “paragraph (2)”.

