

Congress of the United States
U.S. House of Representatives
Committee on Small Business
2361 Rayburn House Office Building
Washington, DC 20515-6515

MEMORANDUM

TO: Members of the Committee on Small Business

FROM: Committee Majority Staff

DATE: February 20, 2025

RE: Full Committee Hearing Titled: “Fostering American Innovation: Insights into SBIR/STTR Programs”

On **Wednesday, February 26, 2025, at 10:00 AM ET**, the Committee on Small Business will hold a hearing titled “**Fostering American Innovation: Insights into SBIR/STTR Programs.**” The meeting will convene in room 2360 of the Rayburn House Office Building. This hearing aims to analyze how the Small Business Innovation Research and Small Business Transfer programs enable small businesses to innovate while protecting the United States' national security.

I. Witnesses

- **Mr. Bill Marinelli**, President and CEO, Physical Sciences Inc.
- **Ms. ML Mackey**, CEO and Co-founder, Beacon Interactive Systems
- **Mr. Cyrus Miryekta**, CEO, Ravelin US
- **Mr. Jere Glover**, Executive Director, Small Business Technology Council

II. Background

Small businesses remain the backbone of the U.S. economy—driving the creation of new ideas while remaining agile enough to meet consumers’ needs rapidly. Small businesses are critical to research and development in government agencies and the private sector.

The Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs help foster the development of new and innovative solutions. Through awards to small entities, SBIR/STTR programs fund the development of creative ideas with a focus on commercially viable products outside of government use. These merit-based awards lead to rigorous competition where critical innovations emerge.

Unfortunately, small businesses in the SBIR/STTR programs face the threat of China stealing their intellectual property. Funds intended to support American small businesses are instead being funneled to foreign adversaries through multiple avenues, including Chinese Communist Party-linked venture capital, research partnerships with American universities, and talent recruitment programs.¹ Not only does this violate the intellectual property rights of the small business, but it undermines U.S. national and economic security. Often, top executives—such as founders, chief scientists, engineers, or CEOs—of small business startups receiving SBIR/STTR funding have been recruited through talent programs or have received startup capital backed by the Chinese government.² Due to a lack of oversight, China has indirectly become one of the largest beneficiaries of the SBIR/STTR programs.³

In addition, small businesses face the so-called “Valley of Death.” This is when an innovation moves from the R&D stage into production. While large corporations traditionally finance their endeavors through debt and equity markets, fewer opportunities for private investments can exist for small businesses as they transition from the development of innovation into production. Public-private partnership efforts, like the Small Business Investment Company (SBIC) program, seek to enhance private capital investments into innovating small businesses.

While these programs provide critical early-stage funding, many small businesses struggle to transition from research to commercialization, facing funding gaps and regulatory hurdles. Ensuring these programs remain secure, effective, merit-based, and accessible is essential for U.S. competitiveness and economic resilience.

III. Conclusion

With SBIR and STTR set to expire in September 2025, reauthorization efforts must focus on strengthening national security while fostering American innovation. Congress has an opportunity to consider improvements for these programs and make them more beneficial for small businesses.

¹ Kate O’Keeffe, *Pentagon’s China Warning Prompts Calls to Vet U.S. Funding of Startups*, WALL ST. JOURNAL (May 8, 2022).

² *The China Threat: Chinese Talent Plans Encourage Trade Secret Theft, Economic Espionage*, U.S. FED. BUR. OF INVESTIGATION (Last visited Feb. 18, 2025) available at <https://www.fbi.gov/investigate/counterintelligence/the-china-threat/chinese-talent-plans>.

³ See U.S. DEP’T OF DEFENSE, SURVEY OF STATE-SPONSORED TECHNOLOGY TRANSFERS AFFECTING SBIR PROGRAMS: A DoD CASE STUDY, 4 (FEB. 2, 2025).