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October 29, 2026

Mr. Josh Carter
Associate Administrator
SBA Office of Innovation & Investment
409 3rd Street, SW
Washington, D.C. 20416

Dear Associate Administrator Carter,

As Chair of the U.S. Senate Committee on Small Business and Entrepreneurship I write to commend the U.S. Small Business Administration (SBA) policy notice released on September 2, 2026, titled "Updated Minimum Performance Standards for Commercialization for Firms That Receive Funding Through the Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) Programs." This is a crucial step in ensuring taxpayers are making investments in the most promising small businesses with the intent to commercialize and transition technology.

For too long, a select number of repeat winners have treated the SBIR and STTR programs as a steady income stream rather than a path to commercialize technology. A 2024 GAO report found that from FY2011 through FY2020, 22 firms received 50 or more Phase II awards.[1] Those firms were fewer than one percent of Phase II awardees among 6,865 companies, yet they accounted for 11 percent of Phase II awards and 10 percent of Phase II dollars.[2] Furthermore, this group returned $0.89 in total sales and investments per Phase II dollar, compared to $1.15 reported by firms with 16-49 Phase II awards, showcasing a lower return on investment.[3]

The concentration was even sharper at the Department of War (DoW). Over a decade long period, the top 25 companies (0.5 percent to 1 percent of recipients) received 18 percent of early stage DoW SBIR funding, more than $2.3 billion, or about $92 million each.[4] An analysis of

[1] GOVERNMENT ACCOUNTIBILITY OFFICE, Small Business Research Programs: Increased Performance Standards Likely Affect Few Businesses Receiving Multiple Awards, (March 2024), *available at* https://www.gao.gov/assets/d24106398.pdf
[2] *Id.*
[3] *Id.*
[4] CSIS, Reauthorizing and Reforming the Small Business Innovation Research (SBIR) Program, (Sep. 9, 2025), *available at* https://www.csis.org/analysis/reauthorizing-and-reforming-small-business-innovation-research-sbir-program-keynote-panel

FY2005 through FY2024 data found that $4.1 billion, or 15 percent, of DoW Phase I and Phase II funding went to 25 repeat winners, while the top five firms alone captured 5 percent of the entire DoW SBIR budget.[5]

The same pattern shows up in other award data. A review of 2009–2019 awards found that 0.7 percent of companies accounted for more than 21 percent of all awards.[6] Sixteen of the top 25 DoW SBIR recipients derived 50 percent or more of their DoW contracting revenue from SBIR awards rather than follow-on contracts between FY2010 and FY2024.[7]

To counter this and ensure that top firms are meeting the intent of the program, Congress provided the SBA, in collaboration with each participating federal agency, the statutory authority and responsibility to set minimum performance standards for commercialization. Section 9(qq)(2) of the Small Business Act requires each participating agency to establish a measurement system and minimum performance standard for progress toward Phase III and to evaluate covered small business concerns annually.[8] Section 9(qq)(4) further requires that each system and minimum performance standard established under Section 9(qq)(1) or (qq)(2) be submitted to and approved by the SBA Administrator, who must ensure that the minimum performance standard exceeds a de minimis level.[9] This framework places the SBA in a central oversight role across participating agencies. Updating the de minimis threshold to ensure meaningful, aligned commercialization standards is an appropriate exercise of that authority.

The SBA exercised this authority on August 8, 2013, when the SBA published a notice setting a Phase III commercialization benchmark. The benchmark required firms with 16 or more prior SBIR/STTR Phase II awards to demonstrate an average of at least $100,000 in sales or follow-on investment per Phase II award, or patents equal to at least 15 percent of those awards.[10] Firms that failed to meet this benchmark were barred from Phase I awards for one year but still remained eligible for Phase II awards. Commercialization benchmarks set by the SBA have long been a part of the SBIR and STTR program; however, GAO has cited that the minimum commercialization benchmark set in 2013 has problems with self-reporting and incomplete data.[11]

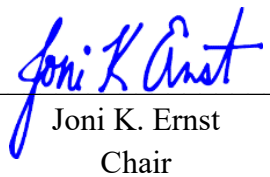
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[5] WAR ON THE ROCKS, Decades of Lost Potential in Defense Research and Development, (Dec. 4, 2025), *available at* https://warontherocks.com/cogs-of-war/decades-of-lost-potential-in-defense-research-and-development/
[6] SSTI, SSTI Analysis Reveals SBIR "mills" Take Outsized Portion of the Program's Awards, (Sep. 24, 2020), *available at* https://ssti.org/blog/ssti-analysis-reveals-sbir-mills-take-outsized-portion-programs-awards
[7] FOUNDATION FOR AMERICAN INNOVATION, Small Business Innovation Research Program, (Jun. 23, 2025), *available at* https://cdn.sanity.io/files/d8lrla4f/staging/2736b33b4b3f842c43e0fea7a44e4a8f8279346f.pdf
[8] Small Business Act § 9(qq)(2), 15 U.S.C. § 638(qq)(2)
[9] *Id.*
[10] *Id*.
[11] GOVERNMENT ACCOUNTIBILTY OFFICE, Small Business Research Programs Better Data Could Improve Insight into Companies' Success, (Sep., 2026) *available at* https://www.gao.gov/assets/gao-26-108750.pdf

The new commercialization standard set to take effect November 15, 2026, measures what matters, whether a firm that has received a large number of SBIR grants or contracts has a business beyond Phase I and Phase II awards.[12] Firms with more than 25 Phase II awards in five years must show that a growing share of their revenue comes from non-Phase I and Phase II sources (33 percent in the FY2027 and 50 percent thereafter). As was noted in the 2013 policy notice, Phase III or other follow-on government contracts count toward that total in addition to private sector sales.[13] That is a clearer, fairer test than a low per award sales figure or a patent substitute. It rewards companies that convert research into customers and follow-on contracts that meet the mission, while limiting new seed awards to firms that have made SBIR grants their revenue model.

I am also pleased to see that the new standard is consistent with language I introduced through S. 853, the INNOVATE Act, which would have strengthened these commercialization standards.[14] As someone who has spent my time in Congress prioritizing taxpayer savings and advancing warfighter capabilities, I appreciate the SBA's efforts to hold SBIR and STTR firms to an effective standard of commercialization. I look forward to seeing the new benchmarks implemented.

Sincerely,



Joni K. Ernst
Chair

CC: The Honorable Kelly Loeffler, Administrator, U.S. Small Business Administration

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[12] FEDERAL REGISTER, Updated Minimum Performance Standards for Commercialization for Firms That Receive Funding Through the Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) Programs, (Sep. 2, 2026), *available at* https://www.federalregister.gov/documents/2026/09/02/2026-17987/updated-minimum-performance-standards-for-commercialization-for-firms-that-receive-funding-through

[13] *Id.*

[14] INNOVATE Act, S. 853, 119th Cong. § 501 (introduced March 5, 2025), *available at* https://www.govinfo.gov/content/pkg/BILLS-119s853is/xhtml/BILLS-119s853is.html