

September 12, 2025

Re: Putting an End to the Era of the SBIR Mill

Dear Chairs Ernst, Williams, Babin, and Ranking Members Markey, Velázquez, and Lofgren:

In 2025, we can no longer ignore the desperate state of the American defense-industrial base. We face [a decrepit shipbuilding industry](#) that produces only a fraction of the tonnage that China brings online in a year. We have [a munitions supply chain](#) that is falling worryingly short on important targets. We have technology giants entrusted with some of our most sensitive Department of Defense systems [outsourcing software development to China](#).

Many of these challenges are downstream of the fact that we have a defense sector that is ruled by a handful of sclerotic, incumbent firms. Ensuring that America is ready for the next, dangerous decades in global affairs requires that we actively foster the many lean, upstart innovators who are hungry to bring state-of-the-art technology to the pressing problems of national security. Only then will we have the true competition necessary to restore dynamism to American defense.

In this context, the Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs play an absolutely vital role. SBIR-STTR should be a critical launchpad. It should be helping entrepreneurs grow the next great defense technology upstart. It should be where critical funding is provided to underwrite groundbreaking new capabilities.

But the reality is far from this. While SBIR was an important part of scaling companies like Anduril, goTenna, AeroVironment, and ViaSat, these successes are the exception, and not the rule. Obvious flaws in SBIR-STTR have given rise to a nationwide ecosystem of “mills” that have gamed these programs by taking in hundreds of millions of award dollars year after year, and have produced nothing but an endless stream of anodyne white papers and useless prototypes.

It would be one thing if the SBIR awardee ecosystem was simply wasteful. But, as the [Department of Defense concluded simply in 2021](#), SBIR programs are “vulnerable to unauthorized or undesirable technology transfers by adversarial nations, especially China.” Chair Ernst’s [own office concluded in May of this year](#) that “six out of the top 25 SBIR mills had problematic relationships with foreign adversaries yet continued to receive awards”. Mere incompetence increasingly gives rise to genuine national security vulnerability.

It is these very companies that will attempt to lobby your committees to protect this largesse, and reframe thirty years of waste as merit. Don’t let them.

As a country, we no longer have the luxury to indulge such smug, self-interested dealing at the heart of a fragile defense-industrial base. We are simply out of time for incremental policy changes and continued deference to an ecosystem that deserves neither.

We therefore write in support of the critical reforms proposed in the INNOVATE Act (H.R. 4777). The legislation makes important improvements to ensure that award dollars go to real entrepreneurs and innovators, not those playacting as ones.

We are particularly pleased by three changes in the bill. First, a reasonable cap on lifetime SBIR-STTR funding will break the SBIR mills and is an obvious fix for a program that is meant to be a launchpad and not indefinite corporate welfare. Second, the Strategic Breakthrough awards will accelerate the transition of the best technologies from the SBIR-STTR program to government or private sector end users, a vital piece of the defense-industrial lifecycle. And third, the Phase 1A program will draw in new entrants, increasing competition in ways that raise the bar for awardees.

The difference between defeat or victory in the coming era of great power competition will be our ability to harness programs like SBIR-STTR to bring our most brilliant entrepreneurs to the front lines of defense. We urge Congress to act quickly to pass this critical legislation.

Signed,

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