

# SBIR/STTR Reauthorization Brings New Opportunities and Obligations to Consider

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Yesterday, President Trump signed the Small Business Innovation and Economic Security Act (the Act) into law. This concludes a more than six month lapse in the Small Business Innovation Research and Small Business Technology Transfer (SBIR/STTR) programs. In addition to restoring the programs through September 30, 2031, the Act introduces several substantive changes aimed at accelerating the transition of federally funded technologies into operational use, strengthening safeguards against foreign technology transfer and improving the efficiency of SBIR/STTR administration.

Among the most significant changes in the programs are (1) the creation of Strategic Breakthrough Awards; (2) enhanced national security and foreign risk reviews; (3) limits on proposal submissions; and (4) expanded technical and business assistance funding for participating companies. Beyond the key provisions highlighted below, the Act also includes several changes aimed at improving the SBIR/STTR programs including additional training for the acquisition workforce on Phase III authorities, directives to promote greater use of Phase III awards, and additional procedures and data reporting requirements.

## 1. Strategic Breakthrough Awards

One of the most notable features of the Act is the creation of a new funding pathway known as Strategic Breakthrough Awards. The provision is designed to address what many observers refer to as the “Valley of Death” in the SBIR/STTR ecosystem, where even promising technologies struggle to bridge the gap between Phase II research and the transition to operational deployment or large-scale commercialization.

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## Practice Areas

Government Contracts  
Small Business Programs and  
Nontraditional Defense Contractors

Under the traditional SBIR/STTR model, Phase I awards fund feasibility research, Phase II awards support further development and demonstration, and Phase III represents commercialization or government procurement funded outside the SBIR program itself. Although this structure has generated numerous successes, SBIR recipients often struggle to secure the resources necessary to move technologies from Phase II prototypes into operational systems and viable commercial products.

Strategic Breakthrough Awards aim to fill this void. Federal agencies with more than \$100 million in annual SBIR obligations may allocate up to 0.5% of their extramural research and development budgets to support these awards.

Using this authority, agencies may award up to \$30 million to a small business concern (including its affiliates) in a single award or in a series of milestone-based awards tied to development or production progress. The total period of performance for a Strategic Breakthrough Award may not exceed 48 months, and agencies must complete contract awards within 90 days of receiving a proposal.

Eligibility for these awards is limited to firms that have already demonstrated success within the SBIR/STTR system. A company must have received at least one prior Phase II award. Applicants must demonstrate, through market research, that their technology represents an effective solution to a clearly defined problem. Most importantly, the company must demonstrate 100% matching funds from new private capital, new government funding outside of SBIR/STTR Phase I or Phase II programs, or a combination of the two.

The Act also includes additional requirements for Department of Defense (DoD) Strategic Breakthrough Awards. For DoD-funded projects, applicants must demonstrate that the technology has reached an appropriate level of readiness, that a senior acquisition official has committed to including the capability in a Program Objective Memorandum (POM), and that the technology addresses high-priority operational needs. And at least 20% of the required matching funds must come from new DoD funding outside the SBIR/STTR Phase I or Phase II programs.

Companies interested in pursuing Strategic Breakthrough Awards should begin preparing to demonstrate both technological maturity and commercial viability, as the new funding pathway emphasizes transition readiness and requires matching capital.

## **2. Enhanced National Security and Foreign Risk Requirements**

The Act also expands the national security review requirements. These provisions largely formalize the due diligence practices that many agencies have already begun implementing as part of broader efforts to address risks associated with foreign technology transfers.

Under the new law, federal agencies must evaluate whether a small business applicant presents a security risk before issuing an SBIR or STTR award. The new law largely codifies and standardizes existing risk screening practices across participating agencies. Given the sensitive nature of the reviews, applicants may not always be informed of why an application was rejected based on such risk assessments.

The Act gives agencies some discretion in how they make this determination, but should include review of disclosures submitted by applicants, coordination with federal law enforcement or counterintelligence authorities, and consultation with the intelligence community. Should an applicant have connections with an entity listed on any watchlist identified in the Act, they will be barred from receiving an award. These lists include the Section 889 Prohibition List, the Military End User List, the list of Chinese military companies maintained under Section 1260H of the National Defense Authorization Act, and the Non-SDN Chinese Military Industrial Complex Companies List.

In addition to list-based screening, agencies must conduct broader due diligence that considers a variety of risk factors. These reviews may examine the applicant's cybersecurity practices, patent portfolio, employee affiliations, foreign ownership interests, investment relationships with foreign entities, and licensing agreements or joint ventures involving partners in foreign countries of concern.

While these requirements do not represent a wholly new policy direction, they highlight the importance of carefully considering all foreign connections before submitting a SBIR/STTR application. Companies with foreign investment, international partnerships, or complex intellectual property arrangements may encounter a more structured and potentially more extensive review process during the SBIR/STTR application stage.

Concerns seeking SBIR or STTR funding should anticipate more formalized national security and foreign risk reviews during the application process. Firms with foreign investors, international research collaborators, or licensing agreements with foreign entities may wish to assess those relationships as agencies implement the new due diligence framework.

### **3. Proposal Submission Caps**

Another notable change introduced by the Act is the imposition of new limits on the number of SBIR/STTR proposals a single concern may submit. Beginning in fiscal year 2027, each participating agency must establish a proposal submission cap. Agencies retain discretion in how those limits are structured and may set them on a per fiscal year, per solicitation, or per technical topic basis.

This provision reflects concerns that, within the SBIR program, a relatively small number of firms submit very large numbers of proposals across multiple agencies and topic areas. Those high-volume submissions can place substantial demands on agency review processes and potentially crowd out newer entrants seeking to participate in the programs.

At the same time, the legislation preserves flexibility for mission-critical requirements by allowing agencies to grant waivers to the submission limits under certain circumstances. On a topic-by-topic basis, an agency may waive the proposal cap if the topic is time-sensitive and urgent to the agency's mission. However, these waivers may be granted for no more than five% of SBIR/STTR topics in a given fiscal year. Agencies must also report the methodology used to establish proposal limits to congressional oversight committees and provide written notification when waivers are granted.

#### 4. Expanded Technical and Business Assistance Funding

The reauthorization also expands the types of technical and business assistance that SBIR and STTR recipients may obtain using Program Funds.

Agencies have historically been permitted to allow award recipients to use award funds for legal, business management, or technical assistance. The Act builds out this framework to include cybersecurity assistance and screening for potential foreign involvement in technology development or commercialization activities as eligible forms of support. Importantly, award recipients now have the authority to select their own vendors or to use the funding to hire or train staff directly.

But these activities do have funding limits attached. For instance, Phase I recipients may use up to \$6,500 per project for technical and business assistance, while Phase II recipients may use up to \$50,000 per project.

SBIR/STTR participants should consider how expanded technical and business assistance funding can support commercialization planning, intellectual property protection, cybersecurity readiness, and other activities associated with transitioning technologies into operational or commercial use.

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The reauthorization of the SBIR/STTR programs restores a critical source of federal innovation funding and introduces several changes that may shape the program's trajectory over the coming years. As agencies begin implementing the changes introduced by the reauthorization, contractors should remain attentive to agency-specific guidance and solicitations that will define how these new authorities will operate in practice.