

**STATEMENT OF  
MS. ML MACKEY  
CHAIR OF SMALL BUSINESS DIVISION  
NATIONAL DEFENSE INDUSTRIAL ASSOCIATION (NDIA)  
BEFORE THE  
HOUSE COMMITTEE ON SMALL BUSINESS  
ON  
FOSTERING AMERICAN INNOVATION:  
INSIGHTS INTO SBIR AND STTR PROGRAMS**

**26 FEBRUARY 2025**

NOT PUBLIC UNTIL RELEASED BY  
THE HOUSE COMMITTEE ON SMALL BUSINESS

Chairman Williams, Ranking Member Velázquez, and distinguished Members of the Committee, thank you for inviting me to speak today on the importance of the Small Business Innovation Research and Small Business Technology Transfer (SBIR/STTR) programs, and thank you for your consistent efforts in supporting America's small business entrepreneurs and innovators.

My name is ML Mackey, and I am the CEO of Beacon Interactive Systems, a nontraditional defense contractor delivering innovative, efficiency-improving digital capabilities to our Military Services. I am here today in my capacity as the Chair of the Small Business Division of the National Defense Industrial Association (NDIA). I also serve on the Executive Committee of NDIA's National Board of Directors.

For over 100 years, NDIA has provided a forum for government and industry leaders to collaborate and address complex defense issues so our nation's security can maintain a strong, diverse U.S. defense industrial base (U.S. DIB). NDIA and its affiliates represent over 1,700 defense companies of all sizes and sectors, the majority of which are small businesses, and of which over 67,000 are individual members.

NDIA has been a long-standing and vocal supporter of the SBIR and STTR programs and regards these programs as some of the nation's most effective tools in bringing cost-effective and valuable innovations to the Department of Defense (DoD) and, ultimately, to our warfighters. We appreciate your leadership in extending the programs through September 30, 2025, and we strongly endorse your efforts to further extend the programs before the current authorization expires.

The SBIR/STTR programs have a proven track record as a pipeline for ingenuity and advancements in the defense sector. These programs facilitate and streamline the participation of competitive small businesses to work in coordination with the federal government on agency-specific research and development needs. The ultimate goal is to expand the government's adoption of private sector commercialization of the innovations stemming from this research. Speeding innovations and advanced capabilities to our warfighters is critical to the DoD's efforts to outpace the People's Republic of China and other potential competitors in this era of great power competition.

In my own personal experience as the CEO of a nontraditional defense contractor, we found the SBIR program to be a gateway by which we could enter the defense marketplace. The SBIR Program enabled us to successfully bring our commercial sector expertise to bear on mission critical DoD needs. Since that initial SBIR investment, we have delivered multiple Programs of Record, deployed systems across 200+ ships, submarines & carriers, across 20 ship classes, and multiple shore-based locations worldwide. Our digital products transform operations at the edge – driving visibility, improving readiness, and addressing modernization needs across the DoD. In one example, early estimates predict our flightline platform, AIRS, will save an hour and a half, per maintainer, per shift. This tremendous impact on operational capacity was initially, and critically, nurtured and incubated with SBIR investment.

Based on this positive experience by my company and similar experiences from my colleagues in the Small Business Division of NDIA, we offer the following three areas for review to enhance the SBIR/STTR programs in order to support small businesses more effectively and improve our national security.

## **1) The SBIR/STTR Programs Should be Permanently Authorized**

The federal government and small business community have benefitted immensely from the SBIR/STTR programs. These programs inspire technical innovation and inject a vital sense of entrepreneurship into the defense enterprise and the other participating agencies. Establishing them permanently is the next logical step. SBIR and STTR are an essential part of America's innovative high-tech ecosystem, and even the threat of a short-term disruption can severely affect R&D-focused small businesses. The temporary nature of the current programs also does not signal stability to both the federal agencies who administer them and the small businesses seeking to participate in these programs.

For example, the temporary nature of these programs discourages federal agencies from investing time and money into SBIR/STTR initiatives. A short reauthorization period erodes the confidence of agency program managers in the overall stability and long-term utility of incorporating SBIR/STTR investments into their technology roadmaps. Without this focused program commitment, the DoD cannot consistently realize the innovation, cost savings, and program efficiencies enabled by SBIR and STTR.

Similarly, the temporary nature of the SBIR/STTR programs sends a discouraging message to the small business participants. Federal budget uncertainty and the ever-increasing regulatory burdens already make small businesses hesitant to do business with the federal government. According to DoD's 2023 Small Business Strategy,<sup>1</sup> small business participation in the defense industrial base has already declined by 40% in the previous ten years. Permanency for the SBIR/STTR programs establishes the certainty which encourages small business participation in the U.S. DIB, a direct counter to this disturbing trend.

## **2) Provide More Support for Phase III Awards and Transition to Commercialization**

In line with the SBIR Policy directive the government is required to the greatest extent practicable to give follow on efforts to the SBIR investments already made in the capability. This is both an efficient use of federal funding, and a significant incentive for new entrants to the U.S. DIB.

Attracting and retaining new entrants that can rapidly deliver innovative technologies and capabilities to the warfighter is a critical element to building a modern, diverse, and resilient U.S. DIB. These technologies can also provide the decisive advantage needed to deter or win a fight.

As part of the acquisition strategy, DoD and other agencies should be required to review prior SBIR/STTR projects and assess opportunities to utilize SBIR/STTR investments between the requirement analysis and Request for Proposal (RFP) for other procurement solicitations. If the federal government already has access to an existing technology that is purpose built, meets the competitive threshold, and addresses the requirement, it should not expend additional funds to procure and then duplicate the same technology. Besides saving money, this review would also save time as the DoD can leverage the agile, time-saving authorities of SBIR Phase III contracting to acquire those technologies and deliver to the warfighter sooner. Agencies should be required to report on their due diligence to this intent.

---

<sup>1</sup> U.S. Department of Defense. Small Business Strategy. January 26, 2023.

<https://media.defense.gov/2023/Jan/26/2003150429/-1/-1/0/%20SMALL-BUSINESS-STRATEGY.PDF>. Page 5.

It would be a disservice here if I inadvertently contributed to the perceived issue of ‘vendor lock’ so incorrectly attributed to follow-on Phase III contracting. The SBIR Policy Directive states that to the greatest extent practicable the follow-on work should go to the SBIR investment made in the capability. And if it’s not practical to move forward with that investment, you don’t have to use it, but you must document why. This is a meaningful business model to encourage new entrants to the defense innovation space. For nontraditional innovators, it mitigates concerns about entering a new space with established players. It is exactly the kind of incentive necessary to bring new innovators to an existing marketplace.

Additionally, the January 2025 report from the Defense Innovation Board<sup>2</sup> offers additional recommendations for the SBIR/STTR programs to assist companies in transitioning their prototypes to production. This includes re-establishing the Rapid Innovation Fund (RIF) and establishing a dedicated “OASIS Fund,” which would provide acquisition executives with a dedicated source of funding from which SBIR-developed innovation in a streamlined fashion could be followed through right to the warfighter. This approach funds the pathway for the nimble and efficient tech insertion of successful SBIR/STTR investments.

### **3) Increase Agency Oversight of Implementation and Agency Employee Accountability**

In many cases, there is a lack of understanding and/or low prioritization to fully utilize and comply with SBIR/STTR authorities for small businesses during the acquisition process, especially due to concerns around legislated preference and sole-source contract awards. This is especially true when acquisition executives push to erode SBIR/STTR Data Rights. These critical data rights support a streamlined approach to federal funding for innovative research and add industry incentive to engage with government stakeholders in a more collaborative, trusted, and integrated fashion. When SBIR/STTR Data Rights are disregarded or enforced incorrectly, small businesses are disincentivized to participate in the U.S. DIB.

To help address these issues, agencies should be required to properly train Procurement Center Representatives (PCRs) on the SBIR/STTR contracting provisions as well as the congressional intent of the SBIR/STTR programs. This should include creating a system to refresh their knowledge and stay current on any changes in legislation or regulation. This training should also ensure that PCRs understand the benefit and importance of using sole-source contracts and that follow-on work beginning with SBIR/STTR investments is legally permissible. Small businesses that have successfully won SBIR/STTR awards have already met a highly competitive threshold in the initial phases of the SBIR/STTR programs. As such, PCRs should strongly encourage follow-on work that extends or derives from the initial SBIR investment.

Agencies should train the PCRs to explain the relevant provisions of the SBIR Policy Directive to program managers and contracting officers to reduce their fears and concerns over using the authority. They should be empowered to utilize this innovative and deliberately streamlined acquisition approach.

Furthermore, the Defense Innovation Board recommends directing the FAR Council to include SBIR/STTR Phase III authority in the FAR. While the SBIR Policy Directive already carries the weight

---

<sup>2</sup> Defense Innovation Board. Scaling Nontraditional Defense Innovation. January 8, 2025. <https://innovation.defense.gov/Portals/63/DIB%20Scaling%20Nontraditional%20Defense%20Innovation%200250113%20PUBLISHED.pdf>.

of law, including this content explicitly in the FAR would go a long way to promoting the use of already existing SBIR/STTR-developed capabilities across DoD contracting efforts.

In conclusion, I applaud this committee for your vigilance in promoting small-business-friendly policies. Your work to defend deliberate and efficient approaches to include small business high-tech innovators in the U.S. DIB is a valuable proposition for the government and a direct enabler of innovation and growth. I appreciate the opportunity to be here today, and I welcome your questions.