

that the intent of the program is to help small businesses grow through commercialization in Phase III. Therefore, when agencies make follow-on awards to a concern other than the one that received the Phase I and II award, this should be reported to Congress.

The Reauthorization Act amended the STTR Program to require that agencies adopt the model agreement developed by SBA for allocating intellectual property between STTR awardees and research institutions to carry out follow-on research, development or commercialization. SBA proposes this requirement in the Policy Directive at section 9(a)(13).

The Small Business Act requires that agencies develop, in consultation with the Office of Federal Procurement Policy and the Office of Government Ethics, procedures to ensure that Federally-funded research and development centers that participate in STTR agreements are free from organizational conflicts of interests relative to the STTR Program; do not use privileged information gained through work performed for an STTR agency or private access to STTR agency personnel in the development of an STTR proposal; and use outside peer review as appropriate. SBA proposes these requirements in the proposed Policy Directive at section 9(a)(14).

The Reauthorization Act amended the STTR Program to require agencies to implement an outreach program to research institutions and SBCs in conjunction with any such outreach done for purposes of the SBIR Program to increase participation in and enhance the STTR Program. SBA has set forth this requirement in the proposed Policy Directive at section 9(a)(15).

In section 9(c)(2), SBA proposes to preclude agencies from allowing the funding agreement to include a provision subcontracting any portion of the STTR award back to the issuing agency or to any other Federal governmental unit. This mirrors a similar provision for the SBIR program that has been in effect since 1997. SBA believes that this restriction is necessary to avoid real and apparent conflicts of interest in STTR proposal evaluation and selection. SBA notes that this proposal will not restrict the use of Federal laboratory facilities by STTR awardees for STTR project work. It may only prohibit the use of STTR award funds to pay for Federal laboratory resources. In addition, SBA proposes a case-by-case waiver to this provision.

Section 10 of the proposed Policy Directive addresses each participating agency's annual report to SBA. The

proposed Policy Directive outlines the substance of the report, and explains when it is due and to whom. The Reauthorization Act amended the STTR Program to require that agencies identify, for both Phase I and Phase II, the number of proposals received from, and the number and total amount of awards to, HUBZone SBCs. HUBZones are specifically defined as areas of high unemployment and low income. Therefore, these locations would benefit economically from technology growth in the community. In addition, Congress believes that tracking awards to these businesses will aid in evaluating the FAST Program. The proposed Policy Directive addresses this requirement at section 10(b)(5).

Section 11 of the proposed Policy Directive addresses SBA's responsibilities. Section 11(e) contains several proposals addressing the Reauthorization Act's Tech-Net Databases. The SBA's Office of Technology, as functional program manager for the STTR and the SBIR Programs, is required to collect and report to the Congress information regarding awards made to SBCs by each Federal agency participating in these programs. SBA will maintain two databases to meet this requirement.

SBA proposes a public Tech-Net Database that is a searchable, up-to-date, electronic database, which includes information on each SBC that has received an STTR or SBIR Phase I or Phase II award from a Federal agency. Specifically, it will include a description of the Phase I or II award; identification of any business concern or subsidiary established for the commercial application of a product or service for which an STTR award is made; and information regarding mentors and mentoring networks.

In addition, the Reauthorization Act specifically requires information pertaining to: whether the SBC or the research institution initiated their collaboration on the project; whether the SBC or the research institution originated any technology relating to the project; the length of time it took to negotiate any licensing agreement between the SBC and the research institution; and the percentage allocated between the SBC and the research institution of the proceeds from commercialization, marketing, or sale of technology resulting from the project. The collection of this information is set forth in section 11(e)(9)(v) of the proposed Policy Directive.

SBA also proposes a government Tech-Net Database that SBA, in consultation with the Federal agencies participating in the STTR and the SBIR

Programs, will develop and maintain. The purpose of the government Tech-Net Database is to maintain information useful for evaluating the program. SBA proposes that for each Phase II award, the database contains: information on revenue from the sale of new products or services resulting from the research conducted under each Phase II award; information on additional investment from any source, other than Phase I or Phase II STTR or SBIR awards, to further the research and development conducted under each Phase II award; and any other information received in connection with the award that the Administrator, in conjunction with the STTR Program Managers of the participating agencies, considers relevant and appropriate. Pursuant to an amendment made by the Reauthorization Act, SBA also proposes a paragraph stating that information provided to this government Tech-Net Database is privileged and confidential and not subject to disclosure pursuant to 5 U.S.C. 552 and shall not be considered to be publication for purposes of 35 U.S.C. 102 (a) or (b).

SBA proposes revisions to its "Instructions for STTR Program Solicitation Preparation," which are set forth in Appendix I. Currently, the Policy Directive requires that for both Phase I and Phase II, the R/R&D work must be performed in the United States. SBA proposes that based on a rare and unique circumstance, for example, a supply or material or other item or project requirement that is not available in the United States, agencies may allow that particular portion of the R/R&D work to be performed or obtained in a country outside of the United States. The proposal requires approval by the funding agreement officer for such specific conditions to be in writing.

Finally, SBA proposes to list the data fields for the public Tech-Net Database in Appendix II.

Paperwork Reduction Act

SBA has determined that this rule imposes additional reporting or recordkeeping requirements under the Paperwork Reduction Act, 44 U.S.C., chapter 35. Specifically, the Reauthorization Act amended the Small Business Act to require the creation of a public and Government database on the SBIR and STTR Programs. According to the statute, the public database will include the name, size, location and an identifying number of each SBC that has received a Phase I or II STTR award from a Federal agency; a description of each Phase I or II award received by that SBC, including an abstract, the name of the Federal agency