

Small Business Innovation Research (SBIR)

Congress must reauthorize the SBIR program and maintain its small-business focus

NSBA urges Congress to build upon the vast achievements of the Small Business Innovation Research (SBIR) program. As the nation's largest source of early-stage research and development (R&D) funding, SBIR has provided a way to meet the nation's technology needs using the proven innovative power of small, technology-based companies.

As a key means of access to capital for small R&D companies, SBIR has delivered thousands of innovations in its 25-year history through a competitive and transparent contracting process. It has provided more than 60,000 patents and now generates new patents at the astonishing pace—far more than all U.S. universities combined, at less than one-twelfth their level of federal R&D funding. Furthermore, for the past decade, about one-fourth of the most important technological innovations in the nation have come from the SBIR program.

Despite the remarkable achievements of SBIR, federal R&D funding is still skewed against small businesses. Today, small R&D companies employ 38 percent of all scientists and engineers in America. This is more than all U.S. universities and large businesses. Furthermore, SBIR companies produce five times as many patents per dollar of Federal R&D as large companies and 35 times as many as universities. SBIR companies also are at least 10 times more effective in creating cash returns on the Federal R&D investment than universities, as more small-business innovations are commercialized. Yet small companies receive only 4.3 percent of the federal government's R&D dollars. The SBIR program provides more than half of this amount.

SBIR has been successful because it is based on a rigorous three-phase process that allocates contracts according to promise. Phase I funds the critical early development stages of technological innovations that have scored the most highly in responding to public “requests for proposals” by federal agencies. Phase II contracts, limited to the most effective Phase I awardees, bring innovations to the full prototype or market-ready stage. And Phase III (which utilizes non-SBIR funding, generally from the private sector) commercializes the technology. NSBA believes that SBIR Phase III should be further strengthened by Congress, utilizing best practices from the most successful SBIR commercialization efforts in the past.

To participate in the SBIR program, a small business must employ the principal researcher and not more than 500 employees in total. It also must be American-owned, independently operated, and for-profit. Despite calls from some quarters for a relaxation of these criteria, NSBA remains a staunch advocate of their continued application—believing that SBIR was intended as a means to advance the R&D efforts of actual small businesses and not larger or nonprofit entities, which already have access to far greater sources of federal R&D funds.

SBIR is a fully competitive program, imitated by countries around the world and praised by every independent third-party evaluation it has received—including the U.S. Government Accountability Office and the National Academy of Engineering. A major study of SBIR by the National Academy of Sciences praised the program extensively, concluding that it is “sound in concept and effective in practice.”

NSBA urges Congress to build upon the tremendous success of the SBIR program by reauthorizing and strengthening the program. NSBA also strongly supports significantly increasing the SBIR's allocation.