

How Expanding the STTR Program Can Instantly Create Jobs and Technology Clusters¹

By memorandum or Executive Order, President Obama can dramatically create more jobs and encourage technology clusters by simply increasing the STTR (Small Business Technology Transfer program) program from the current 0.3 percent of the federal extramural R&D budget to 2.5 percent. This will not impact the budget deficit now or in the future.

This expansion will force the most innovative sector of the U.S. economy, small businesses, to cooperate more closely with the best basic research institutions in the world, American universities. The STTR is a very successful federal R&D procurement program specifically created by Congress in the *Small Business Research and Development Enhancement Act of 1992* (P.L. 102-564, S. 2941, Oct. 28, 1992) to build bridges between universities who perform advanced research and small businesses who bring innovative products to market.

The commercialization success of the STTR program has been significant – with commercial sales dollars by the successful companies that are considerably greater than the initial federal funding. The 2001 GAO report,² which looked at the early results of the program, showed that for the 101 companies responding to their survey, 51 had successful Phase III projects, with sales totals of \$132 million – compared to the cumulative federal investment in these STTR companies of approximately \$44 million – a 3:1 return on taxpayer funds.

Technology clusters (with cooperating research universities and innovative businesses) have been demonstrated to create explosive centers of job growth, innovation and venture capital support – such as Silicon Valley, Boston’s Route 128, San Diego’s communications and biotech communities, Research Triangle Park in North Carolina, and Ann Arbor/WARF, MI. Numerous studies (from David Birch in 1980s through Office of Advocacy, 2008) have demonstrated the job creation and economic multiplier effect of these collaborations between research universities and technology companies with their development, commercialization and marketing skills.

The funds for the expansion of the STTR program will come from already budgeted federal extramural R&D funds – and at least 30% of the STTR funds *MUST* be spent with universities or similar research organizations. Since much of the extramural funds go to large companies, this will be a net increase for universities. Further, the STTR program has already developed model agreements for the management of the small company/ university intellectual property rights so these programs are “shovel ready” and meet the important research needs of the federal agencies. (See: <http://grants1.nih.gov/grants/funding/sbirsttr1/STTRModelAgreement.doc>)

The most significant new innovations in the marketplace have been demonstrated to come from small businesses – especially from STTR and SBIR firms. An important new study, *Where Do Innovations Come From? Transformations in the U.S. National Innovation System, 1970-2006*³ reports:

“The results show that these SBIR-nurtured firms consistently account for a quarter of all U.S. R&D 100 Award winners—a powerful indication that the SBIR program has become a key force in the innovation economy of the United States.”

[Note: the SBIR and STTR budgets combined are only 2.8 percent of the federal extramural budget – the rest goes mostly to large businesses and then to universities.]

¹ From Mike Squillante, SBTC Board Chair Testimony, March 16, 2011, before the House Committee On Small Business, Appendix K.

² GAO-01-867T, FEDERAL RESEARCH AND DEVELOPMENT, *Contributions to and Results of the Small Business Technology Transfer Program*, Testimony before the Senate Small Business and Entrepreneurship Committee, June 21, 2001

³ THE INFORMATION TECHNOLOGY & INNOVATION FOUNDATION, July 2008, Washington, DC. See: <http://www.itif.org/publications/where-do-innovations-come-transformations-us-national-innovation-system-1970-2006>