

Small Business Innovation Research (SBIR)

ISSUE BRIEF

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 way to meet the nation's technology needs using the proven innovative power of small, technology-based companies. Enacted in 1982, and since renewed five times by Congress, it has been praised by every independent third-party evaluation it has received—including the U.S. Government Accountability Office, the National Academy of Sciences and the National Academy of Engineering.

As a key means of access to capital for small R&D companies, SBIR has delivered thousands of innovations through a competitive and transparent contracting process. It has provided more than 50,000 patents and now generates new patents at the astonishing pace of seven per day, on average—far more than all U.S. universities combined, at less than one-twelfth their level of federal R&D funding.

Despite the remarkable achievements of SBIR (which is now being imitated by countries around the world), federal R&D funding is still skewed against small businesses. Today, small R&D companies employ about 6,000 scientists and engineers—over half of all those in the private sector—and these small companies produce five times as many patents per dollar as large companies (and 20 times as many as universities). 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. NSBA recommends that Congress expand the range and efficiency of U.S. innovation by increasing the percentage of R&D funds reserved for small businesses under the SBIR program.

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.

As SBIR grows, so does the need for its effective management by the SBA. Congress should assure that SBA's Office of Technology is adequately staffed to handle the administrative needs of the SBIR program.

NSBA urges Congress to build upon the tremendous success of the SBIR program during its reauthorization and to increase the percentage of R&D funds reserved for small businesses under the program.