



March 11, 2010

Honorable Nydia Velazquez  
Chairwoman  
House Committee on Small Business  
2361 Rayburn House Office Building  
Washington, DC 20515

Dear Chairwoman Velazquez:

We were very disappointed to hear of your recent comments about the SBIR program and SBIR participants. In your budget recommendations for the SBA in fiscal year 2011, you stated that:

“Without the participation of venture backed companies, the SBIR program has become little more than corporate welfare for marginal companies who are unable to secure external market-based funding.”

Not only is this statement offensive to the millions of small businesses that have not received venture capital funding, but it is factually inaccurate. Venture capital firms are allowed to participate in the SBIR program, and in fact the GAO has found that venture capital participation has increased in the last few years in both the DOD and NIH. And far from “corporate welfare”, the SBIR program has been praised in numerous studies and reports by the GAO, as well as the National Academy of Sciences, which described the SBIR as “sound in concept and effective in practice.”  
(<http://www.nap.edu/catalog/11989.html>).

The program has been so successful it has inspired similar programs by 10 foreign governments including Sweden, Russia, the UK, and the Netherlands, among others. In fact, a recent report by the Information Technology & Innovation Foundation entitled “Where do Innovations Come From?” found that 20-25% of America's most important innovations were invented by SBIR companies.  
([http://www.itif.org/files/Where\\_do\\_innovations\\_come\\_from.pdf](http://www.itif.org/files/Where_do_innovations_come_from.pdf)).

Every year thousands of small businesses receive SBIR awards, and all of them would likely object to being called “marginal companies” The fact is that SBIR was designed to provide the seed money that startup companies need to get their technology off the ground. Venture capitalists are an important part of the American economy, but make less than 4,000 investments per year. Historically they have been interested in investing in proven technologies, not promising but unproven ideas. The SBIR fills this gap in funding, and provides resources and money that these companies need to prove that their idea works and start attracting commercial funding.

Small Business Technology Council  
1156 15th Street NW Suite 1100 Washington, DC 20005  
202-785-4300 Fax: 202-872-8543 [www.sbtc.org](http://www.sbtc.org)

The vast majority of small businesses nationwide simply do not need outside investment, from VC's or any other equity sources. Those entrepreneurs successfully build their companies over time, using personal loan guarantees to carefully match the capital needs of their businesses to the opportunities in the markets they serve. Most businesses of all types, whether high technology or not, are built from the ground up into successful enterprises that provide millions of hourly and professional jobs nationwide. Those true entrepreneurs are the backbone of America's innovation economy, not venture capitalists who seek out the few fast-exit opportunities that meet their investment criteria. True risk-taking entrepreneurs everywhere consider your comment that they are "marginal seekers of corporate welfare" to be the ultimate insult. In fact, they are the opposite; they rely on their own resources, because that is the right way to build their businesses. And they stand by the communities in which they were founded over the long term.

Listed below are links to various agencies' SBIR success stories. We hope that you will take the time to look at some of these examples of companies that have used SBIR awards to launch their business and eventually find commercial success.

NIH: [http://grants.nih.gov/grants/funding/sbir\\_successes/sbir\\_successes.htm](http://grants.nih.gov/grants/funding/sbir_successes/sbir_successes.htm)  
DOD: <http://www.dodsbir.net/SuccessStories/default.htm>  
DARPA: <http://www.darpa.mil/sbpo/success/index.html>  
NASA: <http://sbir.nasa.gov/SBIR/success.htm>  
NIST: [http://tsapps.nist.gov/success/sbir\\_successes/sbir\\_successes.cfm](http://tsapps.nist.gov/success/sbir_successes/sbir_successes.cfm)  
EPA: <http://www.epa.gov/ncer/sbir/success/>

We appreciate that you removed the offending language from your official budget recommendations on March 11 after the committee meeting. We hope that you recognize the value that this important program has had for the American economy, and refrain from using this kind of language in the future. By all measures the SBIR program has been an effective, successful, and competitive program that has attracted and nurtured some of the best technological innovations this country has produced. This kind of rhetoric serves only to undermine and diminish our nation's small businesses and their accomplishments.

Respectfully,



Michael R. Squillante  
Chairman of the Board  
Small Business Technology Council