



Why SBTC prefers the Senate SBIR Bill

1. Permitting VC firms to have more than 50% control of the SBIR small companies completely changes the program. As it has stood for 26 years, the SBIR program was the only level playing field for the very smallest companies. With 25-page limits on the proposals and a technology peer review it permitted the small companies to compete. If the House Committee proposal is incorporated in the SBIR program, the well-funded VC-owned companies will have the advantage of their lobbyists and large marketing departments to influence the outcome of the awards.

2. Much larger Phase I and Phase II awards may sound good until the facts are reviewed. With the Senate proposal for \$150,000 Phase Is, and \$1 million Phase IIs, the program retains its 25-year record of quickly terminating the less successful Phase Is and permitting other good ideas to gain funding. The House proposals would permit multi-million dollar awards in both Phases. To the few selected winners this provides much larger funding before their technology is proven – and SBTC believes that this will favor the well-funded VC-controlled companies. However, the real disaster with this concept is that for every \$5 million award this means that 33 small companies would not receive their \$150,000 Phase I award. And, the House proposal permits even larger awards.

3. Permitting some awards to go directly to the Phase II contract completely violates the fundamental down-select process that has made the SBIR program the most successful R&D program in the world – and it is copied around the world with these protections. This major change would again permit the VC-controlled well-funded companies to use their lobbyists and large marketing departments to influence their awards, thereby eliminating the smaller companies. SBTC believes that these three major changes are the reason that the National Venture Capital Association (NVCA) and BIO have lobbied so hard for these changes. We also believe that this well-funded lobbying effort during this protracted reauthorization program (18 months; 6 Continuing Resolutions) bodes poorly for a level playing field in the future of the SBIR program if items 1, 2 and 3 above are incorporated into law. The Senate proposal prohibits “earmarks” for the program; however, the House doesn’t. Another problem for the real small companies.

4. Reauthorizing the program for only 2 years is disastrous for the program and for the small companies. During the 18 months of the current reauthorization process, the Federal SBIR Agencies have had to start and stop their outreach and solicitation process to ensure they don’t exceed their funding authorities. Small companies faced with uncertain and prolonged awards have had to lay off critical scientists and staff. This challenge so frustrated the DOD management and the House and Senate Armed Services Committees that they took the unprecedented action of bypassing the House Small Business Committee and reauthorized the DOD SBIR until Sept. 30, 2010 (at first they wanted to extend the program for 14 years!).

Summary: The SBIR program has worked extremely well for 25 years. We shouldn’t let well-funded lobbyists change it for their millionaire clients.