



March 22, 2016

Chairman Steve Chabot
House Small Business Committee
2371 Rayburn House Office Building
Washington, DC 20515

Ranking Member Nydia Velázquez
House Small Business Committee
2302 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Chabot and Ranking Member Velázquez:

I write on behalf of the National Small Business Association, the nation's first small-business advocacy organization, with more than 65,000 small-business members in every state and every industry across the country, in strong support for the *Commercializing on Small Business Innovation Act of 2016 (H.R. 4783)*. Having long advocated for the reauthorization of the Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs, I commend you for your leadership in introducing this legislation in the House. 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 nearly 35-year history through a competitive and transparent contracting process. It has produced more than 70,000 patents and now generates new patents at an astonishing pace—far more than all U.S. universities combined, at less than three percent of their level of federal R&D funding. Out of an overall federal R&D budget of \$136 billion in 2014, SBIR and STTR allocated \$2.5 billion to small businesses through this highly competitive process. Despite this modest amount, SBIR innovations have successfully advanced the missions of federal agencies in national defense, homeland security, health care, transportation, agriculture, and space exploration, among other fields.

Many of NSBA's members participate in the SBIR and STTR programs, as they provide the seed money that these small companies need—and could not otherwise obtain from the private sector—to take innovations from the lab to the marketplace, all while providing key services to the government as well as high quality jobs in communities across the country. For this reason, NSBA supports the reauthorization of the programs until 2022 to avoid any interruption of vital research and the inclusion of language requiring the Department of Defense to set goals for the transition of Phase III technology into subcontracting plans.

While these key programs are set to expire in 2017, NSBA is pleased that the House Committee on Small Business has taken up work on reauthorizing them early in the legislative year. Stability and consistency in these programs is necessary for participating small businesses to have

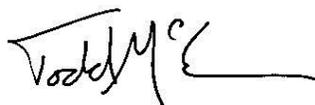
confidence in the high-quality work they are doing and their ability to compete on a more level playing field. One of the biggest impediments to growth and success for small businesses is uncertainty and avoiding the disruptions that plagued the last reauthorization of these programs and ensuring continuity is absolutely critical for small innovators. Particularly because small businesses do not have the cash reserves of large companies and can not afford to wait out interruptions in their work.

NSBA urges Congress to continue to build upon the vast achievements of the SBIR and STTR programs and recognizes that reauthorizing the programs through 2022 is certainly an important step in the process. However, NSBA would support, and urges the committee to consider supporting permanent reauthorization of the SBIR and STTR programs and further increasing the allocation. Small businesses employ 48.5 percent¹ of the private-sector workforce and account for 40 percent² of new jobs but even increasing R&D funding for small business from its current levels to those proposed, will still leave funding levels far short of the 16.3 percent of R&D that the European Union countries allocate to their small, innovative firms.³

SBIR and STTR have a proven track record of helping small businesses innovate and compete in the global economy. In fact, 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. Making them permanent will send a strong signal to our global competitors that this is a country where small businesses—who employ nearly 40 percent of America’s scientists and engineers far more than large firms—can foster competition, productivity and economic growth.

Thank you for your leadership and I look forward to working with you towards passage of this critical legislation, as these programs harness the enormous entrepreneurial and technological capabilities of America’s small, technology-based businesses to support the needs of federal agencies.

Sincerely,



Todd McCracken
President & CEO

Cc: Members of the House Small Business Committee

¹ https://www.sba.gov/sites/default/files/advocacy/FAQ_March_2014_0.pdf

² https://www.sba.gov/sites/default/files/Job_Creation.pdf

³ https://ec.europa.eu/research/sme-techweb/pdf/sme_participation_in_fp7_oct_2012_executive_summary.pdf