



April 26, 2016

Chairman David Vitter
Committee on Small Business &
Entrepreneurship
United States Senate
428A Russell Senate Office Building
Washington, D.C. 20510

Ranking Member Jeanne Shaheen
Committee on Small Business &
Entrepreneurship
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428A Russell Senate Office Building
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Dear Chairman Vitter and Ranking Member Shaheen:

The National Small Business Association (NSBA) commends Senate Committee on Small Business and Entrepreneurship Ranking Member Jeanne Shaheen for introducing the bipartisan *SBIR/STTR Reauthorization Act of 2016 (S. 2812)* and to Chairman David Vitter for cosponsoring it. NSBA, 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, has long advocated for the reauthorization of the Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs.

I applaud your leadership in crafting and introducing this legislation in advance of the programs' expiration in 2017. SBIR is the nation's largest source of early-stage research and development (R&D) funding for small business. It has a formidable history of creating an environment in which small businesses can innovate and contribute to government mission critical needs as well as our country's national innovation ecosystem.

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 and at less than three percent of the level of university 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 areas such as national defense, homeland security, health care, transportation, agriculture, and space exploration.

Many of NSBA's members participate in SBIR and STTR programs, and have repeatedly communicated with us about how critical the SBIR program is to their ongoing success because it provides them the seed money for R&D otherwise not available. Small-business lending is down as well as venture capitalist funding, and raising funds through securities is often too complicated. This leaves SBIR and STTR as the last and best hope for many small businesses seeking to take new ideas and technologies from the lab to the marketplace.

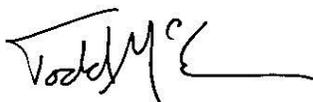
NSBA is pleased that in addition to taking up work on reauthorization early in the legislative year, committee leadership also had the foresight to draft S. 2812 to permanently reauthorize the programs. Clarity and predictability in these programs is absolutely essential for participating small businesses to have confidence in the high-quality R&D work that they undertake and their ability to compete on a more level playing field. Programs which expire every few years and must go through a contentious reauthorization process make it difficult for these investments to be properly planned and impedes the growth and success of many small businesses. The last reauthorization process took several years, injecting tremendous uncertainty and disruptions in the marketplace, and stalled many small businesses. Unlike their larger counterparts, small businesses generally do not have reserve funds to wait out interruptions in their work, so fits and starts in the SBIR and STTR programs make them largely unworkable for many small businesses.

Small businesses employ 48.5 percent¹ of the private-sector workforce and getting those funds from federal R&D appropriations has proven an effective way of fulfilling government needs as well as spurring innovation and entrepreneurship for small businesses. NSBA is pleased to see that for all non-Department of Defense agencies, funding levels for SBIR will increase to a maximum of six percent in 2028. Even at these levels it will still be far short of the 16.3 percent of R&D that the European Union countries allocate to their small, innovative firms.² We are encouraged, however, that the funding levels proposed in S. 2812 are higher and extend longer than those in the House bill, H.R. 4783. This is another way to provide predictability for small businesses that often base major decisions on the availability of SBIR and STTR program funds.

The SBIR and STTR programs have a history of helping small businesses innovate and compete in the global economy, and with the amendment offered by Sen. Gary Peters, this legislation ensures that opportunity extends to women and minority-owned small businesses, as well. When competitive programs have proven results of benefiting all stakeholders, it behooves us to aggressively expand those programs and maximize those benefits for the country. Other nations have recognized the potential of the SBIR and STTR programs and have imitated them. Therefore, making them permanent, as S.2812 does, will send a strong signal to our global competitors that this is a country where small businesses—that 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. These programs help not only small-business owners, but the employees of those businesses, the communities, and ultimately the taxpayers who benefit from better innovative products contracted to the government.

Sincerely,



Todd McCracken
President & CEO

Cc: Members of the Senate Committee on Small Business and Entrepreneurship

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

² https://ec.europa.eu/research/sme-techweb/pdf/sme_participation_in_fp7_oct_2012_executive_summary.pdf