



THE STATE CHAMBER OF OKLAHOMA

LEGISLATIVE ADVOCATES FOR BUSINESS

**The State Chamber
Issue Brief
Small Business Innovative Research (SBIR's and STTR's)
September, 2009
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Background

The Small Business Innovation Research (SBIR) and the Small Business Technology Transfer Research program (STTR) have enabled many Oklahoma companies to conduct requested research that is important to many federal agencies. In turn, this funding has enabled many small businesses to grow their company by utilizing the intellectual knowledge that resulted from that research.

Since its inception in 1982 the SBIR/STTR program has created an entrepreneurial community in which small businesses strengthen America's high-tech economy. Since its inception in 1982, the SBIR program has proven to be one of the most successful federal programs for technological advancement in U.S. history, delivering more than 60,000 patents and hundreds of valuable innovations in agriculture, defense, energy, health services, homeland security, space, transportation and other fields. This success is backed up by the GSA as well as the National Research Council's intensive \$5 million study.

The Facts

1. Both the House and the Senate have passed SBIR reauthorization legislation. They have not reached a compromise that will allow the reauthorization to go forward. The program was set to expire on March 31st but a Concurrent Resolution (CR) extended the program to July 31st. As that deadline approached, there was still much to work out and so a second CR extended the deadline until September 30, 2009.
2. The SBIR reauthorization now in conference seeks to reconcile the differences between the House ([HR 2965](#)) and Senate ([S 1233](#)) bills. These bills can be found at: www.Thomas.gov or by clicking on the links (electronic version).
3. The main points of contention are: Preserving the Phase I, II, III SBIR process, limitations on size of Phase I and II awards, and level of large venture capital (VC) involvement. The Senate bill increases the SBIR program over time, (which is desirable) but not supported in the House version.

State Chamber Position

The State Chamber strongly supports the reauthorization of the Small Business Innovative Research program with utmost importance. We have concern that the change to the ownership rule (found in Sec. 102 of HR 2965) opens the SBIR program to businesses that are majority-owned by VC firms.

Historically, the SBIR program has been instrumental in funding innovative emerging industry research and development for which private capital is not yet an option. As a result of the language in the House Resolution, already scarce resources available through the SBIR program will be spread thinner and genuine small businesses will be forced to compete for these limited resources with large, well-funded venture capital backed initiatives.

While we support VC participation in the program and are receptive to expanding the role of VC involvement within certain limits, permitting VC majority-owned firms to qualify for SBIR funding without appropriate limitations undermines the focus of this program on supporting genuinely small businesses and emerging industry research and development.

We support increasing the upper limit of the SBIR program to \$150,000 for Phase 1 (Proof-of-concept) and \$1,000,000 for Phase 2 (Prototype development) rather than the larger amounts in the House version. This allows for more small businesses to receive funding and do the research.

We also support increasing size of the reauthorization over time for this excellent program.