



SENATE COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP

Opening Statement for
“*SBIR and STTR Reauthorization: Ensuring a Strong Future for Small
Business in Federal Research and Development*”

June 4, 2009 at 9:30 a.m.

Room 428A of the Russell Senate Office Building

(As Prepared)

I want to thank all of you for coming today. It's an honor to have you at the Senate Small Business Committee. The purpose of this roundtable is to discuss the reauthorization of the Small Business Innovation Research (SBIR) and the Small Business Technology Transfer (STTR) programs.

We've got several reauthorizations for SBA programs on the horizon this summer. SBIR and STTR continue to be two of our top priorities, and we are excited to have our first reauthorization roundtable on these programs. In the coming weeks we will also be discussing reauthorization of SBA's Entrepreneurial Development programs.

The SBIR program was established by Congress in 1982, and the STTR program in 1992, to, among other things, help meet the government's research and development needs through small businesses. The last comprehensive reauthorization of the SBIR program occurred in 2000, when the program was reauthorized for eight years, scheduled to sunset on September 30, 2008. The program has since received two temporary extensions -- first to March of 2009 and now to July 31, 2009. The STTR was last reauthorized in 2001, also for eight years.

I have made it a priority of this Committee to get a comprehensive reauthorization bill to the President's desk before July 31st.

Let me first explain the format for the roundtable. We've got a large group, so if you would please stand your name placard up long ways in order to be recognized to speak. I unfortunately cannot stay due to my schedule, but in my absence Don Cravins, Kevin Wheeler and Thad Inge from my staff and Erik Necciai from Senator Snowe's staff will moderate and help lead the discussion. They will be reporting back to Senator Snowe and me on the details of the roundtable. We will leave the record open for one week, until June 11th, if you would like to submit additional statements or materials.

We have a good foundation for this year's bill based on the work this Committee did in the last two Congresses. If anyone has changes to recommend, today is the day to make the case. Unfortunately, in the past, the facts have sometimes taken a backseat to sensational arguments and overstatements, hampering reauthorization efforts. Today, I would like our focus to stay on constructive ways to improve this legislation.

The focus is on compromising -- whether it's on increasing the allocation percentages, raising the award amounts or changing the definition of a small business.

- We have many policy goals and interests to balance.
- We obviously want these to stay small business programs.
- We also want to improve the geographic, ethnic and gender diversity of the program.
- We want a fair playing field so real small businesses can compete for this very small percent of the overall federal R&D budget.
- We want to encourage exploration of high-risk, cutting-edge research.
- We want commercialization, but not at the expense of turning the program into an acquisition program.

We realize there are differences in how to get at these goals – states with low SBIR activity and high SBIR activity; differences among small businesses, research universities and the SBIR agencies; differences among states with little venture capital and those with more venture capital.

Statistics and Facts about the Programs

As all of you know, the SBIR and STTR programs have been enormously successful over the years. Since their inception, both programs have played an unprecedented role in stimulating technological innovation, in allowing small business to meet federal research and development needs and in providing seed capital for small business to develop ideas until they are able to attract outside investment.

The SBIR program has awarded more than \$24 billion to more than 100,000 projects since it started. Recipients of SBIR and STTR awards have produced more than 85,000 patents and have generated millions of well-paying jobs across all 50 states. Both programs have garnered high praise from well-respected sources, and governments around the world are increasingly adopting SBIR-type programs to encourage innovation in their countries.

Small businesses continue to receive only about 4 percent of federal research and development dollars, despite the fact that they employ nearly 40 percent of America's scientists and engineers, produce more than 14 times more patents than large businesses and universities and produce patents that are of higher quality and are more than twice as likely to be cited.

The SBIR and STTR programs are two of the very few federal programs that tap into the scientific and technical community found in America's small businesses. These programs foster government-industry partnerships by making competitive awards to firms with the best scientific proposals in response to the research needs of our agencies and by helping to move technologies from the lab to the marketplace or from the lab to insertion in a government program or system.

Success Stories

Among the technologies pioneered by SBIR-funded small businesses are a machine that uses lasers and computer cameras to sort and inspect bullets at a much finer level than the human eye can manage, the

technology that creates the “invisible” condensation trail of the B-2 bomber, a therapeutic drug to treat chronic inflammatory disease and a nerve gas protection system.

With regard to the bullet sorting technology, developed by CyberNet Systems, a small, women-owned business located in Ann Arbor, Michigan, and currently in use in Iraq and Afghanistan, that SBIR technology is estimated to have saved taxpayers more than \$300 million. Those are real cost savings and tangible technological improvement

In Louisiana, one company that has had great success in recent years is Network Foundation Technologies, known as NiFTy. I visited this company in Ruston, Louisiana, a rural part of the state, in August 2008 and was extremely impressed. NiFTy, which has worked closely with our guest Kathy Wyatt from Louisiana Tech, used an SBIR grant from the National Science Foundation to develop technology that permits live streaming video over the internet without using large amounts of bandwidth. They have been particularly successful bringing sporting events live over the internet. NiFTy has grown to more than 40 employees, many drawn from the ranks of the Louisiana Tech science and engineering programs. These are new, high-paying jobs that have been a strong asset to north Louisiana’s economy.

SBIR is one Federal program that helps spur technology research and innovation in areas you wouldn’t normally think of as high-tech corridors. Folks think of California or Massachusetts, but not our growing high-tech corridor in rural north Louisiana (LA Tech, UL-Monroe, Grambling University, LSU-Shreveport, and Centenary College are all in that corridor).

For those who don’t know, Ruston is between Monroe and Shreveport, and LA Tech helps attract good companies because we have good scientists and engineers. With SBIR and STTR, those entrepreneurs start a company.

Again, I encourage you to make this a constructive discussion. I know many of you flew in from around the country, and I appreciate your efforts.

I would especially like to recognize a participant that came up from Louisiana. Kathy Wyatt, who I mentioned earlier, is here from Ruston, Louisiana representing Louisiana Tech. Kathy serves as Director of Louisiana Tech’s Technology Business Development Center and has long been active on small business issues. Kathy has been especially involved in assisting small businesses with the SBIR and STTR programs, including providing workshops and training on the two programs.

Dr. Kevin Kelly from Mezzo Technologies in Baton Rouge was going to be here, but he unfortunately got stuck in the bad weather. We will certainly miss his expertise and miss hearing about his company’s experience with the SBIR program.

I am grateful and excited to have Kathy here as a strong Louisiana voice.

Now I would like to turn the roundtable over to staff. I will listen until I need to leave.