

Testimony of Robert J. Kline-Schoder, Ph.D.**President****Creare LLC****Hanover, New Hampshire**

Chairman Vitter, Ranking Member Shaheen and Members of the Committee on Small Business and Entrepreneurship, thank you for the opportunity to testify today about the importance of reauthorizing the Small Business Innovation Research and Small Business Technology Transfer programs, more commonly known as the SBIR and STTR programs.

Creare has had a long relationship with the SBIR program, which serves as an example of a very successful public-private partnership. In 1982, Creare worked with Senator Warren Rudman on the legislation that originally established the SBIR program. Since then, the program has played a key role in our business and in the economy in our region of New Hampshire – our family of companies now employ over 2200 people in high-paying, manufacturing and high-tech service jobs. SBIR helped Creare establish successful spinoff companies; develop new products for government missions of national importance; and license SBIR-funded technologies to existing product firms. Through every economic downturn of the past 35 years, Creare has remained strong and continued to develop technologies and create high-paying jobs due in large part to the SBIR program.

Since 1982, SBIR and STTR have grown to be critical programs that enable the Federal Government to access the enormous technical talent employed by the nation's small businesses and infuse new technology into critical systems. Through the SBIR/STTR program, the Federal Government has been able to directly promote innovation, sustain the local workforce in many regions of the country, and drive the economy through the growth of small businesses.

Since the last reauthorization, the programs continue much as they have since their beginning—they are a highly-competitive and efficient contracting mechanism for small businesses to meet the research and development needs of the Federal Government and allow the Government to rapidly deploy mission critical technologies while fostering the development of new products for the commercial marketplace. The increased award sizes coupled with the increase in the set-aside in the reauthorization has strengthened the program by expanding the scope of work that can be performed for a given award while maintaining the number and breadth of awards and technologies that can be supported.

In addition, the funding that has been targeted since the last reauthorization to support transition of SBIR-developed technologies has been very effective. Coupled with the efficient contracting mechanism afforded by the SBIR/STTR programs, these new transition assistance funds (such as the Rapid Innovation Fund) have allowed many DoD programs to benefit by increasing the speed

at which new technologies, enhanced capabilities, and cost savings can be incorporated into mission-critical programs.

As the program moves toward its next reauthorization, we make the following recommendations:

Reauthorize for an Adequate Term or Make Permanent. SBIR/STTR is a proven program, and frequent reauthorization with many changes proves tremendously disruptive to vulnerable small businesses and to the Federal agencies that count on these small firms to meet critical program needs. The program should be reauthorized for at least ten years, or, even better, made permanent.

Continue Competitive Structure. We recommend that the competitive Phase I and II structure that has been the hallmark of SBIR/STTR be maintained. It is important that applicant companies compete for Phase I of the process, the stage where scientific validity of a proposal is established, and not bypass Phase I to directly enter Phase II (prototype development). This competitive process ensures that SBIR/STTR focuses its funding only the most promising technologies.

Maintain Eligibility Requirements. We recommend that the compromise on eligibility requirements for small businesses that resulted during the last reauthorization be maintained. We ask you to work to preserve the successful focus of the SBIR/STTR program on small American businesses, by ensuring that large firms or their subsidiaries and academic institutions cannot qualify for this small-business program.

Keep/Expand Allocation Levels. Similarly, we endorse the allocation percentage of extramural funding that each agency is required to achieve. An increase in these allocations, similar to what was done in the last reauthorization, would help small business—a very effective user of the funding—to increase growth and provide good paying jobs.

Enforce Existing Regulations on Award Size. Current law recognizes the balance between award size and number of awards: up to \$150,000 for Phase I and up to \$1,000,000 for Phase II adjusted for inflation with the flexibility to exceed the guidelines by 50%. Special approval by the Small Business Administration is required to exceed these award levels by more than 50%. We urge Congress to keep these protections in place so that these levels are maintained by all agencies. Increases significantly beyond this level will sharply reduce the number of small businesses that receive awards and discourage pursuit of innovative solutions.

Enforce Phase III Requirements. We recommend that the existing requirements that seek to maximize Phase III use of SBIR/STTR technology be enforced across all agencies. The current reauthorization says agencies and prime contractors should utilize Phase III “to the greatest extent practicable”. However, we still experience reluctance on the behalf of large DoD contractors to make use of SBIR/STTR technologies. To help in achieving this goal, additional funding for transition of SBIR technologies into programs, such as commercialization assistance programs and the rapid innovation fund, would be well spent. In addition, requiring large contractors to meet SBIR/STTR subcontracting goals would help meet this goal.

Standardize Commercialization Data. We recommend that the agencies standardize their commercialization data collection around the DoD or new SBA model. The data are now haphazardly collected by each agency in their own form with different requirements, which causes significant effort by the small business to comply.

On behalf of all Create employees, I would like to thank you for your efforts to reauthorize, hopefully permanently, the SBIR and STTR programs and for your continuing work to preserve and enhance the participation of small businesses in Federal research and development.