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Chairman Vitter, ranking member Shaheen, and members of the committee, thank you for inviting me to testify today on "Reauthorization of the SBIR/STTR Programs- The Importance of Small Business Innovation to National and Economic Security." I would also like to thank the Committee for having the foresight to start the reauthorization process early to hopefully avoid the long delays that occurred during the last reauthorization.

I am Roy Keller, the Director of the Louisiana Technology Office, located at the Louisiana Business & Technology Center at LSU. I also serve as the Director of the FAST program in Louisiana and as a member of the Board of Directors of the National Small Business Technology Council. My office is funded by the Louisiana Department of Economic Development to help Louisiana businesses and universities tap into the wealth of technology resources available in the Federal Laboratories. We run the SBIR program by working with all of the universities, businesses, and economic development organizations in the state.

After many years of working with technology based small businesses, I have seen the great value of SBIR to help develop companies and create jobs. Louisiana typically does not receive a high number of SBIR awards a year, but we work very hard to commercialize the technology created with these awards. Our state offers a 40% tax credit on qualified Research and Development expenses that includes SBIR/STTR awards. For example, a company with \$1,000,000 in SBIR awards would receive \$400,000 in tax credits that can be used to help commercialize their technology without having to borrow money or giving up equity for outside investment.

We conducted a survey a few years ago to gauge the value of the SBIR program to a group of our award winners. The results were very encouraging. It showed the following:

- 83% of those responding stated that they could link their SBIR funding with the creation of new jobs.
- 60% stated that their SBIR success is a primary reason they now have new collaborative partnerships with Louisiana Universities.
- 75% indicated that their SBIR awards lead to commercialization, generating product sales, new contracts, etc...
- 50% indicated that SBIR awards were critical in leveraging additional sources of capital.
- 67% stated that SBIR opened up new markets for their companies, including three that are now selling internationally.
- 50% stated that the SBIR funding helped their company survive and prosper after the effects of Hurricane Katrina and the recent economic downturn.

The following are some of the comments that we submitted by the companies:

"Because of SBIR we have been able to expand the company from a sole owner to a team of 10. We have also expanded our office space. SBIR funding is directly responsible for growing our company during the recent downturn. I am a woman/veteran entrepreneur and PhD researcher. SBIR has allowed my company to compete on the same level as larger businesses without risks and expenses associated with R&D." -Teaching Research Institute, LLC.

"Securing the \$4 million SBIR awards from NIH gave our private investors the confidence they needed to open their checkbooks even more. And to think we almost closed down right after Katrina"

- Autoimmune

"Though we love our home state, it is not currently known for its high-tech industries. As engineering and science graduates, it was considered common knowledge that employment would likely take us out of Louisiana. However, the SBIR program has provided us with an opportunity to remain in-state and provided the necessary capital to begin the process of establishing a self-sustaining, high-tech research and development company in the Lafayette region. -BMB Gun

Though these numbers are somewhat skewed due to the small survey size, they show the very positive impact the SBIR program has had in helping companies in our state develop and commercialize products, raise capital, and create jobs. I have heard similar stories for other SBIR state directors on the impact of the program in their states.

We have had many SBIR success stories in Louisiana. I will highlight two:

1. Evisive Microwave Non-Destructive Technologies has developed a system to rapidly inspect composite and ceramic materials. This is a spin off from their inspection work in the Nuclear power industry. They have been awarded 10 SBIRs with the Army, Air Force, Marine Corps, and Missile Defense Agency. They hold 11 US and International patents on their SBIR developed technology. Their Hand-Held Inspection Tool for the Stryker vehicle was the only SBIR project selected by the Army for inclusion in the Army Expeditionary Warrior Experiment (AEWE) technology assimilation program. The Army currently has six of these units in field tests. This may lead to a \$30 million sale for the company. They developed under an Air Force SBIR a unique testing system for ATK-Boeing Oxide-Oxide Nozzles used on the F-35 Joint Strike Fighter. The company has also entered into a relationship with Lockheed Martin to integrate SBIR related technology into their Aeronautics, Missions Systems Training, and Missile and Fire Control divisions.
2. Mezzo Technologies in Baton Rouge specializes in small, very efficient heat exchangers used to cool engines and electronics. They have won over 20 SBIRs with multiple agencies including the Air Force, Navy, NASA, SOCOM, and the Missile Defense Agency. They have been able to commercialize a very small radiator developed under a SOCOM SBIR for use in race cars. This radiator that manufactured in Louisiana is now used in every Indy race car worldwide. The heat exchanger they developed under a NASA SBIR to cool electronics is scheduled to for an upcoming demonstration flight on the International Space Station.

Although Louisiana has a number of success stories, we clearly need to get our number of awards up to an acceptable level. That is why I believe it is critical that the upcoming SBIR reauthorization legislation includes the Federal and State Technology (FAST) Program and S.2136- the Regional SBIR State Collaborative Initiative Pilot Program which this committee passed last year. These programs will supply much needed funding to underserved states like ours for outreach and SBIR infrastructure development. A strength of S. 2136 is that the funding would come out of the 3% SBIR funding that agencies can use for outreach. Agencies should send a modest portion of that funding to the SBA for the state initiatives to complement what is being done through the agencies and the SBA. This automatic funding stream would coordinate the national and state initiatives and provide stability to these efforts.

Thank you again for the opportunity to speak today and I look forward to answering any questions you may have.

Roy Keller
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