

Testimony of

Austin Strawhacker, MPA
Associate State Director, America's SBDC Iowa
Iowa State University Ivy College of Business

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Hearing on the Golden Age of American Innovation: Reforming SBIR-STTR for the 21st
Century

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2:30 P.M.

Chair Ernst, Ranking Member Markey, and Distinguished Members of the Committee,

Thank you for the opportunity to testify on the reauthorization of the Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs. As the Associate State Director of America's SBDC Iowa, it is my privilege to work directly with our team that empowers entrepreneurs and small businesses across Iowa, helping them navigate the challenges of starting, growing, and sustaining their ventures. Specifically, I provide oversight of our Technology and Commercialization Center, which provides guidance to innovators and often includes the exploration of SBIR/STTR funding.

I am proud to work for an organization that is vital to the success of many businesses. The Small Business Development Center (SBDC) network was established in 1980 as a nationwide initiative to provide small businesses with the necessary guidance and resources to thrive. With nearly 1,000 centers across the country, SBDCs have been instrumental in fostering entrepreneurship, delivering technical assistance, and connecting small businesses to critical funding opportunities. For over 45 years, SBDCs have helped millions of entrepreneurs start and expand their businesses, leading to job creation and economic growth in every state.

Many SBDCs also leverage the Federal and State Technology (FAST) Partnership Program grant to further support innovation. The FAST grant enables SBDCs to provide specialized training, proposal development assistance, and mentorship to small businesses seeking SBIR and STTR funding. By increasing awareness and helping applicants successfully navigate the complexity of these programs, the FAST grant recipients can act as a complimentary resource in helping more small businesses, particularly in rural areas, access federal research funding.

America's SBDC Iowa plays a crucial role in fostering innovation, strengthening local economies, and driving small business success across the state. We annually engage with approximately 5,000 clients. Last year, in 2024, our clients launched 225 new businesses, creating 1,795 new jobs, generating \$174 million in sales, and, in the process, acquiring \$57 million in new capital. Taken together, these results translate a return on investment (ROI) of 3.7.

These results are achieved because America's SBDC Iowa operates as a statewide network. Fifteen regional centers strategically hosted by eleven community colleges and our three public universities in the state provide direct business consulting, education, and technical assistance to entrepreneurs. Hosted by Iowa State University, the network collaborates with local economic development organizations, universities, community colleges, and government agencies to deliver customized support to small businesses. It is an effective and well-proven structure. It allows the Iowa SBDC to provide tailored services based on local and regional needs, ensuring that businesses in both urban and rural areas receive the support to succeed.

In our state, the regional SBDC centers serve as a pipeline to identify and support technology-driven businesses and to lead them to our Technology and Commercialization Center. This center specializes in assisting high-tech entrepreneurs with SBIR and STTR proposal development, intellectual property strategies, and commercialization planning. By leveraging the expertise of both regional advisors and state-level specialists, America's SBDC Iowa ensures that innovative businesses receive comprehensive guidance from ideation to market entry. A key part of that pathway is to enhance their competitiveness in securing federal research funding.

Today, my goal is to communicate three main points:

1. The Importance of SBIR/STTR
2. The Importance of Localized Support
3. Challenges and Opportunities

The Importance of SBIR and STTR

For over four decades, the SBIR and STTR programs have been instrumental in ensuring that American small businesses have a significant role to play in federal research and development. These initiatives enable small firms to develop groundbreaking technologies, create high-quality jobs, and compete globally. In Iowa, we see firsthand how SBIR and STTR funding empowers companies to bridge the gap between research and market deployment, particularly in sectors prioritized in our state, such as advanced manufacturing, agricultural technology, and biosciences.

The impact of these programs extends beyond direct recipients. SBIR/STTR funding attracts follow-on investment, strengthens university partnerships, and catalyzes commercialization pathways that might not otherwise exist. Many of the innovative businesses we work with at America's SBDC Iowa have leveraged these programs to transform ideas into viable businesses, generating economic benefits that ripple through our local communities. This follow-on investment has led to job creation, expansion of local supply chains, and increased private-sector capital flow into high-growth small businesses. Companies that receive SBIR/STTR funding often experience accelerated growth, hiring highly skilled workers and boosting local economies. Demonstrated early success with federal funding makes these businesses more attractive to venture capitalists

and private investors. It becomes an important part of how they secure the additional resources necessary to scale and bring cutting-edge innovations to market.

Iowa, like many states, provides direct follow-on investments upon a successful proposal. Iowa's investment, distributed through the Iowa Economic Development Authority, equates to a \$50,000 investment for a successful Phase 1 award and \$25,000 for a successful Phase 2. Furthermore, over 50% of successful SBIR/STTR applications we have helped with have leveraged their awards to generate follow-on funding that has more than doubled the total investment into these companies. The initial awards often allow other investors to feel more comfortable with these companies because of the solid research base they are able to achieve through an SBIR/STTR award.

Rural entrepreneurs, in particular, embody the grit, determination, and resourcefulness that define the American small business spirit. Despite facing unique challenges such as limited access to capital, workforce shortages, and geographic barriers, rural entrepreneurs demonstrate their drive and commitment to innovate, develop cutting-edge solutions, and create sustainable businesses that strengthen local economies. The SBIR and STTR programs provide them with the vital support needed to take calculated risks, push the boundaries of innovation, and contribute to the technological advancement of our nation.

The Importance of Localized Support

The success of small businesses, particularly those in rural communities, is often tied directly to the accessibility of localized support. America's SBDC Iowa and other SBDCs across the country play a key role in providing hands-on, local assistance to entrepreneurs, ensuring they have the resources, knowledge, and mentorship necessary for success. That includes support to navigate funding opportunities like SBIR and STTR. Our SBDC advisors work closely with local businesses to guide them through the proposal process, help refine their commercialization strategies, and connect them with the broader innovation ecosystem.

An example of a newly created impactful initiative supporting entrepreneurs in Iowa is Senator Ernst's Entrepreneur Expo, an annual event hosted by the Senator in collaboration with America's SBDC Iowa and the Iowa State University Center for Industrial Research and Service (CIRAS). The Entrepreneur Expo, which has been held at Iowa State University in Ames, IA, during its first two years, provides an important opportunity for small businesses, startups, and innovators to connect with industry experts, government resources, and potential investors. The expo fosters collaboration, provides hands-on technical assistance, and showcases the immense talent and ingenuity present in our state.

The success of Senator Ernst's Entrepreneur Expo demonstrates the value of convening local stakeholders to support small business innovation and commercialization. It is a worthy model for other states to consider replicating, as it strengthens local entrepreneurial ecosystems, bridges gaps between researchers and business leaders, and helps small businesses navigate federal funding opportunities like SBIR and STTR. By

exploring similar initiatives nationwide, the impact of federal programs on local communities can amplify and drive the potential for greater economic development across the country.

To further strengthen the local support and collaboration, the Iowa SBDC, along with our partners in Kansas, Nebraska, and Oklahoma, have established a “Great Plains SBIR” working group. This working group meets with a monthly cadence and is a chance for first-hand technical providers to share best practices, collectively work on solutions, and strengthen the regional support network.

Challenges and Opportunities for Improvement

While the SBIR and STTR programs have been highly effective and transformative for over 40 years, there are opportunities to enhance their accessibility and impact.

First, streamlining the application process and creating a smaller Phase 1 award amount would lower barriers for first-time applicants, particularly those in rural areas. Specifically, this step would allow for very early-stage research, the kind of research that is so important to small businesses, to be able to explore and describe the commercialization potential of their idea before they are truly ready to begin feasibility and commercialization work. This would allow a far greater number of firms the opportunity to develop critical technologies, roadmap their path to commercialization, and present a significantly stronger Phase 2 proposal that could eventually lead to more globally impactful technologies.

Second, many companies, especially those seeking Phase I awards, receive very little feedback if their proposal is not accepted. Some proposals are declined due to minor issues that the SBDCs could resolve if we were informed of them or knew of commonly made mistakes. Increasing transparency in the review process and enhancing structured feedback would greatly improve the ability of small businesses to refine their applications and submit stronger proposals, ultimately increasing participation and success rates.

Third, there should be recognition that innovation exists everywhere across our nation. Many companies in Iowa and in the heartland struggle to gain the same competitive advantage as firms located in other parts of the country. According to public data from SBIR.gov, just 5 states account for 46% of both the number of awards and total award dollars. While organizations like SBDCs and other FAST recipients help bridge this gap, additional measures could ensure that innovative companies receive full consideration, no matter where they are geographically. Addressing this disparity through targeted outreach, regional training, and improved evaluation transparency could ensure a level playing field for all entrepreneurs, regardless of geography.

Conclusion

For over 40 years, SBIR and STTR programs have played a transformative role in fostering innovation, supporting small businesses, and driving economic growth across the country. These programs not only help entrepreneurs bring groundbreaking technologies to market but also stimulate local economies by attracting follow-on investment and creating high-quality jobs. The impact of these initiatives is amplified through the work of America’s

SBDC Iowa and other SBDC networks nationwide, which serve as resource partners providing vital support to small businesses at every stage of development.

By leveraging the support of the SBDCs, small businesses gain access to expertise in commercialization, funding strategies, and technical assistance, ensuring they can fully capitalize on the opportunities provided by the SBIR/STTR program. As these programs continue to evolve, the collaboration between federal agencies, local resource providers, and entrepreneurs will be essential in maintaining the United States' leadership in innovation. Ensuring that small businesses have the tools, knowledge, and support they need will drive continued technological advancement and economic success for communities across the country.

Thank you for your time and consideration. I welcome any questions you may have.