

July , 2009

The Honorable Mary Landrieu
Chairwoman
Committee on Small Business and Entrepreneurship
US Senate, SR-428A
Washington, DC 20515

Dear Chairwoman Landrieu:

As you begin your work to reconcile the House and Senate versions of legislation to reauthorize the Small Business Innovation Research (SBIR) and Small Business Technology Transfer Research (STTR) programs, we encourage you to accept the language contained in Sec. 108 and Sec. 105 of S. 1233 passed by the Senate on July 13, 2009. We believe this language better reflects the intent of these vital programs to support innovation by genuinely small businesses.

As you know, the SBIR program has created an entrepreneurial environment 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 sciences, homeland security, space, transportation, and other fields.

Given the impressive history of the SBIR/STTR programs, reauthorization is of the utmost importance. Although we did not all oppose final House passage of H.R. 2965 on July 8, 2009, we are all concerned about changes included in the House bill that could negatively affect legitimately small businesses in districts throughout the country and undermine their ability to serve as drivers of American innovation.

We are primarily concerned with changes contained in H.R. 2965 that could unintentionally crowd out small businesses that currently have limited or no access to investment from private capital. The change to the ownership rule found in Sec. 102 of H.R. 2965 would open the SBIR program to businesses that are majority owned by venture capital (VC) firms. Historically, the SBIR program has been instrumental in funding innovative "infant" industry research and development for which private capital is not yet an option. As a result of the language in the House bill, 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 infant industry research and development.

To address these concerns, we request your support for the SBIR/STTR reauthorization language found in Sec. 108 of S. 1233. We believe this language, which is based on recommendations from the National Academy of Sciences and the Government Accountability Office (GAO), and participation levels of VCs in the SBIR program since its inception, represents a sensible

compromise on the ownership issue. Sec. 108 of S. 1233 will adequately expand participation of venture capital in the SBIR/STTR program while ensuring that this taxpayer-funded program still focuses on truly small businesses.

In addition to the ownership rule, we also ask that you support the Senate language regarding the increases in size for Phase I and Phase II awards. Sec. 105 of S. 1233 would increase Phase I and Phase II awards above their current levels to \$150,000 and \$1,000,000. These appropriate increases account for inflation and will enable the SBIR/STTR programs to fund a larger number of viable initiatives than the Phase I and Phase II increases contained in H.R. 2965. Sec. 105 of S. 1233 is also consistent with recommendations made by the National Academy of Sciences.

As you work to reach a compromise for this important reauthorization, we also urge you to discuss the length of reauthorization, increasing the agency allocation set-aside for the SBIR and STTR programs as suggested in Sec. 103 and Sec. 104 of S. 1233, and maintaining mandatory Phase I competition. We believe these provisions will strengthen the SBIR/STTR programs.

We appreciate your thoughtful consideration of our requests, which we believe will enable the next generation of SBIR innovation to be fully realized in support of cutting-edge small businesses and our economy. SBIR is often described as the most successful government research and development program. Like you, we would like to see this program build upon its impressive success. Thank you for your hard work and dedication to supporting and improving these critical programs

Sincerely,

Edward J. Markey
Member of Congress

Niki Tsongas
Member of Congress

Paul W. Hodes
Member of Congress

Peter Welch
Member of Congress

Stephanie Herseth Sandlin
Member of Congress

Betty Sutton
Member of Congress

Marcia L. Fudge
Member of Congress

Donald A. Manzullo
Member of Congress

Joe Courtney
Member of Congress

Chet Edwards
Member of Congress

CC:

House Small Business Committee Chairwoman Nydia Velazquez
Senate Small Business and Entrepreneurship Committee Ranking Member Olympia Snowe
House Small Business Committee Ranking Member Sam Graves
House Science and Technology Committee Chairman Bart Gordon
House Science and Technology Ranking Member Ralph Hall
House Technology and Innovation Subcommittee Chairman David Wu
House Technology and Innovation Subcommittee Ranking Member Adrian Smith.