COMMITTEE ON
SCIENCE, SPACE, & TECHNOLOGY
Lamar Smith, Chairman

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Statement of Chairman Lamar Smith (R-Texas)
SBIR/STTR Reauthorization: A Review of Technology Transfer

Chairman Smith: Thank you, Mr. Chairman. The *Small Business Innovation Research Act*, or SBIR, was signed into law by President Reagan in 1982 to help spur innovation and increase small business participation in federal research and development activity.

Since then, more than 100,000 small businesses in the United States have received SBIR grants to convert taxpayer-supported basic research discoveries into commercial technological innovation.

The Small Business Technology Transfer program, or STTR, was approved by Congress in 1992. STTR's unique feature is its requirement for a small business to collaborate with a non-profit research institution in order to bridge the gap between basic science and commercialization of resulting innovations.

Both SBIR and STTR are funded through a "tax" on federal agencies' research budgets. The SBIR tax on research began at 0.2 percent; that tax is now 3 percent, 15 times higher. Twelve federal agencies – those with annual external research budgets of $100 million or more -- are currently subject to the SBIR tax.

The five Federal departments and agencies with annual external research budgets of more than $1 billion are also taxed to provide funding for the STTR program. That tax is an additional .45 percent on the three research agencies represented here today: DOE, NSF, and NIH. These basic research taxes currently amount to approximately $2.5 billion each year for commercialization grants to small businesses.

Grant recipients run the gamut. Although about one-quarter of the companies are first-time recipients, most participating small businesses have received multiple SBIR grants.

Some former recipients of SBIR assistance have even become very large international corporations, such as Qualcomm, Sonicare, and Symantec.

SBIR and STTR companies have created parts for NASA's Mars Rover, equipped our military men and women with key war-fighting innovations, and generated a long list of life-saving medicines and health care treatments.

SBIR and STTR recipients have thousands of new patents and created thousands of new jobs, many in new areas of technology.

In the leading edge field of nano science, we're learning that tiny particles can have very big effects. SBIR support enabled Applied Nanotech of Austin, TX, to become a world leader in nano-tech breakthroughs -- inventing cheaper, more efficient solar energy cells, new materials for blast-resistant structures and equipment, and low-cost, high performance metallic inks and pastes for ink-jet-printed electronics.

Xeris Pharmaceuticals, also Austin-based, has used SBIR grants to develop new delivery systems for injectable medicines that aren't soluble with water. This includes a system for injectable glucagon to treat Congenital Hyper-Insulism that affects thousands of infants and young children.

The current legislative authorization for the SBIR and STTR programs doesn't expire until September of next year. The Science Committee is holding its first hearing today in order to start the process of timely oversight and reauthorization consideration.

There are still ways to improve SBIR and STTR and assure taxpayers are getting the greatest return for the investments of their hard-earned dollars. Instances of fraud and abuse continue to be problematic.

Objective measurement of results across all participating federal agencies is needed. It is also important to examine if the current funding levels – the taxes on basic research -- are hurting fundamental scientific research.

Any increases would necessarily reduce our nation's primary investments in basic research at a time when U.S. global leadership is threatened. As the members of this Committee know, China is set to overtake the U.S. in R&D spending as soon as 2020.

I look forward to hearing from our panel of witnesses, representing federal agencies and research universities, about these and other SBIR/STTR issues.

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