

Funding for Technology-Oriented Small Businesses in the U.S.A.

by Sabine Herlitschka

Small Business Innovation Research (SBIR) provides approximately \$1.6 billion in 2003 to Small Businesses in the U.S.

The Small Business Innovation Research (SBIR) and its "sister program," Small Business Technology Transfer Research (STTR), are the major competitive funding sources for technology-oriented small businesses in the USA. Via Phase I, small businesses can receive funding for feasibility studies up to \$ 100,000. Phase II allows technological research up to \$ 750,000 for prototype development, thus providing the incentive to profit from its commercialization in Phase III. Whereas SBIR can be applied for by individual companies, STTR provides funding for small businesses working with research organizations. In 2001, almost 4,500 small businesses received funding from SBIR and STTR.

Under the general guidance of the Small Business Administration (SBA), 10 federal agencies are involved in administering SBIR and STTR proposals, including:

- Department of Agriculture (USDA)
- Department of Commerce (DoC)
- Department of Defense (DoD)
- Department of Education (ED)
- Department of Energy (DoE)
- Department of Health and Human Services (HHS)
- Department of Transportation (DoT)
- Environmental Protection Agency (EPA)
- National Aeronautics and Space Administration (NASA)
- National Science Foundation (NSF)

These agencies designate R&D topics and accept proposals following SBIR-Program directives. These agencies are required to reserve up to 2.5% of their extra-mural R&D budget for SBIR, and up to 0.3% for STTR proposals (not all of the 10 agencies are involved in both SBIR and STTR). In the case of the National Institutes of Health (NIH), approximately \$ 556 million will be spent on SBIR and STTR in 2003.

Agencies implement the SBIR Program into their specific structure. Therefore, each agency has defined its individual requirements and guidelines for SBIR and STTR proposals, respectively. There is no general instruction on how to prepare SBIR and STTR proposals. Parties wishing to submit a proposal are required to consult the specific agencies for their SBIR/STTR instructions and requirements, and get in contact with the responsible agency officers.

The SBA has the authority and the responsibility for monitoring and coordinating the government-wide activities of the SBIR Program and reporting its results to Congress. The Federal agencies participating in SBIR have the responsibility to (a) select SBIR topics, (b) release SBIR solicitations, (c) evaluate SBIR proposals and (d) award SBIR funding agreements on a competitive basis

To participate in the SBIR program, a small business must meet certain eligibility requirements, such as:

- It must be American-owned and be independently operated

- ❑ It must be for-profit
- ❑ A Principal Researcher must be employed by the small business
- ❑ Company size must be limited to no more than 500 employees.

As for international cooperation, limited opportunities exist. For both Phase I and Phase II, R/R&D work must be performed in the United States. However, following a Policy Directive, some international cooperation is possible if *“based on a rare and unique circumstance, agencies may approve a particular portion of the R/R&D work to be performed or obtained in a country outside of the United States, for example, if a supply or material or other item or project requirement is not available in the United States. The funding agreement officer must approve each such specific condition in writing.”* (Source: Small Business Innovation Research Program Policy Directive, page 46, available at: www.sba.gov/sbir/sbirpolicydirective.html)

Funding is available in the form of grants or contracts depending on the individual agencies. Accordingly, evaluation is performed either by peer review with external experts or by means of an internal agency procedure.

In summary, SBIR&STTR are the major funding sources for early-stage technology in the U.S. small businesses are eligible to participate either by themselves or jointly with research organizations. International cooperation is possible to a limited extent if it is justified and clearly in the interest of the Agency.

For further information:

Small Business Administration (SBA): <http://www.sba.gov/sbir/indexsbir-sttr.html>
Small business research at the National Science Foundation (NSF): <http://www.sbirworld.com>
Tech-net: <http://www.sba.gov/sbir/indextechnet.html>

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