

Congress of the United States
Washington, DC 20515

October 11, 2011

The Honorable Sam Graves
Chairman
Committee on Small Business
U.S. House of Representatives
2361 Rayburn House Office Building

The Honorable Nydia Velázquez
Ranking Member
Committee on Small Business
U.S. House of Representatives
B343 Rayburn House Office Building

Dear Chairman Graves and Ranking Member Velázquez:

As you continue your work on a long-term reauthorization of the Small Business Innovation Research (SBIR) program, we urge you to ensure that any legislation brought to the House floor continues to reflect the program's true intent: fostering innovative and cutting-edge research at small businesses. During your ongoing negotiations with the Senate, we hope you will consider modifying certain provisions within the current House bill, H.R. 1425, which we believe could endanger the future success of the SBIR program.

First, we ask that you modify current language in H.R. 1425 that allows firms majority-owned by multiple venture capital (VC) companies to gain greatly expanded and unprecedented access to the program. While we are open to expanding the role of VC participation beyond current law, we believe that allowing VC majority-owned firms to qualify for SBIR funding without proper safeguards will crowd out true innovative small businesses while at the same time wastefully subsidizing private investment from large VC firms. Historically, the SBIR program has been instrumental in funding innovative "infant" industry research and development when obtaining private capital is not yet a viable option. This program should continue to effectively target scarce federal resources to technology development where private investment is insufficient. We therefore urge you to include language on VC participation similar to that of S. 493, which is supported by both the small business and venture capital communities. Also, integral to a limited increase in VC access is an increase in the total allocation for the SBIR program from its current 2.5 percent level to 3.5 percent, which also has support from a broad coalition of business groups, including the Small Business Technology Council, the U.S. Chamber, and National Federation of Independent Businesses.

Second, we are concerned about section 505 of H.R. 1425, which would limit the number of SBIR awards and dollars individual companies can receive, and in doing so would seriously undermine the merit-based principles that make the SBIR program so successful. We believe this provision will result in the federal government adopting "second best" technology because of arbitrary quotas. For example, if the Department of Defense determines that a specific SBIR proposal is most likely to provide the military with the quality technology necessary for protecting our troops, the Department should be free to invest in that technology regardless of how many SBIR awards the developer has previously won. It should not be forced to adopt

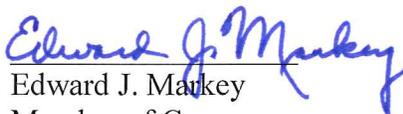
lower quality proposals. For missions related to our national defense, energy security, health, and economic well-being, success should not be a handicap.

Third, we are concerned that language of Section 105 of H.R. 1425, allowing SBIR participants to bypass Phase I of the award process and proceed directly to Phase II, undermines current best practices by eliminating the stage in which concepts prove feasibility. Instead of saving money and speeding commercialization, the elimination or curtailment of Phase I will yield major investments in impractical technologies, wasted taxpayer money, slower commercialization, and fewer SBIR grants being awarded. Instead of spending \$150,000 and waiting six months for a feasibility assessment under the timeline of a Phase I award, the federal government would spend \$1 million to leap directly into Phase II and wait up to two years to find out whether a technology was promising. If Congress undermines the proving ground of Phase I, it will be eliminating one of the critical tenets of the private-sector that was incorporated into the SBIR program: small awards, more awards, and short-time frames. This concept is proven. It avoids wasting money and time on ideas that do not and will not meet the needs of the government or the broader market.

Finally, we continue to encourage a long-term reauthorization to provide certainty to both federal agencies and our nation's small businesses. We believe that the SBIR program reauthorization should extend for long enough to permit agencies to manage this program as they have been successfully managing it for almost 28 years. We remain very concerned about the prospect of another short-term solution to extending this successful program. As representatives of Congressional districts where SBIR spurs innovation, creates jobs and exemplifies the successful possibilities of targeted government investment, we cannot risk letting this crucial program lapse.

We appreciate your commitment to the continuation and strengthening of the SBIR program and look forward to working with you. Please do not hesitate to contact us to discuss this matter in greater detail. Thank you again for your attention to our concerns.

Sincerely,


Edward J. Markey
Member of Congress

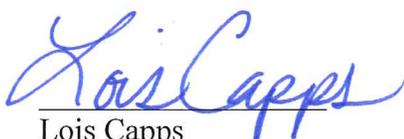

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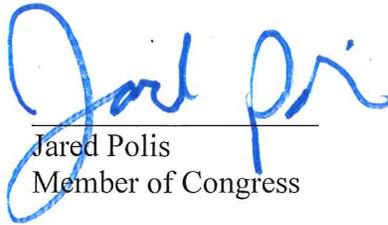

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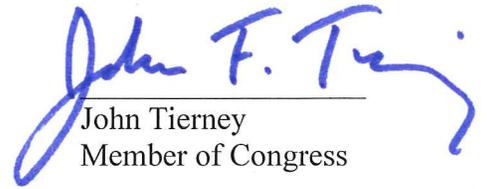

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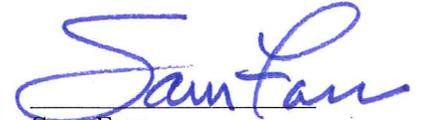
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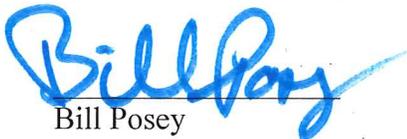
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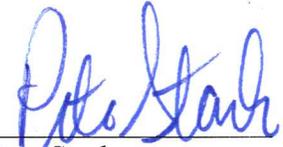
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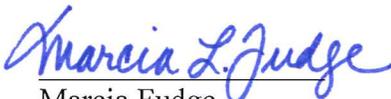
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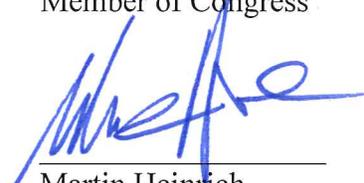
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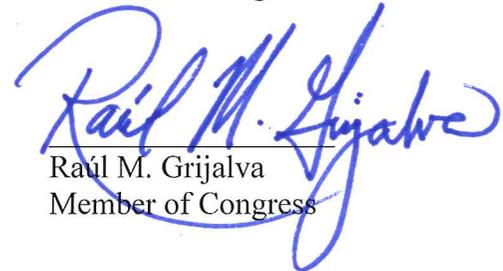
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