Overview of SBIR and STTR Programs

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Description of the Small Business Innovation Research (SBIR) Program

The SBIR program is a set-aside program (2.5% of a federal agency's extramural budget) for domestic small business concerns to engage in Research/Research and Development that has the potential for commercialization. The SBIR program was established under the Small Business Innovation Development Act of 1982 (P.L. 97-219), reauthorized until September 30, 2000 by the Small Business Research and Development Enhancement Act (P.L. 102-564), and reauthorized again until September 30, 2008 by the Small Business Reauthorization Act of 2000 (P.L. 106-554).

SBIR Qualifications: Small businesses must meet certain eligibility criteria to participate in the SBIR program:

- American-owned and independently operated
- For-profit
- Principal researcher employed by business
- Company size limited to 500 employees

The SBIR System: Each year, ten federal departments and agencies are required to reserve a portion of their R&D funds for awards to small businesses. These are:

- Department of Agriculture
- Department of Commerce
- Department of Defense
- Department of Education
- Department of Energy
- Department of Health and Human Services
- Department of Transportation
- Environmental Protection Agency
- National Aeronautics and Space Administration
- National Science Foundation

These agencies designate R&D topics and accept proposals from applicants

Three-Phase Program: Following submission of proposals, agencies make SBIR awards based on small business qualification, degree of innovation, technical merit, and future market potential. Small businesses that receive awards or grants then begin a three-phase program.

- Phase I is the startup phase. Awards of up to $100,000 for approximately 6 months support exploration of the technical merit or feasibility of an idea or technology.
- Phase II awards of up to $750,000, for as many as 2 years, expand Phase I results. During this time, the R&D work is performed and the developer evaluates commercialization potential. Only Phase I award winners may be considered for Phase II funding.
- Phase III is the period during which Phase II innovation moves from the laboratory into the marketplace. No SBIR funds support this phase. The small business must find funding in the private sector or other non-SBIR federal agency funding.

Description of the Small Business Technology Transfer Program (STTR)

STTR is another SBA program that expands funding opportunities in the federal innovation research and development arena. Central to the program is expansion of the public/private sector partnership to include the joint venture opportunities for small business and nonprofit research institutions. The STTR program was established by the Small Business Technology Transfer Act of 1992 (Public Law 102-564, Title II), reauthorized until the year 2001 by the Small Business Reauthorization Act of 1997 (P.L. 105-135), and reauthorized again until September 30, 2009, by the Small Business Technology Transfer Program Reauthorization Act of 2001 (P.L. 107-50). The unique feature of the STTR program is the requirement for the small business concern applicant organization to formally collaborate with a research institution in Phase I and Phase II.

Competitive Opportunity for Small Business:

STTR is a program that reserves a specific percentage of federal R&D funding for award to small business and nonprofit research institution partners. STTR combines the strengths of both entities by introducing entrepreneurial skills to high-tech research efforts. The technologies and products are transferred from the laboratory to the marketplace.

STTR Qualifications: Small businesses must meet certain eligibility criteria to participate in the STTR Program.

- American-owned and independently operated
- For-profit
- Principal researcher need not be employed by small business
- Company size limited to 500 employees (No size limit for nonprofit research institution)

- The nonprofit research institution must also meet certain eligibility criteria.
  - Located in the US
  - Meet one of three definitions
    - Nonprofit college or university
    - Domestic nonprofit research organization
    - Federally funded R&D center (FFRDC)

The STTR System: Each year, five federal departments and agencies are required by STTR to reserve a portion of their R&D funds for award to small business/nonprofit research institution partnerships. These are:

- Department of Defense
- Department of Energy
- Department of Health and Human Services
- National Aeronautics and Space Administration
- National Science Foundation

These agencies designate R&D topics and accept proposals.

Three-Phase Program: Following submission of proposals, agencies make STTR awards based on small business/nonprofit research institution qualifications, degree of innovation, and future market potential. Small businesses that receive awards or grants then begin a three-phase program.

- Phase I is the startup phase. Awards of up to $100,000 for approximately one year fund the exploration of the scientific, technical, and commercial feasibility of an idea or technology.
- Phase II awards of up to $500,000, for as long as two years, expand Phase I results. During this period, the R&D work is performed and the developer begins to consider commercial potential. Only Phase I award winners are considered for Phase II.
- Phase III is the period during which Phase II innovation moves from the laboratory into the marketplace. No STTR funds support this phase. The small business must find funding in the private sector or other non-STTR federal agency funding.

Implications for Reviews of Conflicts of Interest
http://grants.nih.gov/grants/policy/coi/nih_review.htm

The NIH issued a document entitled, "Financial Conflict of Interest: Objectivity in Research" on July 18, 2002, that provided the results of a review of 100 institutions' policies on conflict of interest. Their report identified aspects of these policies that would benefit from clarification, including that 96 percent did not mention the Small Business Innovation Research (SBIR) program in the policy document(s). Among the "helpful suggestions" was the proposal that institutions should, "Specify that the policy applies to Investigators participating in PHS research, as defined by PHS regulation, **including** subgrantee/contractor/collaborating Investigators, but **excluding** applications for Phase I support under the SBIR and Small Business Technology Transfer (STTR) programs." and to include a definition of the term, "SBIR."

The declaration and individual disclosures are required for all new, renewal, revision, supplement and continuation applications to PHS or NSF and for Phase II SBIR (R44) and STTR (R42) projects in collaboration with private entities. Phase I of both the SBIR (R43) and STTR (R41) programs are exempt from the federal requirements concerning disclosure of financial interests. Institutional training grants and individual fellowships do not require disclosure.