

OPENING STATEMENT
Ranking Member Dan Lipinski (D-IL)
of the Subcommittee on Research and Technology

House Committee on Science, Space, and Technology
Subcommittee on Research and Technology
*“Improving the Small Business Innovation Research and
Small Business Technology Transfer Programs”*
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Thank you Chairman Knight, Chairwoman Comstock, and Ranking Member Murphy for holding this hearing to consider improvements to SBIR and STTR, programs that help small business innovators turn their ideas into market-ready products. I support strong investment in basic research at our nation’s universities and federal labs, and I also support innovative and scalable policies and programs that help move this taxpayer-funded research out of the lab for commercial and societal benefit. The SBIR and STTR programs engage innovative small businesses in the Federal R&D system and play an important role in technology transfer. We need to do what we can to make these programs work even better, because America’s economic development and job growth depend on these small business innovators.

Eleven federal agencies invest a total of \$2 billion annually in the SBIR and STTR programs. These programs are a critical source of early-stage R&D financing. They give small businesses access to non-dilutive capital for validation of their ideas, product development, and testing, which often leads to follow-on private-sector funding and market introduction.

Commercialization is one of the ultimate objectives of the SBIR program. In last year’s assessment of the SBIR and STTR programs, the National Academy of Sciences found that about half of all the programs’ awardees generated commercial sales, and in a survey of NIH awardees, about 27 percent of the respondents had sales in excess of \$1 million.

SBIR is funded as a carve-out from funding for basic research, including research carried out by many of the same innovators who eventually apply for SBIR funding. Unfortunately, for the most part the overall pot of research money is not growing even as the SBIR program has grown by 30 percent since 2011. We must continue to be sensitive to this balance between funding for the pipeline of talent and basic research that feeds the ideas that an entrepreneur may eventually commercialize, and funding directly to the entrepreneurial activity itself.

Recent assessments of the SBIR program have provided us with good ideas on how to make the program more efficient and better able to achieve its goal of commercializing new products and services. A great proven example of this is the Innovation Corps Program, also known as I-Corps. I-Corps provides entrepreneurial education and other early stage support for innovators. NSF launched I-Corps in 2011 and it has since spread to other agencies, including DOE, NIH, DOD, USDA, and others. Early returns show that entrepreneurs who go through this program are more successful in their SBIR applications than those who do not. I-Corps and SBIR go hand in hand to strengthen the Federal R&D ecosystem that connects research institutions and industry.

I believe we need to expand on the success of I-Corps by making entrepreneurial education a central pillar of the SBIR program. We need to expand access to I-Corps so that it is available to SBIR grantees from every agency. We also need to spread the I-Corps model of entrepreneurial education throughout all phases of the SBIR cycle. Just as participating in I-Corps prior to applying for a Phase 1 grant can increase a researcher's success rate, participating in a startup accelerator that mentors innovators and teaches them how to scale their companies can increase their chances of commercial success. There are many examples of successful accelerators already operating, such as Y Combinator in Silicon Valley or the New Venture Challenge at the University of Chicago. The SBIR program should adopt a proven accelerator model for Phase 2 grantees.

In addition to entrepreneurial education, innovators often need funding for proof-of-concept work prior to applying for an SBIR grant. In the 2011 SBIR Reauthorization, I sponsored a provision to create a Phase 0 pilot program at the NIH. The Phase 0 Proof of Concept Partnership Pilot Program utilizes a small portion of the funds from within STTR. The NIH Centers for Accelerated Innovations and the Research Evaluation and Commercialization Hubs, or REACH, programs are funded by this pilot program. I look forward to hearing from Dr. Rubin about the REACH center that he directs at Stony Brook University. Relatively small investments by agencies in all aspects of pre-SBIR education and innovation could significantly improve commercialization outcomes for the SBIR program and for federally funded research more broadly.

Beyond commercialization, there are several other significant issues that I know our Federal witnesses will address this morning. We will hear from Mr. Neumann about ways to better guard against fraud, waste, and abuse in the SBIR program. The 2011 SBIR authorization included provisions to improve agencies' flexibility in making awards to small businesses, provide funding for outreach activities and other administrative issues, and increase data reporting. I look forward to an update from Mr. Shepard on how the agencies have implemented these new requirements, as well as feedback from the small business witnesses on what they believe has worked and what still needs improvement. Your testimony is important and helps us determine what to address as we work on additional policy improvements for the SBIR program. I look forward to working with my colleagues on both Committees to continue updating and strengthening the SBIR and STTR programs.

Thank you and I yield back the balance of my time.