

May 10, 2016

The Honorable Lamar Smith  
Chairman  
Science, Space and Technology Committee  
U.S. House of Representatives  
2321 Rayburn House Office Building  
Washington, DC 20515

The Honorable Eddie Bernice Johnson  
Ranking Member  
Science, Space and Technology Committee  
U.S. House of Representatives  
394 Ford House Office Building  
Washington, DC 20515

Dear Chairman Smith and Ranking Member Johnson:

The undersigned scientific and professional societies, higher education associations, universities, and research institutions are writing to express our opposition to a provision in the Commercializing on Small Business Innovation Act of 2016 (HR 4783) which would increase the SBIR set-aside from 3.46 percent in fiscal year (FY) 2018 to 4.5 percent in FY 2022 of any federal agency budget that provides more than \$100 million for research. There is no evidence that this increase is necessary or beneficial to the nation, and the larger set-aside will reduce the opportunity for other crucial sectors of the research enterprise to contribute to progress in science and technology.

We support and encourage the participation of small businesses in scientific research and recognize that the Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs are an important component of the innovation pipeline that produces today's medical and other advances. We also appreciate that reauthorization of the programs before the current law expires in 2017 will provide continuity in direction to the participating agencies as well as small businesses.

It is especially concerning that HR 4783 was approved by the House Small Business Committee after only two hearings on the legislation and without obtaining a recent evaluation of the impact of the statutory changes that were made to the SBIR/STTR program through the 2011 reauthorization. Although the Small Business Committee sessions addressed potential improvements in the SBIR and STTR programs to stimulate commercialization rates, modify reporting requirements that improve data collection, and reduce administrative and paperwork burdens for participating small business, the only discussion of whether the set-aside should be increased took place at the field hearing in Lynn, Massachusetts.

SBIR is not underfunded relative to other types of research. For example, the budget for the SBIR and STTR programs at National Institutes of Health (NIH) increased by 29 percent (from \$680 million to \$877 million) between FY 2011 and FY 2016, while the agency's total budget grew by only 4.5 percent. Furthermore, the NIH has experienced an overall reduction in the number of SBIR and STTR proposals that met the criteria for review by the agency. According to NIH data, the number of applications reviewed by the agency declined from 6,415 in FY 2011 to 5,644 in FY 2015 – a 12 percent decrease.<sup>1</sup> This reduction occurred even as NIH strengthened and diversified its outreach efforts as required by the last reauthorization. It is our understanding that NIH hopes to see continued growth in the number of applications reviewed in the future, but raising the set-aside does not guarantee that there will be a corresponding improvement in the

---

<sup>1</sup> National Institutes of Health, Success Rates of SBIR/STTR Applications by Phase (FYs 2006-2015), Table #215 accessed at <https://sbir.nih.gov/statistics/award-data>

quality or number of applications for SBIR and STTR awards. Similar trends are also evident at the National Science Foundation (NSF). Since FY 2011, the SBIR program at NSF has expanded by five percent a year, or 30 percent overall—almost three times as much as the rest of the agency during the same time.

Current law allows research agencies to retain the discretion to fund SBIR applications above the set-aside minimum as determined by scientific merit and opportunity. GAO reviews of the NIH SBIR/STTR program have found that the agency continues to meet and exceed the required set-asides each year. Dr. Matthew Portnoy, PhD, the NIH SBIR/STTR Program Manager, testified at the House Small Business Committee’s March 2, 2016 hearing that, “HHS attributes the success and effectiveness of its programs to several factors, the most significant of which is a flexible and proactive approach that adapts to the changing nature of biomedical and behavioral research while maintaining a highly competitive and effective program. I want to emphasize that flexibility is critical at a time when science is changing rapidly, becoming more complex, more interdisciplinary, and resource intensive.”<sup>2</sup>

While there is no limit to the number of awards made to small businesses, a mandatory increase in the SBIR/STTR allocation across federal agencies will result in fewer research opportunities for investigators in colleges and universities, non-profit research institutes, and other dynamic research institutions. Located in nearly every district across the nation, researchers in these settings are the primary contributors to scientific progress. Their work is the cornerstone of the nation’s research enterprise and makes the major discoveries that improve quality of life and contribute to our country’s economic growth.

The proposed increase in the SBIR/STTR allocation would be implemented when future funding levels for the federal science agencies are very uncertain. Under the spending caps enacted through the Budget Control Act of 2011, funding for defense and non-defense discretionary programs will grow by 7.5 percent from 2018-2021. The SBIR set-aside proposed by HR 4783 would increase 22.5 percent (from 3.46 to 4.24 percent) in that same period.

We urge the House Science Committee to exercise its jurisdiction by holding hearings to review the outcomes of the last SBIR/STTR reauthorization and what could be accomplished through a renewal of the programs before considering HR 4783. The SBIR/STTR set-aside should not be increased without a thorough evaluation of existing data on these programs and the merits of and justification for doing so. During a period when agency directors are being asked to make increasingly difficult choices, we do not believe it is in the best interest of scientific advancement to redirect funds to one program at the expense of other national research priorities.

Sincerely,

Addiction Medicine Foundation  
American Academy of Hospice and Palliative Medicine  
American Association for Cancer Research  
American Association for Dental Research

---

<sup>2</sup> Statement for Hearing Entitled “Commercializing on Innovation: Reauthorizing the SBIR and STTR Programs,” Small Business Committee, U.S. House of Representatives, March 2, 2016 accessed at [http://smbiz.house.gov/uploadedfiles/3-2-16\\_portnoy\\_testimony.pdf](http://smbiz.house.gov/uploadedfiles/3-2-16_portnoy_testimony.pdf)

American Association for the Study of Liver Diseases  
American Association of Anatomists  
American Association of Colleges of Pharmacy  
American Association of Immunologists  
American Brain Coalition  
American College of Rheumatology  
American Congress of Obstetricians and Gynecologists  
American Physiological Society  
American Society for Biochemistry and Molecular Biology  
American Society for Nutrition  
American Society of Clinical Psychopharmacology  
American Society of Human Genetics  
American Society of Nephrology  
American Society of Plant Biologists  
American Statistical Association  
Association for Surgical Education  
Association of Academic Physiatrists  
Association of American Medical Colleges  
Association of American Universities  
Association of American Veterinary Medical Colleges  
Association of Anatomy Cell Biology Neurobiology Chairs  
Association of Chairs of Departments of Physiology  
Association of Independent Research Institutes  
Association of Medical and Graduate Departments of Biochemistry (AMGDB)  
Association of Population Centers  
Association of Psychologists in Academic Health Centers (APAHC)  
Association of Public and Land-grant Universities  
Association of Schools and Programs of Public Health  
Association of Surgical Education  
Biophysical Society  
Brandeis University  
Cedars-Sinai Medical Center  
Coalition for the Life Sciences  
Columbia University  
Consortium of Social Science Associations  
Duke University  
Emory University  
Endocrine Society  
Federation of American Societies for Experimental Biology  
Federation of Associations in Behavioral and Brain Sciences  
Genetics Society of America

Indiana University  
Medical College of Wisconsin  
National Alliance for Eye and Vision Research  
North Dakota State University  
NYU Langone Medical Center  
Penn State University  
Population Association of America  
Portland State University  
Society for Academic Continuing Medical Education  
Society for Industrial and Applied Mathematics  
Society for Neuroscience  
Society for the Psychological Study of Social Issues  
Society of General Internal Medicine  
Society of General Internal Medicine  
The Commonwealth Medical College  
Universities Research Association  
University of Colorado, Anschutz Medical Campus  
University of Iowa Health Care  
University of Kansas  
University of Michigan  
University of Nebraska Medical Center  
University of North Carolina at Chapel Hill  
University of Pennsylvania  
University of Pittsburgh  
University of Rochester  
University of Virginia  
University of Washington  
University of Wisconsin-Madison  
Vanderbilt University  
Wake Forest University Medical Center  
Washington State University  
Washington University in St. Louis

cc: House Small Business Committee  
House Armed Services Committee