

NATIONAL SCIENCE FOUNDATION
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ARLINGTON, VIRGINIA 22230

April 27, 2007



OFFICE OF THE
DIRECTOR

The Honorable David Wu
Chairman
Subcommittee on Technology and Innovation
United States House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

Thank you very much for the opportunity to provide a statement for the record on your hearing on the "Small Business Innovation Research Reauthorization on the 25th Program Anniversary".

Let me begin by noting that the Small Business Innovation Research (SBIR) program was invented at the National Science Foundation (NSF). As early as 1976, Roland Tibbetts of NSF initiated a new program for the support of the small business community with early-stage financial support for high-risk technologies with commercial promise. In 1982, based in large part on the success of our program, Congress expanded the SBIR program to other agencies by passing the Small Business Innovation Research Development Act.

With this history, it is indeed fitting that the NSF should provide a statement for the record, and the following comments are directly related to the questions that you posed to me in your letter of April 12.

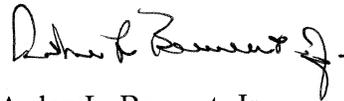
1. Program Effectiveness: The NSF finds the SBIR and STTR programs to meet the objectives to stimulate and commercialize innovation consistent with the NSF strategic plan FY 2006 – 2011 by supporting the NSF vision "Advancing discovery, innovation and education beyond the frontiers of current knowledge, and empowering future generations in science and engineering".
2. Award Levels: The NSF recommends allowing STTR Phase I awards to go up to \$150,000 to encourage partnerships and Phase II awards to \$1,000,000.
3. Small Business Participation: The NSF supports state outreach efforts to attract small businesses to participate in the SBIR and STTR programs. The SBIR/STTR and EPSCoR programs within NSF collaborate to increase geographic distribution of small business awardees. The NSF uses various supplements to encourage

broadening participation of students and teachers from the underrepresented community into the small business environment.

4. **Financing and Commercialization:** The NSF offers Phase IB and Phase IIB supplement programs to bridge the innovation gap. The NSF recommends increased flexibility to use a portion of the SBIR/STTR set aside funds to provide commercialization assistance.
5. **Administrative Costs:** The NSF provides full administrative support to the SBIR/STTR programs. The community will benefit from additional flexibility if program funds can be used to provide on-site monitoring and mentorship to awardees.
6. **Venture Capital Majority Ownership:** The NSF recognizes that the private sector funds are essential for commercialization of the NSF supported emerging technologies. The NSF supports the definition of a small business as 500 or fewer employees regardless of predominant ownership by individuals or institutions.

Thank you for the opportunity to present our recommendations.

Sincerely,

A handwritten signature in black ink, appearing to read "Arden L. Bement, Jr.", with a stylized flourish at the end.

Arden L. Bement, Jr.
Director