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The SBIR Program

Abstract: The legislative history of the SBIR program is summarized in this chapter, and the government agencies that participate in the program are described.

The SBIR program is a public/private partnership that provides research grants to fund identified private-sector R&D projects. The research grants are intended to help fulfill the government’s mission to enhance private-sector R&D and to complement federal research needs of research.

A prototype of the SBIR program began at the National Science Foundation (NSF) in 1977 (Tibbetts, 1999). At that time, the goal of the program was to encourage small businesses—increasingly recognized by the policy community to be a source of innovation and employment in the U.S. economy—to participate in NSF-sponsored research, especially research with commercial potential. Because of the early success of the program at NSF, Congress passed the Small Business Innovation Development Act of 1982 (Public Law 97–219), or as simply referred to herein, the 1982 Act.

The 1982 Act required all government departments and agencies with external research programs of greater than $100 million to establish internally their own SBIR program and to set aside funds equal to 0.20 percent of the external research budget. To provide a benchmark against which subsequent totals can be compared, observe that in 1983 that set aside totaled $45 million.

The 1982 Act stated that the objectives of the program are:

1. to stimulate technological innovation,
2. to use small business to meet Federal research and development needs,
3. to foster and encourage participation by minority and disadvantaged persons in technological innovation, and
4. to increase private-sector commercialization of innovations derived from Federal research and development.

As part of the 1982 Act, SBIR program awards were structured and defined by three phases. Phase I awards were small, generally less than $50,000 for the six-month award period. The purpose of Phase I awards was and still is to assist businesses as they assess the feasibility of an idea’s scientific and commercial potential in response to the funding agency’s objectives. Phase II awards were capped at $500,000; they generally lasted for two years. These awards were and still are for the business to develop further its proposed research, ideally leading to a commercializable product, process, or service. The Phase II awards of public funds for development are sometimes augmented by outside private funding (Wessner, 2000). Further work on the projects launched through the