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THE HOUSE COMMITTEE ON SMALL BUSINESS

TESTIMONY BEFORE

THE HOUSE COMMITTEE ON SMALL BUSINESS

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-by-

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SMALL BUSINESS INNOVATION RESEARCH (SBIR)

AND

SMALL BUSINESS TECHNOLOGY TRANSFER (STTR) PROGRAM

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Chairman Chabot, Ranking Member Velazquez, and distinguished members of the committee, thank you for the opportunity to appear before you today to discuss Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR). The Department of the Navy greatly values our SBIR/STTR program, because we are taking a great program and making it better by improving the business of the science. Small business and industry value our program because of continuous outreach to create new business and science opportunities.

Through SBIR/STTR, American small businesses throughout your States have proven over and again their ability to provide lean, agile and innovative solutions to warfighter requirements – to help our Service deal with the big challenges of its defense and humanitarian missions. As Mr. Sean Stackley, Assistant Secretary of the Navy for Research, Development and Acquisition (ASN RDA) said, *"Small Business and a competitive, healthy Small Business industrial base are vital to the long term success and affordability of the Department as well as to our national security. The evidence is overwhelming that where affordability is paramount, a strategy that includes Small Business creates more affordable outcomes and promotes innovation and technical advancement."*

Two examples of outstanding Navy SBIR/STTR contributions to our Military and our Nation are EMILY and Automated Celestial Navigation:

- The Emergency Integrated Lifesaving Lanyard – called EMILY -- is a robotic lifeguard deployed world-wide by Hydronalix, a rural Arizona company. Several of EMILY's technologies derive from a 1991 Office of Naval Research STTR project to track whale migration. The tracking system, reconfigured as the *Silver Fox* Unmanned Air Vehicle (UAV), was deployed in 2007 to provide convoy protection to Marines in Iraq, saving

lives. The same basic technology package, reconfigured as EMILY, is supporting first responders throughout the U.S. and other nations, and saving lives today in the Mediterranean Sea refugee crisis.

- Trex Enterprises' Automated Celestial Navigation (ASN) system provides a solution in GPS-denied environments through a fully automated star tracker for imaging individual stars both day and night to enhance navigation capability. Initially focused on Navy challenges, ASN attracted attention across the government: the result being a fellow agency ordering 15 systems, with applications in crime fighting and drug interdiction.

Over the last six years, using its non-SBIR funds, the Navy has invested an average of over $500 million per year in SBIR/STTR technologies. This investment, we believe, leads the Department of Defense and the federal government.

There are four primary factors that have made the Navy's SBIR/STTR program successful:

- Culture – our Naval acquisition community considers SBIR/STTR part of the solution for delivering quality innovation to our warfighters, quickly and cost-effectively.
- Team – with an emphasis on delivering solutions to warfighters, our dedicated professionals make continual improvements to small business performance through our proven SBIR/STTR Transition Program and its annual Forum. These events further partnering with industry and government, for even the newest small firms.
- Outreach – through SBA's SBIR "Road Tours", SBIR conferences, and our own Command visits across the US, we aggressively attract new entrepreneurs to the Naval Research Enterprise.

- Leadership – Secretary Stackley (ASN RDA) and Rear Admiral Mathias Winter, Chief of Naval Research, provide continuous advocacy for SBIR/STTR, as well as guidance to our acquisition community about SBIR/STTR engagement. Moreover, the Department of Navy guidance is aligned with the Department of Defense *Better Buying Power 3.0*.

The Navy's SBIR/STTR programs are a data-driven program with meaningful metrics to mature the business of the science, increase technology transition, and improve commercialization outcomes. Looking at FY2015-FY2016 our SBIR/STTR program can be measured in four critical areas: Phase I awards; awards to new firms; reducing award delays; and Phase III investment.

- Phase I awards – Phase I awards rebounded after sequestration budgets to over 400 awards in FY2014, and continued in FY2015 at the same level.
- Awards made to new firms – despite the intense competition for SBIR/STTR awards the Navy averaged 22% of awards to first-time winners in every solicitation since 2010 – due, we believe, to improved outreach.
- Reducing award delays - an Office of Naval Research pilot on focused contracting – funded with the "3% administration" monies provided in 2011 SBIR reauthorization – reduced Phase II award time from 11.2 months to 4.7 months and reduced award delay from 7.4 months to 0.9 months.
- Phase III investment - $383 million in non-SBIR/STTR dollars were invested in 142 projects in FY2015, for an average of $2.7 million per project to mature innovative technologies needed by Navy to accomplish its defense and humanitarian missions.

Performance, as mentioned above, led former Under Secretary of Defense for Acquisition, Logistics and Technology, Jacques Gansler to tell the Senate Armed Services Committee recently that SBIR/STTR should be made a permanent program. The Department of the Navy continues to seek improvements in our program to seek a more diverse vendor base, increase small business integration into Navy business, and leverage small business advances for Navy requirements. I look forward to working with you and your staff regarding the importance of SBIR/STTR authorities.