



U.S. Small Business Administration

TESTIMONY of

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Chairman Chabot, Ranking Member Velazquez and distinguished members of the committee, thank you for inviting me here today to discuss the Small Business Innovation Research and Small Business Technology Transfer programs affectionately known as America's Seed Fund.

Last month, SBA Administrator, Maria Contreras-Sweet discussed the "State of Entrepreneurship" at NASDAQ's Headquarters in Times Square. This unprecedented opportunity gave SBA a wonderful platform to explain the importance of small businesses to the American economy. The Administrator highlighted the great value of the SBIR program and how it harnesses America's ingenuity to solve big issues. The SBIR program drives innovation in areas ranging from national security to public health to food and space exploration. In the financial tech capital of the world, SBIR was recognized as the institution which creates and provides opportunity, through initial seed investment, to tens of thousands of small high-tech growth firms.

And NASDAQ is the proper place to begin a discussion of the SBIR because it represents the ultimate aims of the program – business growth innovation and job creation. Today we are going to speak a lot about oversight, reporting and compliance but we must not miss the point the return on investment from SBIR is truly astounding. The combined market caps of just two SBIR funded companies, Qualcomm & Biogen, is \$120 Billion, triple what American taxpayers have invested over the lifetime of these SBIR programs. And our next generation of companies that got started with SBIR funds are developing game-changing technologies, like Mango Materials, headed by a female PhD from Stanford, a company tackling waste-reduction through a novel process of creating bio-plastics from methane waste and Made in Space, a company pioneering the use of 3-D printing on the International Space Station to support extended space exploration.

Working to better organize and extend the impact of these programs is a privilege for me. Many of you know me from the rigor, success, and discipline I brought to the Navy SBIR program. A little over a year ago, I was asked by SBA to lead the federal wide policy and programmatic oversight for the SBIR and STTR programs. I accepted that position and now make it my personal mission to ensure we deliver a quality product to all our stakeholders.

SBA works very closely with Agencies' Program Managers and external stakeholders to ensure that the intent of Congress is carried out in the operation of the programs. It is critical to remember that although there is one SBIR program it is operated 11 different ways depending on the focus of each agency's mission directives and goals.

The 11 agencies that participate in programs have collectively awarded over 152,000 awards totaling over \$40 billion dollars to America's small businesses. Since 2012's reauthorization, the SBIR/STTR programs have annually provided over \$2.5 billion dollars of seed-funding, directly into the hands of small businesses nationwide.

Thanks to this committee, the programs were reauthorized in December of 2011. Since reauthorization, SBA successfully issued 5 major interagency policy committee reports on outreach, commercialization, award size flexibility, evaluation frameworks, and SBIR.gov public and Government databases. We implemented, with agency support, the 68 legislative changes

directed by the 2011 reauthorization. We commenced the modernization, build-out, and maintenance of our SBIR.gov business intelligence platform; coordinate and lead a highly successful outreach campaign, hitting 22 states across the country in 2015 via our SBIR Road Tours, Regional Summits, and National Conferences. We have accomplished a great deal with the limited budget and personnel resources allocated. But there is more work to be done.

This committee asked the speakers to discuss potential improvements to boost commercialization, improve data collection and reporting while limiting paperwork burdens. I have some summary thoughts on each of these.

Commercialization was improved by the 2011 reauthorization but more should be done. Firms are severely limited in using SBIR funds to support activities that help commercialize the firms' products and services, like market assessments, patents, and scale up. Agencies are still struggling to report, as directed, Phase III award activity or any goals and incentives that they have put in place to increase Phase III's. And we need to look at ways for agencies, especially the DOD, to make sure funds are available to pay for the needed Test and Evaluation, or technology maturation phase, of SBIR Phase II projects.

On the data collection, we are much better off than we were in 2011. SBA and the agencies have all worked hard to implement the many new data fields that Congress requested collect. I strongly encourage all of you to visit SBIR.Gov to see the amount of data that is now available. But this is still work in progress and continues to require funding and time to get to where we want to be.

Limiting paper work burdens continues to be a challenge where I don't believe we have made much progress. While this was a goal of the reauthorization, so too were the goals of increasing the data collected and tools to help protect against fraud waste and abuse. A big challenge here is that most agencies still require small businesses to apply using the same processes that their major Universities and large businesses do. There are some organizations, like NSF with its FastLane site and the DOD, that are building tools that reduce the efforts for both the firm and the agency. But more can and should be done to help standardize the proposal template and submission process. I also think we need to focus on the gap between proposal submission to award, especially between Phase I and II.

As SBA's Director of Innovation and Technology, I will continue to work closely with our sister agencies to make sure the SBIR/STTR programs are the top priorities across the federal government. I will hold agencies responsible for the allocations required by statute. And I will continue to work with you to improve these programs. They are true gems, and we must make sure our small businesses know about these opportunities.