

Fred Hagen

From: ann.eskesen@inknowvation.com

Sent: Tuesday, February 23, 2010 2:16 PM

To: hagenf@icogenex.com

Subject: Call to SBIR Action to prevent attachment of majorly flawed SBIR Reauthorization to Jobs Bill

Congressman Jason Altmire (D-PA) has issued a
Dear Colleague Letter urging incorporation of
H.R. 2965: SBIR/STTR Reauthorization Act of 2009
into must-pass Jobs Bill
Copy of Mr Altmire's letter:

http://www.inknowvation.com/Call_To_Action_SBIR_2008/altmire.pdf

Tell YOUR Representative in no uncertain terms
that this **MUST NOT** be allowed to happen!

SBIR-STTR community:

For those of you who have not been keeping track of the long-drawn-out circus that SBIR Reauthorization has become, I offer something of an overview of the present state of things below. If you don't have time - or inclination to keep reading - all you need to take action is in the next few lines. In the meantime, this email is being processed to every current awardee in the SBIR-STTR programs - almost 20,000 of you - and should be understood as an urgent **Call to Action**.

Don't know your Member or have their contact data to hand? Go here

<http://www3.capwiz.com/c-span/dbq/officials/directory/directory.dbq?command=congridir>

- Call BOTH the District AND DC offices.
- Ask to speak to that staff person with small business responsibility. Get their name and email
- Follow up you call with an email to that person. By themselves, unless sent to someone in particular, emails are not very effective and emails channeled through the official sites of Members are a waste of time

Voice your objection to the tactic being employed to try to foist an inadequate, inappropriate and controversial SBIR bill on the community that is both

- The largest concentration of technical talent in the US
- And the major, high-paying job creator in most states.

We - and the country - deserve better!

Need some of the charts and graphs which back up these assertions and which give you local data. Go to <http://www.inknowvation.com/Store.html>

There is no need to get into the detail of the bills, the differences between the two etc.

Simply stress that this embedding of a controversial bill that will impact something that important to you is unacceptable.

... I know you're probably busy and may not feel comfortable in this political role - but don't let yourself off the hook by assuming that someone else will be doing this and so you don't have to bother. You're the awardee. Effective functioning of this program is probably important to you. YOU do it!

In like manner, don't write to me asking for a Form letter that you can use. From many years in this space I can tell you that, though slightly better than doing nothing, such communication is largely ineffective.

- Briefly tell your own story.
- You live and work in the District.
- You're creating the jobs that are so urgently needed.
- You're doing work that is important.
- You have something of consequence to say on a matter that directly affects you
- ... And they will listen

The message:

That ram-rodging through a bill that is not only

- **not good** for effective functioning of the SBIR program for the **overwhelming percentage of previously SBIR eligible small firms** - see discussion below
- but is also an **underhanded subterfuge** that borders on sharp practice.
- That this effort is clearly designed to by-pass the Conference Committee process and to avoid having to deal with the strong objections of the Senate which passed their very different - and, in general, more acceptable version of SBIR reauthorization.

What has happened:

At the instigation of US Representative Jason Altmire (D. PA) - a former lobbyist - and almost certainly with the full support of the House Small Business Committee leadership and some others adept at parliamentary maneuvering, the effort is to embed HR 2965 - the House version of SBIR Reauthorization - into the whatever version of the Jobs Bill that is currently making its way through Congress. With an employment rate that is stuck fast in double figures and millions unemployed for very extended periods, a Job creation initiative has garnered some level of bi-partisan support - a rarity in this almost totally stalled Congress. It seems likely that a Jobs Bill in some form will pass quite quickly.

It seems likely that few Members - particularly those who are less directly involved in SBIR support - will feel inclined to impede a Jobs Bill that is actually showing progress towards passage simply to handle the fact that the SBIR component is tagged on there - unless they hear from people like you that this is not okay.

In his Dear Colleague letter, Mr Altmire suggests that there is strong, bipartisan support of the bill and he lists 99 industry organizations and academic institutions in support of the bill's passage. It is important to note that conspicuously absent from that 'support' list is any small business organization which actually speaks for the SBIR community in any way. In fact, there is only ONE small business entity cited - period - and that we have not seen in the space before. Even more striking is the total absence of any small firms who have been/are SBIR involved - whether pre-disposed to like the House bill or not - or any industry trade association - except BIO, of course - most of which have come out in favor of a fully functioning SBIR effort broad in its scope and scale, not narrowing focus to a very small subset of the technology-based small business community.

The truth is, of course, that every major SBIR advocate organization and group that exists has been long fighting against this seriously flawed House bill - a bill that would change the SBIR program to one that bears little/no resemblance to that which - with all of its imperfections and quirks - has served the technology development community quite well.

SBIR Reauthorization completely stalled:

With the stalemate in almost all matters of any importance which currently define Washington DC and this 111th Congress, SBIR reauthorization has all but disappeared off the radar of everyone except a very few die-hards bound and determined to keep this very important technology and business development resource alive. Ironically, SBIR is among the very few issues of consequence that are completely bipartisan - but it is also a reauthorization process that has been highly contentious and bitterly fought.

As most of you know, the House and Senate both passed their very different versions of SBIR reauthorization many months ago, last summer. Despite considerable effort on the part of the Senate Small Business Committee to get to compromise in Conference Committee, the House Small Business Committee has resolutely stood their ground behind their seriously flawed bill. They have moved not one inch.

To keep alive and functioning the program which ran out of legislative legitimacy on September 30, 2008, the result has been a series of several Continuing Resolutions (CR) each enabling the SBIR program to function for a few more months at a time. The most recent CR - passed in late January - authorizes SBIR to April 30, 2010. The DOD SBIR program was separately reauthorized - as part of the Defense Appropriations bill - for ONE year and will run to September 30, 2010.

It is important to note that, as longtime SBIR advocate, part of the group which created the SBIR almost 30 years ago and involved in every political effort since - and there have been many - I like neither bill. The focus in both is to tweaking elements of program operation and not getting to the substantive matters of the critical missing element of effective transition of the SBIR-STTR developed technologies to use-condition. What SBIR Reauthorization should have been about is effective draw down of the extraordinary diversity of economic impact value that SBIR has created.

But that is not the fight underway right now - and of the two bills that have been offered up the Senate version S.1233 is infinitely preferable to that which would come out of HR. 2965

Some of the unacceptable HR 2965 provisions

- Provisions which shift program eligibility primarily to larger and more established firms and to those which appear to offer evidence of rapid, high growth - a relatively small percentage of SBIR firms. Most serious SBIR advocates - this one included - see an important role for VC funding of SBIR-involved firms that are addressing high growth market opportunities but NOT in the manner which HR 2965 sets-up that would exclude everyone else. Ironically, that includes the very young and early-stage firms which may become VC relevant but are not yet AND particularly those in states which are traditionally not well served by the formal VC community.
- No limitations on the overall percentage of award dollars that can be made to these larger entities. It is already very evident from the data of the passed four-five years that the VERY large awards being made at Phase II in NIH and DOD in particular are having the effect of radically reducing the number of Phase I awards. Even more important, is the fact that conspicuous by their absence in recent award listings are younger and smaller firms. If not SBIR supported and largely ignored by VC, where do these younger and smaller firms get their financial support?
- Elimination of mandatory Phase I - allowing direct to Phase II. Almost all the Program Manager in the agencies opposed elimination of Phase I but express concern that senior management will order them to shift their programs in this direction. It is easier and less labor intensive to go with fewer and larger projects. But when the dollars get larger, how many will be willing to take the risk of funding a project that is still early stage and very high risk? Ironically, it is these flyer projects that so often are the one which turn out to be the major stars
- Enabling and encouraging "Jumbo Awards", award amounts with no ceilings. Phase II awards that run to several million dollars are becoming almost common place in DOD and NIH. When the size of the base pool remains the same, the impact of a few very large awards can be radically to reduce the number of Phase I awards for everyone else.
- Reauthorization for only TWO years. Whom are we kidding! How can the agencies - or awardees - be expected to plan to effective program management when continued operations are eked out a few months or a couple of years at a time.

How come you have not heard from us in a while:

Brought almost to our knees by the effort and considerable demand on resources required to fight this battle for this length of time trying to rally the community at the grassroots level and to provide the solid documentation of what is actually happening in the program, last Fall we stepped out of the political space. When the choice was to continue fight almost entirely uncompensated, neglect our own business, generate almost no income and face laying off long-time associated and trusted employees and even perhaps close the firm OR STOP beating our head against that wall! We stopped.

But as one of the very few players who can get an email on the desk of just about every awardee and can provide the data to back up that what we say is happening in tihe program in actually happening, when I go the word about Mr Altmire's maneuver, the choice was made for me.

We can no longer function as your political advocate but hope we have given you the incentive and some of the tools to pick up this fight. It will not be easy - but it must be done.

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