

October __, 2009

Dr. Francis Collins
Director
National Institutes of Health
9000 Rockville Pike
Bethesda, MD 20892

RE: SBIR Grants from NIH Recovery Act Stimulus Funding

Dear Dr. Collins:

The undersigned are leaders of small biotechnology and medical device companies, as well as organizations that support the progress of these firms in developing and commercializing biomedical innovations.

Last week President Obama visited your Bethesda campus to laud the fact that half of the NIH's \$10 billion in stimulus has already been awarded to researchers. Unfortunately, as of this writing, well under one percent (1%) of these funds has been awarded to small businesses, the very companies that are usually responsible for translating NIH research into medically useful products. We respectfully call on you to ensure that no less than 2.8% of the stimulus money be set aside for SBIR/STTR grantees, the same set aside typically required for the NIH extramural grants program. Our appeal echoes those of several congressional leaders.

We recognize that the Recovery Act legislation, unlike your annual appropriations, does not require NIH to set aside a specific percentage of ARRA funds to small businesses, instead leaving this to the discretion of the agency. Nevertheless, we do not believe the goal of the Recovery Act—long term, sustainable job creation—can be achieved merely by funding research by academia. Moreover, expanding the SBIR program will almost certainly be a necessary component of increasing NIH's commitment to translational research, one of your five priorities as director.

The recession has substantially reduced access to private investment capital for most biotech firms significantly curtailing their ability to move novel therapies and diagnostics into the healthcare marketplace. Companies are downsizing and suspending operations throughout the country.

Since the SBIR program was created by Congress in 1982 studies by the National Academies of Sciences and others have concluded that SBIR has been extremely effective in advancing the R&D missions of the agencies and in developing innovative technologies.

Last year a University of California study analyzed *R&D Magazine's* top 100 innovations of the year over the last four decades. The study revealed a significant growth in recent years in the number of award winning inventions coming from small businesses with SBIR grants relative to those coming from Fortune 500 companies and universities. The authors concluded that "SBIR-nurtured firms consistently account for a quarter of all U.S. R&D 100 Award winners—a powerful indication that the SBIR program has become a "key force in the innovation economy of the United States."

That SBIR funded companies constituted a quarter of the award winning, high impact innovations while receiving a mere 2.8% of federal R&D grants strongly suggests that NIH should significantly increase not reduce the SBIR percentages from the stimulus package.

Increasing federal investments in biotech companies pays both immediate *and* long-term dividends for our economy. Upon receipt of these funds we immediately make new R&D hires and procure needed supplies and services in the same manner as university researchers. However, unlike university-based research, we launch new products and create *sustainable* job growth in diverse fields such as manufacturing, sales, marketing, etc. that continue for many years after the government funding has ended. Moreover, our SBIR grants are often further leveraged by new private investments that can boost the Federal economic stimulus. Small business fills an essential role in the health care "food chain" to deliver health care solutions to the public by translating the basic discoveries generated by universities into commercially viable products and services. NIH's failure to adequately support R&D in small biotechnology business during these difficult economic times will result in incalculable losses both to patients and our nation's health care system.

To reiterate, we strongly urge that no less that 2.8% of NIH's ARRA funding be reserved for small businesses. Thank you for your consideration of our views.

Respectfully submitted,

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