

Certification & Procurement: Accelerating Innovation in Kansas



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The Small Business Innovation Research program provides funding for early-stage companies

By Tracy Taylor

The topic of capital is one near and dear to all entrepreneurs. The words we usually associate with this process are seed capital, venture capital and, perhaps, angel investors. But many times the earliest form of capital to take innovative ideas from the drawing board to the market is paid for by an investor we all know: Uncle Sam.

Through the Small Business Innovation Research Program (SBIR), the United States invests in promising research. The SBIR program is a critical part of the process to support entrepreneurial companies through their early stages.

Funding Innovation

Since its inception in 1982, the SBIR program has helped countless small, early-stage companies compete for federal research and development awards. These contributions have enhanced our nation's defense, protected our environment, advanced our health care system and improved our ability to manage information and manipulate data.

SBIR targets the entrepreneurial sector where new ideas and innovators thrive; and where the risk and expense of conducting serious R&D efforts are often beyond the means of many small businesses.

By reserving a specific percentage of federal R&D funds for small business, SBIR enables small companies to compete on the same level as larger businesses. SBIR funds the critical early and development stages and encourages the commercialization of the technology, product or service, which, in turn, stimulates the economy.

Federal agencies with additional research and development budgets more than \$100 million, are required to administer SBIR programs using an annual set-aside of 2.5 percent for small companies. Currently, 11 Federal agencies participate in the SBIR program:

- Health and Human Services
- Agriculture
- Commerce
- Defense
- Education
- Energy
- Homeland Security
- Transportation
- Environmental Protection Agency
- National Aeronautics and Space Administration
- National Science Foundation

To date, more than \$12 billion in grants has been awarded nationally by the SBIR program to small businesses. The grants are good for small business because they don't have to be repaid.

SBIR Objectives

The SBIR program includes the following objectives:

- Using small businesses to stimulate technological innovation
- Strengthening the role of small business in meeting federal R&D needs
- Increasing private sector commercialization of innovations developed through federal R&D
- Increasing small business participation in federal R&D
- Fostering and encouraging participation in the SBIR program by socially and economically disadvantaged small businesses and women-owned businesses

SBIR Program Qualifications

Small businesses must meet certain eligibility criteria to participate in the SBIR program:

- American-owned and independently operated
- For profit
- Principal researcher employed by business
- Company size limited to 500 employees

Three-Phase Program

Following submission of proposals, agencies make SBIR awards based on small business qualification, degree of innovation, technical merit and future market potential. Small businesses that receive awards then begin a three-phase program.

- Phase I is the startup phase. Awards of up to \$100,000 for approximately six months support exploration of the technical merit or feasibility of an idea or technology.
- Phase II awards of up to \$750,000, for up to two years, expand Phase I results. During this time, the R&D work is performed and the developer evaluates commercialization potential. Only Phase I awardees are considered for Phase II.
- Phase III is the period during which Phase II innovation moves from the laboratory into the marketplace. No SBIR funds support this phase, rather the small business must find funding in the private sector or other non-SBIR federal agency funding.

Even More Money?

Many of the SBIR programs are now using matching/bridge awards to increase the success and maximize the growth of companies in moving from Phase I to Phase II. In some cases, this more than triples the amount of funding available in this critical phase of development. Competitive preference and funding priority are given to applicants who demonstrate the ability to secure substantial independent third-party investor funds. In Kansas, such funding could come through the Kansas Bioscience Authority, which uses non-federal funds to match awards for those who qualify.

Kansas SBIR Success

Kansas businesses were awarded nearly \$24 million in SBIR funding between July 2003 and December 2007. Approximately 28 Kansas companies have been awarded SBIR funding, with businesses in Kansas City, Lawrence and Manhattan accounting for a majority of award winners.

More than \$1.7 million was awarded to Kansas companies between July and December 2007. And last year, there were strong Kansas Phase I projects, with 13 being reported, bringing in an additional \$6 million if the projects progress to phase II.

Applying for SBIR funding

If you are interested in applying for the federal SBIR program, or want more information, please contact the Kansas Technology Enterprise Corporation (KTEC) at (785) 296-5272 or go to www.ktec.com

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