

Wisconsin Department of Commerce and UW-Extension
Wisconsin Entrepreneurs' Network (WEN)
Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR)
Program Assistance

FINANCE TYPE: Federal grants and contracts for innovative high risk, high payoff research and development efforts that have strong commercialization potential.

OVERVIEW: The SBIR and STTR Programs are critical set-aside research and development funding programs for small business entities (SBE). Since the enactment of SBIR in 1982, and STTR in 1992, these Programs have helped thousands of SBE to research, develop and commercialize technologies in defense, agriculture, environment, life sciences, energy, education and many other sectors.

PURPOSE: The SBIR/STTR Programs were established to:

- Stimulate technological innovation
- Use SBE to meet federal research and development (R&D) interests/needs
- Encourage the participation of disadvantaged and minority persons in technological innovation
- Increase private sector commercialization through federal R&D investment
- Promote and require, for STTR, that SBE partner with a nonprofit research institution such as a university or a federally funded R&D center to bring innovative technologies to market; for SBIR, the SBE may choose to establish research collaboration with academic organizations or private sector firms.

BENEFITS: Through the SBIR/STTR Programs, small businesses are enabled to:

- Fund innovative, high risk, high payoff research and development efforts
- Retain intellectual property rights of the federally funded R&D effort
- Retain 100 percent ownership of their small business
- Achieve technological and commercialization credibility for proprietary innovations

ELIGIBILITY: SBE must meet certain eligibility criteria to participate in the SBIR and STTR Programs. They must be:

- Organized for profit, with a place of business located in the United States, which operates primarily within the United States or which makes a significant contribution to the United States economy through payment of taxes or use of American products, materials, or labor;
- Formed as an individual proprietorship, partnership, limited liability company, corporation, joint venture, association, trust or cooperative, except that where the form is a joint venture, there can be no more than 49 percent participation by business entities in the joint venture; and
- At least 51% owned and controlled by one or more individuals who are citizens of, or permanent resident aliens in the United States, except in the case of a joint venture, where each entity to the venture must be 51% owned and controlled by one or more individuals who are citizens of, or permanent resident aliens in the United States and has, including affiliates, not more than 500 employees.

PARTICIPATING AGENCIES: SBIR requires 11 federal agencies to reserve a portion of their extramural R&D funds for award to small businesses. STTR also requires participating federal agencies to reserve a portion of their extramural R&D funds for award to small business/nonprofit research institution partnerships. Federal agencies release one or more annual solicitations that describe their technology needs/interests, to which SBE submit research proposals that address solicited topic areas. Each agency manages their Programs with oversight and guidance provided by the U.S. Small Business Administration. Participating federal agencies are:

Department of Agriculture
Department of Defense *
Department of Energy *
Department of Homeland Security*
Environmental Protection Agency
National Science Foundation *

Department of Commerce
Department of Education
Department of Health and Human Services *
Department of Transportation
National Aeronautics and Space Administration *

Note: "*" Participate in the STTR Program

FUNDING: Each year, more than \$2 billion is available through the SBIR and STTR Programs to support high risk, high payoff research and development efforts. Each federal agency administers its own Program resulting in various deadlines; budgets; funding amounts; proposal review processes; scientific and technical merit criteria; grant and contract award processes and other factors. Based on agency solicitations and interests, SBE submit research proposals to the appropriate federal agency for review and consideration. The method of selection and evaluation criteria differs among the agencies; however, evaluation criteria normally include; the proposed project's scientific and technical merit; qualifications of the principal investigator/project director and the technical team; capabilities of the company to successfully conduct the work effort within the timeframe and budget requested; and, the potential for commercialization of the innovation.

THREE PHASE PROCESS: Both the SBIR and STTR Programs are three-phased programs with funding guidelines shown below.

Phase I – Funding up to \$100,000 for a period of 6 – 9 months. Phase I funding supports research to determine or demonstrate the technical feasibility of the innovative idea. Only Phase I award recipients can compete for Phase II funding. In the SBIR Program, the SBE must perform at least 2/3 of the work with 1/3 subcontracted to other entities. In the STTR Program, the SBE must perform at least 40% of the work and the research institution must perform at least 30% of the work. The remaining 30% can be performed by other entities.

Phase II – Funding up to \$750,000 for a period of up to 24 months. Phase II funding supports the research and development needed to produce a prototype based on the successful Phase I feasibility effort. In the SBIR Program, the SBE must perform at least 50% of the work with 50% subcontracted to other entities. In the STTR Program, the SBE must perform at least 40% of the work and the research institution must perform at least 30% of the work. The remaining 30% can be performed by other entities.

Phase III – No SBIR/STTR funds are used to support Phase III. The SBE is encouraged to seek private sector financing, licensing, and/or strategic partners to commercialize the technology. However, if the federal agency is a potential customer, non-SBIR/STTR procurement funds may be awarded in Phase III for "sole source" procurement from the SBE (SBIR/STTR recipient). The sole source designation is a legislated entitlement provided by the SBIR/STTR Programs.

PRINCIPAL INVESTIGATOR/PROJECT DIRECTOR (PI/PD):

SBIR Program - the PI/PD must be at least a 51% employed by the SBE, and it precludes full-time employment elsewhere.
STTR Program - the PI/PD may be an employee of the SBE or an employee of the research institution.

WEN SBIR/STTR ASSISTANCE: WEN, a program created by the Wisconsin Department of Commerce (COMMERCE), serves as the State's focal point to help Wisconsin SBE access federal funding through the SBIR and STTR Programs. WEN and its numerous Wisconsin partners from government, academia, and the private sector involved in promoting entrepreneurship and economic development aim to assist and strengthen Wisconsin's pursuit of federal SBIR and STTR awards by its tech-based small business sector. WEN and its collaborating partners provide SBIR/STTR assistance that includes:

- educational sessions on how to compete
- proposal preparation and submission
- pre-submission proposal reviews
- establishment of research partnerships with academia/non-profit research institutions and technology transfer opportunities for the commercialization of innovations
- selection of appropriate federal agencies and research topics of interests/needs that fit with the SBE business strategy
- development of commercialization strategies and Phase II Commercialization Plans
- intellectual property management in federal grants and contracts

WEN also administers the competitive Technology Assistance Grant (TAG) Program for COMMERCE. TAG is a small grant of up to \$3,000; of which 25 percent is matched by the small business. TAG funding is used to hire an approved private sector service provider to assist a small business with its federal SBIR/STTR proposal preparation and submission (see www.wenportal.org). This is a one-time grant.

WEN SBIR/STTR Assistance Team

Northwest Regional Director

Pat Dillon, MBA
(W) 715-836-5056
dillonp@uwec.edu

Northeast Regional Director

Kurt Waldhuetter, MS
920-496-2116
waldhuek@uwgb.edu

Southeast Regional Director

Dave Linz, MS, MBA
414-227-3106
dglinz@uwm.edu

Southwest Regional Director

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