

February 27, 2009

The Honorable Barbara A. Mikulski
United States Senate
503 Hart Senate Office Building
Washington, D.C. 20510

The Honorable Benjamin L. Cardin
United States Senate
509 Hart Senate Office Building
Washington, D.C. 20510

RE: SBIR Exemption from NIH Stimulus Funding under ARRA

Dear Senators Mikulski and Cardin:

The undersigned leaders of small, Maryland based biotechnology companies respectfully request your immediate assistance in helping to ensure that companies like ours are given the opportunity to compete for some of the nearly \$10 billion in funding provided to the National Institutes of Health (NIH) under the American Recovery and Reinvestment Act ("ARRA").

To our great consternation the ARRA stipulates that funds to the NIH shall not be subject to the Small Business Innovative Research (SBIR) set aside which is the typical route under which small companies compete for funding support from the NIH. (*See H.R. 1, page 62: "Provided further, that the funds provided in this Act to the NIH shall not be subject to the provisions of 15 U.S.C. 638(f)(1) and 15 U.S.C. 638(n)(1):..."*). Thus, if not corrected, nearly 100% of ARRA funding to the NIH would go to academic research, non-profit research, overhead of those institutions, contractors and building construction with no money to support *small* businesses undertaking innovative R&D that create sustainable high salary jobs. This will have a devastating impact on Maryland's growing biotechnology industry and will significantly curtail our ability to create sustainable job growth and expedite the development of disease cures. This is especially the case since the economic downturn has almost completely blocked access to private sources of investment capital for most of our firms.

In 1982 Congress created the SBIR program that requires agencies that fund R&D, such as the NIH, to set aside a sliver of these funds (2.5%) for small business qualified technology companies. Numerous 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.

Increasing federal investments in companies like ours 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

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the same manner as university researchers. However, unlike with university research, when we launch new products this creates *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.

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 could constitute a quarter of award winning innovations while receiving a mere 2.5% of federal R&D grants strongly suggests that Congress should significantly increase-- not eliminate-- the SBIR percentages in the stimulus package.

We kindly request a meeting with each of you so that we may more fully explain the consequences of the ARRA SBIR exclusion to both Maryland and the nation and explore avenues to promptly remedy this error.

Thank you for your consideration of our views.

Respectfully submitted,

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