

**FOR OFFICIAL USE ONLY UNTIL RELEASED BY THE COMMITTEE**

**TESTIMONY OF**  
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**(ACQUISITION, TECHNOLOGY & LOGISTICS)**  
**BEFORE THE**  
**HOUSE COMMITTEE ON SMALL BUSINESS**

**July 23, 2014**

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Testimony of

Mr. Andre Gudger

Director, Office of Small Business Programs

Office of the Under Secretary of Defense (Acquisition, Technology & Logistics)

House Committee on Small Business

Review of the Department of Defense (DoD)

Small Business Innovation Research (SBIR) Program and Small Business Technology

Transfer (STTR) Program Implementation of P.L. 112-81

July 23, 2014

Thank you for the opportunity to testify on the Department of Defense Small Business Innovation Research (SBIR) program and the Small Business Technology Transfer (STTR) program. I welcome this opportunity to provide a perspective on how the changes made by Division E of P.L. 112-81, the SBIR/STTR Reauthorization Act of 2011, have been implemented and managed within the Department. The programs are tools for the Department of Defense (DoD) to seed innovation in our industrial base, and, in so doing, develop leading-edge technologies with the potential to meet warfighter needs, today and in the future. Now, more than ever, we need to leverage the responsiveness, efficiency, capability, and technological innovation our nation's small businesses provide.

One of our central obligations as public officials is to ensure that we are using taxpayer dollars as productively and efficiently as possible. From that perspective, today I will provide an overview of the SBIR and STTR programs, steps taken to comply with the most recent authorization of the program, and the overall health of the program.

### **SBIR and STTR at DoD**

The Office of Small Business Programs (OSBP) provides oversight to the DoD SBIR/STTR program which currently has thirteen participating DoD Components comprising of the Military Departments, Defense Agencies, and other Defense Activity programs.

Thirteen DoD Components participate in our SBIR and STTR programs, including the Military Departments and several Defense Agencies. Each Component manages its portion of the overall program to be responsive to specific mission and technology research and development needs while supporting overarching Department science and technology requirements. In terms of budget, the Department's program represents over 50 percent of the total federal SBIR budget, which exceeds two billion dollars.

The SBIR and STTR programs fund a significant amount of research and development in any given year. In Fiscal Year 2013, over 9,676 Phase I and approximately 1,500 Phase II proposals were received, which resulted in over 1,500 Phase I and 950 Phase II contract awards. Of those awards, over 450 went to universities.

The SBIR and STTR programs are important for small businesses and the Department. The results of our commercialization efforts indicate that for every dollar invested in a small technology firm through the SBIR and STTR programs, two dollars of Phase III funding are invested in these firms for follow on work. Phase III dollars and commercialization success stories are self-reported through the OSBP Company Commercialization Report (CCR) system database.

### **DoD Implementation of the SBIR/STTR Reauthorization**

On December 31, 2011, the President signed into law the National Defense Reauthorization Act of Fiscal Year 2012, which included the SBIR/STTR Reauthorization Act of 2011, extending the programs through September 30, 2017. The SBIR/STTR Reauthorization Act includes many changes and pilot programs aimed at enhancing the SBIR and STTR

programs, targeted to strengthen the role of innovative small business concerns in Federally-funded research and development. Implementation of these changes was planned and executed in the areas of outreach, commercialization, streamlining and simplification, reporting, and compliance.

The Department uses multiple outreach methods to increase the understanding of the SBIR and STTR programs and encourage participation by small technology firms, particularly underserved firms such as women-owned small businesses, veteran-owned small businesses, service-disabled veteran-owned small businesses, small disadvantaged businesses, small business located in historically underutilized business zones, and firms from underrepresented states<sup>1</sup>. In addition to briefings and one-on-one meetings at several national level conferences, the Department has provided tailored briefings, either at conferences or through webinars, for small technology firms in more than half of the 27 underrepresented states as identified by the Small Business Administration (SBA). Regular updates on upcoming events, outreach, and program information reach an even wider audience through the DoD SBIR/STTR listserv, which has more than 12,000 subscribers, and social media interaction through Twitter and Facebook.

OSBP has worked with DoD leadership to establish, develop, and infuse SBIR/STTR objectives into the Department's normal business procedures and processes. We have established working groups, updated DoD policies, created incentives for acquisition program managers, and implemented mechanisms for collecting and tracking data. The following highlight some of our efforts:

- The establishment of the DoD Commercialization Working Group (CWG), comprising of government experts in SBIR commercialization and led by the OSBP "Program Executive Office (PEO) SBIR/STTR," to standardize transition planning tools and processes across the Department focused on increasing the transition rate of SBIR/STTR-developed technologies into programs of record (PoR) and fielded systems.
- The CWG established formal definitions for commonly misunderstood, key commercialization terms such as "transition" and "Phase III work".
- The CWG provides direct support to acquisition PM's in identifying and transitioning SBIR/STTR-developed technologies into PoR or fielded systems.
  - As an example, PEO SBIR/STTR Commercialization is currently working closely with PMs from the Armored Multi-Purpose Vehicle (AMPV) program, the U.S. Army's largest combat vehicle program, to match program capability needs and recently developed technologies under the SBIR/STTR program. The PEO

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<sup>1</sup> "The 27 states (AK, AR, DC, DE, HI, IA, ID, KS, KY, LA, ME, MO, MS, MT, ND, NE, NV, OK, PR, RI, SC, SD, TN, UT, VT, WV, WY) with the lowest success in the SBIR program..." Small Business Administration, The Small Business Innovation Research (SBIR) & Small Business Technology Transfer (STTR) Program Interagency Policy Committee Report – SBIR Outreach (draft), May 2014, 8

SBIR/STTR manager has participated in the AMPV's Defense Acquisition Board (DAB) meetings to provide direct input into their acquisition strategy.

- Inserted into Interim DoD Instruction 5000.02, "Operation of the Defense Acquisition System," requirements for acquisition PMs to establish goals and incentives that increase transition of SBIR/STTR-developed technologies into PoRs and fielded systems.

*Interim DoDI 5000.02, November 25, 2013*

Table 2. Milestone and Phase Information Requirements, Continued

INFORMATION REQUIREMENT	PROGRAM TYPE <sup>1</sup>			LIFE-CYCLE EVENT <sup>1,2</sup>								SOURCE	APPROVAL AUTHORITY
	MDAP	MAIS	ACAT II   III	MDD	MS A	CDD Val	Dev RFP Rel	MS B <sup>a</sup>	MS C	FRP/FD Dec	OTHER		
	•	•	•	•	•		•	•	•	•		15 U.S.C. 638 (Ref. (u))	MDA
SMALL BUSINESS INNOVATION RESEARCH (SBIR)/SMALL BUSINESS TECHNOLOGY TRANSFER (STTR) PROGRAM TECHNOLOGIES	NOTES STATUTORY. Program managers will establish goals for applying SBIR and STTR technologies in programs of record. For contracts with a value at or above \$100 million, program managers will establish a goal for the transition of Phase III technologies in subcontracting plans, and report the number and dollar amount of contracts entered into for Phase III SBIR or STTR projects. At each milestone indicated, the Program Manager will provide a detailed plan for the use of SBIR and STTR technologies and associated planned funding profile (Phase I, II, and III).												

Additional clarification for SBIR/STTR requirements will be inserted into the final DoD Instruction 5000.02:

- Program managers will establish goals for applying SBIR and STTR technologies in programs of record *and incentivize primes to meet those goals.*
- For contracts with a value at or above \$100 million, PMs will establish goals for the transition of Phase III technologies in subcontracting plans *and require primes* to report the number and dollar amount of Phase III SBIR or STTR contracts.

OSBP, DoD leadership, and SBA collaborated on data collection and reporting requirements:

- A data collection gap analysis was conducted to ensure the required fields were incorporated into the annual reports to Congress. This will ensure data from all thirteen participating DoD Components is collected and consolidated in a timely and efficient manner.
- The Department created standardized templates and documented process timelines for all reporting requirements. This has resulted in complete, accurate, and on-time reports.

All new policies and procedures have been documented and communicated to the relevant SBIR/STTR stakeholders through our annual DoD SBIR/STTR Training Workshop held in June 2014.

## **In Conclusion**

The overall health of the DoD SBIR/STTR Programs has shown tremendous improvement. Process timelines, both internally and with small businesses, have been reduced, payments to small businesses have been accelerated, and targeted outreach has resulted in a small but encouraging increase in proposal submissions from underrepresented states. Department-wide knowledge and collaboration has increased through workings groups, our annual training workshop, and professional workforce development initiatives. Also, implementation of SBIR/STTR policies has increased direct participation in transition activities with PoR. The DoD SBIR/STTR program sparks innovation and develops successful, leading-edge technologies to support the warfighter. It is critical that we continue to leverage the robust potential available in our nation's small businesses.

Once again, I appreciate this opportunity to testify on behalf of the DoD SBIR/STTR program.

Implementation Complete	
Section	Title
5101	Extension of Termination Dates
5102	SBIR and STTR Allocation Increase
5103	SBIR and STTR Award Levels
5104	Agency and Program Flexibility
5105	Elimination of Phase II Invitations
5106	Pilot to Allow Phase Flexibility
5107	Participation by Majority-owned Multiple Venture Capital Firms
5108	Special Acquisition Preference
5109	Collaborating with Federal Labs
5110	Notice Requirement
5111	Additional SBIR/STTR Awards
5121	Technical Assistance for Awardees
5122	Commercialization Readiness Program at DoD
5125	Definition of Phase III
5126	Shortened Award Decision Period
5131	Streamlining Annual Evaluation
5132	SBIR Data Collection from Agencies
5133	STTR Data Collection from Agencies
5136	Accuracy in Funding Base Calculations
5137	Evaluations by National Academies
5138	Technology Insertion Reporting
5139	Intellectual Property Protections
5140	Consent to Release Information
5141	Pilot for Administrative Funding
5142	GAO Study of Venture Capital
5143	Reducing Fraud, Waste, and Abuse
5144	Simplified Paperwork Requirements
5162	Competitive Selection Procedures
5164	Limitations on Pilot Programs
5165	Commercialization Success
5166	Publication of Certain Information
5167	Report on Manufacturing Activities
5168	Stimulate Competitive Research

Figure 1. 2011

SBIR/STTR Reauthorization Act section completion