



ML Strategies Legislative Update

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NIH Opens SBIR Program to Majority-Owned Venture Capital Small Business Concerns

On May 31st, the Department of Health and Human Services (HHS) reissued its [Omnibus funding opportunity announcement](#) (FOA) for the Small Business Innovation Research (SBIR) and the Small Business Technology Transfer (STTR) programs in order to implement venture capital provisions of the SBIR/STTR Reauthorization Act of 2011.

HHS notice [NOT-OD-13-071](#) will allow small business concerns that are majority-owned by multiple venture capital operating companies (VCOCs), hedge funds and/or private equity firms to apply for the NIH SBIR program and compete for up to 25 percent of NIH's SBIR set-aside in the Omnibus FOA or any other NIH SBIR funding announcement issued hereafter. With this notice, NIH is the first agency to elect to use its authority under Section 5107 of the reauthorization to make awards to majority owned firms, signaling new and significant opportunities for venture capital in the future.

Implementation of venture capital provisions allows previously ineligible, yet highly innovative firms, to compete for grants and opens up a significant additional funding to the VCOC community. For example, under the FY2013 continuing resolution, the total SBIR/STTR set-aside for NIH was over \$690 million. If funding levels were to remain the same for FY2014, majority-owned firms will be eligible to compete for more than \$173 million, or 25 percent of the set-aside. For firms previously barred from participation in the SBIR program, this is a significant new pool of funding to pursue innovative technologies.

The HHS notice also details that, although NIH is still updating its electronic systems, it is in the process of implementing additional provisions of the reauthorization. For example, soon small business concerns will be able to:

- Skip Phase I and apply directly for Phase II of the SBIR program through targeted pilot FOAs at NIH;
- And switch programs at Phase II to apply for a Phase IIB SBIR or STTR based on a Phase II SBIR or STTR award.

These additional changes will allow firms that may be further along in the research and development (R&D) process to compete for larger awards sooner and enable firms to access additional Phase II funding to bridge the “valley of death” between R&D and commercialization.

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