

United States Senate

WASHINGTON, DC 20510

April 26, 2000

The Honorable Aida Alvarez
Administrator
Small Business Administration
409 Third Street, SW
Washington, DC 20416

Dear Administrator Alvarez:

We are writing to express our dismay about the Small Business Administration's (SBA) management of the Small Business Innovation Research (SBIR) outreach program established by section 9(s) of the Small Business Act (the Outreach Program). We understand that the SBA sent a letter on March 17, 2000 to the participants in the Outreach Program stating that each jurisdiction participating in the Outreach Program would have their federal matching funds reduced to \$19,000 beginning October 1, 2000. In addition, we have heard that the SBA intends to provide grants to states that do not even submit an application that is consistent with the procedures the SBA has established for the program. This is the latest in a series of actions the SBA has taken related to the Outreach Program that will make it difficult for the program to accomplish the goals Congress established for it.

The SBIR Outreach Program is critical to rural state development. Targeted to the 25 under-represented jurisdictions in the SBIR program, the Outreach Program was intended to provide a secure funding mechanism to states so that they could develop an effective five-year effort to assist small businesses to take advantage of the SBIR program. Without consistent funding, the states can only conduct piece-meal activities that will not provide the SBA and Congress with measurable results that can be utilized to judge the success of the Outreach Program.

The SBA's plans to grant \$19,000 to each eligible state is inconsistent with the intent of Congress that the SBA evaluate the activities that states propose to conduct with the outreach funds. It is also inconsistent with the *Program Announcement to Provide SBIR and Small Business Technology Transfer (STTR) Program Outreach to Small High Technology Businesses* (the Program Announcement) which the SBA prepared in 1999, to provide awards under this program. Congress intended that grants under this program be awarded in a competitive process and that the SBA make funding decisions based on the merit of the proposals. The Program Announcement prepared by the SBA acknowledges this fact by requiring the SBA to select awardees "based on the quality of applications most closely matching the evaluation factors" in the Program Announcement. The competitive nature of the program was intended to ensure that states develop the best proposals for assisting their local businesses. The SBA's letter on March 17, 2000, abrogates this goal.

Moreover, in order for the SBA and Congress to assess the performance of the Outreach Program, awards must be provided to states over a significant period of time so that the results they achieve are measurable. As you know, the Outreach Program was established in 1997. The SBA, however, did not award the program's first grants until the Fall of 1999. Accordingly, this year is only the second year that states are eligible to receive awards. The program's authorization ends on September 30, 2001. Given the

length of time it took for the SBA to roll out the program, it is doubtful that states will have achieved measurable results by the end of the authorization of the program. Accordingly, for the success of the program to be accurately measured, it is appropriate for this program to continue beyond its original authorization.

Finally, in order for the Outreach Program to achieve its goals, the SBA must support full funding for the program so that states deem it worthwhile to participate. Congress has appropriated \$1,500,000 for this effort, despite the SBA's failing to request any funding for this program in fiscal years 1999, 2000, or 2001. The SBA's failure to support funding for the program has led to decreased appropriations for the program and the states being placed in the unfortunate position of being unable to provide services to their businesses on a consistent basis.

Based on the foregoing, we request that the SBA withdraw its March 19th letter on the Outreach Program and follow the criteria it established in the Program Announcement. The SBA should evaluate the activities proposed to be conducted by each state applying for an award this year. In addition, we request that the SBA support full funding for this program in its fiscal year 2001 budget.

Thank you for your consideration of this matter. We request that you submit formal comments to us regarding this matter by May 12, 2000. If you have any questions, please have your staff contact Ms. Randi Reid, Senator Enzi, at 202-224-1306.

Sincerely,

Michael B. Enzi

Art Bond

Paul Brown

Olympia Snowe

Mike Cray

Tom Harkin