

United States Senate

COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP

WASHINGTON, DC 20510-6350

May 7, 2009

VIA FACSIMILE & FIRST-CLASS MAIL

Ms. Kathleen Sebelius
Secretary of Health and Human Services
U.S. Department of Health and Human Services
200 Independence Avenue S.W.
Washington, D.C. 20201

RE: Department of Health and Human Services Implementation of the American Recovery and Reinvestment Act

Dear Secretary Sebelius:

I am writing in reference to the American Recovery and Reinvestment Act of 2009 (ARRA) and the Department of Health and Human Services' efforts to quickly utilize and obligate ARRA funds to best meet HHS's goals and those of the recovery effort. As the Chair of the U.S. Senate Committee on Small Business and Entrepreneurship, I would specifically like to highlight an option available to HHS to use research and development funds from ARRA to directly fund projects derived from the Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs as they enter "Phase III." In addition to bringing attention to this important option, I have several questions regarding ARRA funds that I would like to submit for a response.

Small businesses have long been the engine of U.S. economic growth, generating 60 to 80 percent of net new jobs annually over the last decade. The SBIR and STTR programs allow small R&D firms – America's innovation lifeline – to create high-quality jobs and cutting-edge products. Consequently, we believe the SBIR and STTR programs are fundamental to our nation's economic recovery.

As you may know, currently 2.8 percent of the total annual appropriated extramural R&D budget at HHS must be allocated for competitive grants to small businesses through Phase I and II of the SBIR and STTR programs. An additional option to fund SBIR and STTR Phase III contracts does not come out of the SBIR/STTR allocation. Rather, the funds would come out of the larger R&D budget, as well as the ARRA funds, and include work that derives from, extends, or logically concludes efforts performed under prior SBIR funding agreements.

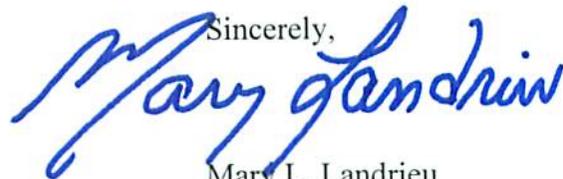
There are a number of advantages to using this SBIR/STTR Phase III mechanism to help distribute the ARRA funds and further technology to reach our nation's energy goals. SBIR/STTR Phase III contracts can be awarded quickly, fairly, and transparently, in keeping with the spirit and the letter of the ARRA. Furthermore, the competition for SBIR/STTR Phase I and Phase II awards satisfies all statutory competition requirements.

Therefore, a department that wishes to fund a SBIR/STTR Phase III project is not required to conduct another competition, or process a Justification and Approval (J&A) pursuant to FAR 6.302-5, in order to satisfy those statutory provisions. For these reasons, I encourage you to take advantage of it as often as possible in distributing the ARRA funds.

I would also like to respectfully request an accounting of how much of the R&D money HHS received from ARRA has been classified as extramural R&D. In addition, I would like to request information about how HHS is implementing the SBIR and STTR programs under ARRA.

If you have any questions, please do not hesitate to contact me or have your staff contact Thad Inge at the Committee. I would appreciate a response to these questions by May 22, 2009. The response may be faxed to (202) 224-5619.

With warmest regards, I am

Sincerely,

Mary L. Landrieu
Chair

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