



July 24, 2013

MEMORANDUM

To: Selected University Deans, Chairs, Principal Investigators and Administrators
From: Rob Clark, Senior Vice President for Research and Dean, Hajim School of Engineering and Applied Sciences
Re: SBIR and STTR Programs

There have been a number of recent changes to the Federal Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs, including a gradual increase in Federal agency contributions to these programs. These changes, coupled with growing constraints on Federal Research and Development (R&D) budgets, have generated increased interest in University of Rochester faculty members in these programs. As a result of the reauthorization of these programs in 2011, SBIR/STTR set asides are scheduled to increase each year to reach 3.2% for SBIR by FY 2017 and 0.45% for STTR by FY 2017. The subsequent Policy Directives in 2012 also required increased data collection and reporting requirements, among other changes. The top two Federal Departments account for a significant portion of the funding, with the Department of Defense contributing ~\$1.1 Billion for SBIR and ~\$140 Million for STTR in FY2009. In the same year, the Department of Health and Human Services contributed ~\$640 Million for SBIR awards.

These small business programs present opportunities for public-private partnerships and support technology development, but also raise potential risks for the institution and the faculty researcher that must be considered when applying to SBIR/STTR programs. The responsibilities for the principal investigator, conflicts of interest, conflicts of commitment and other issues should be carefully reviewed. To both increase awareness of SBIR/STTR funding opportunities and to also clearly outline issues to consider with these programs, we are providing the following information and guidance.

**Background and Guidance:
Federal Small Business Innovation Research (SBIR) and Small Business
Technology Transfer (STTR) Programs**

Background and Opportunities

The SBIR program encourages domestic small businesses to engage in Federal R&D that has the potential for commercialization.

The Small Business Administration (SBA) serves as the coordinating agency for the programs, which total more than \$2 Billion. Each year, Federal agencies with extramural R&D budgets that exceed \$100 million are required to allocate 2.5 percent of their R&D budget (0.3 % for STTR- in bold) to these programs. These agency set-asides are scheduled to increase each year through FY 2017. Currently, eleven Federal agencies participate in the program:

Department of Agriculture
Department of Commerce (NIST, NOAA)
Department of Defense
Department of Education
Department of Energy
**Department of Health and Human
Services**
Department of Homeland Security
Department of Transportation
Environmental Protection Agency
**National Aeronautics and Space
Administration**
National Science Foundation

Key Program Elements and Requirements

SBIR Program

- The principal investigator (PI) must be primarily employed by the Small Business Concern (SBC)
- Phase I awards are for periods up to six months (up to \$150K)
- During Phase I, a maximum of 33% of grant may be subcontracted to other organizations, such as the UR
- Phase II awards are for periods up to two years (up to \$1M)
- During Phase II, a maximum of 50% of grant may be subcontracted

STTR Program

- PI's primary employment is not stipulated, which means that UR faculty, staff, or students may be the PI
- Phase I awards are for periods up to one year (up to \$150K)
- Phase II awards are for periods up to two years (up to \$1M)
- During Phase I and Phase II, a minimum of 30% of the grant funding (maximum 60%) must be subcontracted to a research institution (i.e., SBC must have formal collaboration with non-profit research institution/university at time of award and for the duration of the award)

PI Requirements

- Under the SBIR program, the PI must have his/her primary employment with the SBC at the time of award and for the duration of the award (e.g., at least 51%). The SBIR PI applicant should not be a UR employee, reflecting both eligibility requirements and UR policy.
- Under the STTR program, primary employment of the PI with the SBC is not stipulated. The STTR PI applicant can be a UR employee, but should not have a management role in the SBC.
- The STTR program requires research partners at universities and other non-profit research institutions to have a formal, collaborative relationship with the SBC in place.
- Consistent with federal guidelines, the PI for the SBIR application and the PI for the subcontract to UR must be different individuals.
- The PI for the STTR application and the PI for the subcontract to UR will generally be different individuals. Exceptions to this must be approved by the Dean's Office.

Encouraging collaborations while addressing potential conflicts and risks

Participating in a SBIR or STTR program can provide a unique opportunity to stimulate collaborations and technology development, while simultaneously creating potential conflicts of interest and conflicts of commitment. Clear distinctions must exist between activities performed at UR and activities performed at the SBC location and the roles for the PIs (and any student involvement).

- SBIR/STTR proposals (including any subcontracts) involving research at UR must be reviewed by the relevant Department chair and appropriate Dean of Research, prior to submission to ORPA . This review is designed to consider:
 - Scientific merit;
 - Appropriate use of UR facilities;
 - Potential conflicts of commitment and conflicts of interest;
 - Unique and appropriate scope of work given other current research projects;
 - Budget consistent with scope of work for UR portion, allows full cost recovery and reflects researchers required effort;
 - Potential impact on any students and postdoctoral researchers involved in the proposed project.
- If a UR researcher chooses to partner in a phase I SBIR proposal, a consulting relationship should be considered due to the limited funding available for Phase I awards and to provide time to initially begin the collaboration. If a consulting role is selected, however, no University resources can be used by the UR researcher in the performance of the work. Phase II could transition to a sub-award, when the funding and collaboration would be more significant. Note: faculty should not concurrently engage in both activities under the same SBIR award.
- It is a Federal requirement that some of the research must be conducted by the SBC in facilities that it owns or controls. SBC's can contact [High Tech Rochester](#) to explore options for incubator space. SBC's are sometimes virtual; UR space cannot be used by the SBC without UR approval, which will be given only in exceptional circumstances. If the UR does allow for the use of space, it must be located apart from the investigator's UR research labs and the SBC must pay a fair-market value for the lease.
- UR investigators should not request their graduate students or postdoctoral researchers to serve as a PI for the small business. Further, the roles for students should be closely evaluated for potential conflicts.
- SBC's often need assistance in writing and submitting the application. UR personnel should not be used in this role. SBC's can seek assistance from [High Tech Rochester](#).
- The SBC may not use UR developed IP, data or technology without an option or license from the [Office of Technology Transfer](#).
- UR-based research requires a formal sub-award from the SBC. UR cannot start the research without a formal agreement. SBC's often do not have grant or legal support.
- UR-based research funded through the SBIR/STTR award must be conducted according to the requirements of the sub-award and cannot be used as a gift to support the research.

- SBC's are often unfamiliar with Federal regulations (e.g., human subjects, COI, export control regulations, financial systems that segregate Federal funding) or may lack the controls to receive Federal funding. UR cannot accept a sub-award if the SBC does not meet eligibility criteria.
- SBC's may not spend the UR sub-award funds and payments from the SBC should be closely monitored.

Developing proposals and agreements

- Anyone considering a collaboration with a small business through the SBIR/STTR program should contact ORPA early in the process to discuss requirements, eligibility and negotiations with the SBC.
- ORPA staff negotiates the written subcontract agreements with the SBC. The agreement includes the scope of work, deliverables, reporting requirements, intellectual property terms, and other obligations.
- Please contact your [ORPA research administrator](#) for assistance.

This policy supersedes the SBIR/STTR memo issued in 2000. Please contact Gunta Lidars (gunta.lidars@rochester.edu) or Scott Steele (scott.steele@rochester.edu) for any general questions regarding this guidance. For additional information, please see the links below.

<http://www.rochester.edu/research/researchers-sbir-sttr.html> (for researchers)

<http://www.rochester.edu/research/corporations-sbir-sttr.html> (for corporations)