



# TUTORIAL 3

## SBIR or STTR? Which One is Right for Me?

### OVERVIEW

In this tutorial we will look in greater detail at the differences between the Small Business Innovation Research (SBIR) and the Small Business Technology Transfer (STTR) programs. Both programs have three phases and are focused on developing innovative solutions to pressing problems, that can then be commercialized as new products and services or improvements to existing ones.

### SBIR VS. STTR

There are, however, two key differences between SBIR and STTR. First, an STTR project requires the small business – which is always the applicant – to be teamed with a non-profit Research Institution, also referred to as RI, which is typically a university or Federal Laboratory. The second difference is that the STTR program is focused on the transfer of technology (hence the TT in STTR) from the research institution to the small business and ultimately to the marketplace, through a Phase 1-2-3 sequence. This second difference has been expanded over time to include situations

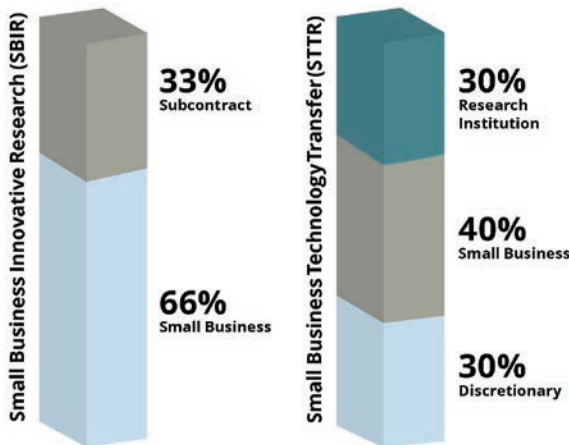
where the innovation was conceived by and belongs to the small business, but the firm desires to include a nonprofit RI in the technology's development – as research institutions typically have sophisticated laboratories and personnel with needed expertise.

In addition to these two key differences, there are a number of other, more subtle differences between SBIR and STTR. One very important difference is the primary employment of the project's Principal Investigator, also referred to as the PI. In an SBIR project, the PI must be primarily employed at the proposing small business, meaning he/she cannot work full time elsewhere during the project period. With a DOE STTR, the PI could be primarily employed at either the RI or the small business. Another important difference between the two programs is the amount of required subcontracting. An SBIR applicant is not required to subcontract at all. However, many companies find it beneficial to subcontract, as it strengthens the skills of the proposing team. The maximum amount that



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an SBIR applicant can subcontract during Phase I is 33%. SBIR applicants are free to subcontract to any type of entity – a large company, small business, individual consultant, university, or federal laboratory. By contrast, with the STTR program, subcontracting is required. Thirty percent of the Phase I STTR effort must be subcontracted to the research institution. With STTR, the small business, if it chooses, could also subcontract an additional 30% to any entity – including the research institution.



### STTR MISCONCEPTIONS

There are also several misunderstandings about the STTR program. One misunderstanding is that a university can apply for an STTR award – this is incorrect because, per the name “Small Business Technology Transfer,” the applicant must be a small for-profit business. Another misunderstanding is that STTR is less focused on commercialization than SBIR. However, Congress and the agencies both intend STTR projects to lead to products and services in Phase III.

Also, while it was once true that a project that began as an STTR in Phase I had to remain as an STTR in Phase II, the 2011 Reauthorization permits a Phase I STTR award to morph into an SBIR in Phase II, and vice versa.

### WHEN TO APPLY FOR AN SBIR AWARD

Let’s now look at situations where it may be best to

apply for an SBIR award instead of an STTR. In general, the SBIR program will be a better opportunity in the following situations:

- » Some Phase III investors do not like the idea of non-profit involvement in a project, whether it is because of perceptions about the “culture” of such participants or concerns about the non-profit’s claim to intellectual property rights on the project. In this case an SBIR would be the most appropriate.
- » If the personnel at the RI would prefer to participate in the project as an independent consultant rather than as a representative of the university or Federal Laboratory, then an SBIR would be appropriate. In this situation it is important that the professor confirm with the university that a consulting relationship is allowed. Note that a small firm hiring a professor as a consultant does not qualify for STTR because there is no nonprofit RI acting as a subcontractor.

### WHEN TO APPLY FOR AN STTR AWARD

Now let’s explore when it is best to consider STTR. STTR might be a better choice in the following situations:

- » You need to subcontract a large portion of the award. SBIR Phase I projects constrain the use of subcontractors to a maximum of 33% during Phase I; STTR is much more generous, allowing for up to 60% of the R&D to go to subcontractors with a mandatory 30% going to the research institution.
- » The Principal Investigator is primarily employed at the RI and wants to stay there. If, for example, the PI is tenured faculty at the RI, then he/she likely will want to maintain their primary employment there—this is allowed under a DOE STTR award.
- » Sometimes the applicant may conclude that there is a greater probability of winning an award when teamed with an RI.

**One of the main differences between the SBIR and STTR programs is the use of subcontracting. For Phase I projects, up to 60% of the research effort can be subcontracted in an STTR, while there is a 33% limit on SBIR efforts. In Phase II, the SBIR limit increases to 50%, which is still less than what is allowed in an STTR.**

**POTENTIAL FOR FUNDING UNDER BOTH PROGRAMS**

The DOE SBIR/STTR programs include a commendable feature that makes it easier to choose between the two programs. If the proposed project involves a nonprofit RI, and if the RI is not performing more than 33% of the research effort, then the applicant small business may request that their proposal be considered for funding under both SBIR and STTR programs. This option, only available at DOE, gives the applicant two chances at getting their project funded while only having to submit one proposal. Per the DOE FOA, applicants may indicate their interest in being considered for both SBIR and STTR programs by selecting the appropriate box under "Program Type" on the "SBIR/STTR Information" form, as seen in the image to the right.

### SBIR/STTR Information

OMB Number: 4040-0001  
Expiration Date: 12/31/2022

**\* Agency to which you are applying (select only one)**

DOE
  HHS
  USDA
  Other: \_\_\_\_\_

**\* SBC Control ID:**  (This 9 digit code is obtained from the Small Business Administration)

**\* Program Type (select only one)**

SBIR
  STTR
  Both (See agency-specific instructions to determine whether a particular agency allows a single submission for both SBIR and STTR)

**\* Application Type (select only one)**

Phase I
  Phase II
  Fast-Track
  Direct Phase II
  Phase IIA
  Phase IIB
  Commercialization Readiness Program (See agency-specific instructions to determine application type participation.)

Phase I Letter of Intent Number:

**\* Agency Topic/Subtopic:**

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**Questions 1-7 must be completed by all SBIR and STTR Applicants:**

<input type="checkbox"/> Yes <input type="checkbox"/> No	<p>* 1a. Do you certify that at the time of award your organization will meet the eligibility criteria for a small business as defined in the funding opportunity announcement?</p>
	<p>* 1b. Anticipated Number of personnel to be employed at your organization at the time of award. <input type="text"/></p>
<input type="checkbox"/> Yes <input type="checkbox"/> No	<p>* 1c. Is your small business majority owned by venture capital operating companies, hedge funds, or private equity firms?</p>
<input type="checkbox"/> Yes <input type="checkbox"/> No	<p>* 1d. Is your small business a Faculty or Student-Owned entity?</p>
<input type="checkbox"/> Yes <input type="checkbox"/> No	<p>* 2. Does this application include subcontracts with Federal laboratories or any other Federal Government agencies? * If yes, insert the names of the Federal laboratories/agencies:</p> <div style="border: 1px solid black; height: 40px; width: 100%;"></div>
<input type="checkbox"/> Yes <input type="checkbox"/> No	<p>* 3. Are you located in a HUBZone? To find out if your business is in a HUBZone, use the mapping utility provided by the Small Business Administration at its web site: <a href="http://www.sba.gov">http://www.sba.gov</a></p>
<input type="checkbox"/> Yes <input type="checkbox"/> No	<p>* 4. Will all research and development on the project be performed in its entirety in the United States? If no, provide an explanation in an attached file. * Explanation: <input type="text"/> <input type="button" value="Add Attachment"/> <input type="button" value="Delete Attachment"/> <input type="button" value="View Attachment"/></p>
<input type="checkbox"/> Yes <input type="checkbox"/> No	<p>* 5. Has the applicant and/or Program Director/Principal Investigator submitted proposals for essentially equivalent work under other Federal program solicitations or received other Federal awards for essentially equivalent work? * If yes, insert the names of the other Federal agencies:</p> <div style="border: 1px solid black; height: 40px; width: 100%;"></div>
<input type="checkbox"/> Yes <input type="checkbox"/> No	<p>* 6. Disclosure Permission Statement: If this application does not result in an award, is the Government permitted to disclose the title of your proposed project, and the name, address, telephone number and email address of the official signing for the applicant organization to state-level economic development organizations that may be interested in contacting you for further information (e.g., possible collaborations, investment)?</p>
	<p>* 7. Commercialization Plan: The following applications require a Commercialization Plan: Phase I (DOE only), Phase II (all agencies), Phase III Fast-Track (all agencies). Include a Commercialization Plan in accordance with the agency announcement and/or agency-specific instructions. * Attach File: <input type="text"/> <input type="button" value="Add Attachment"/> <input type="button" value="Delete Attachment"/> <input type="button" value="View Attachment"/></p>

Revised December 2021