TUTORIAL 4

What Type of Businesses are Eligible for SBIR/STTR?

OVERVIEW

Before beginning to invest your time in developing a Phase I DOE Small Business Innovation Research or Small Business Technology Transfer proposal it is important to assure that your firm is eligible and that you comply with DOE's guidelines. Only certain types and sizes of small business may apply for and receive SBIR or STTR awards. Some people mistakenly believe that universities can submit STTR proposals, when in fact those proposals must be submitted by the small business applicant that is collaborating with the research institution. An easy way to keep this straight is to remember that this is the Small Business Innovation Research and Small Business Technology Transfer programs, so a small business must be the applicant as well as the responsible business and technical lead on all SBIR and STTR proposals.

SMALL BUSINESS CONCERNS (SBC)

So what is a small business? The SBIR/STTR definition is fairly simple. It is a firm with 500 or fewer employees. It does not matter if the employees are full-time, part-time, or even part of an affiliate—they all count towards the 500 worker limit. In the Funding Opportunity Announcement, you will often see small businesses referred to as **small business concerns or SBC**. The legal structure of an SBC can take many forms which must be in place at the time of award. The SBC could be an individual proprietorship, partnership, limited liability company, corporation, joint venture, association, trust or cooperative.

As mentioned previously, the small business must be a for-profit company and primarily U.S. owned. The phrase "primarily U.S. owned" means that at least 50% or more of the firms' equity (stock) must be owned by U.S. citizens and/or permanent resident aliens. The purpose of this ownership requirement is to maximize the likelihood that the funding stimulates innovative activity within the U.S. economy. Ownership can also be by other for-profit small business concerns, each of which must be 50% or more directly owned and controlled by individuals who are citizens or permanent resident aliens in the U.S.

For both SBIR and STTR applications, the applicant is ALWAYS the small business.

"Primarily, U.S. owned" means that 50% or more of the small business equity (stock) is owned by U.S. citizens and/or permanent resident aliens.

When SBCs are venture-backed, additional considerations come into play. Small businesses that are majority-owned by venture capital operating companies, hedge funds, or private equity firms are **not** eligible for funding under the DOE FOA. For more complex questions regarding SBIR/STTR eligibility, you can consult the [SBA Guide to SBIR/STTR Program Eligibility].

The SBIR and STTR programs encourage participation by small businesses that are minority—and/or woman-owned. However, there are no quotas or set asides for such firms. To help new applicants compete, the DOE provides a [Phase 0 program] designed to assist firms that have never submitted a DOE SBIR/STTR Phase I application before.

IMPORTANCE OF LETTER OF INTENT (LOI)

There are other DOE eligibility requirements. A small, for profit firm is not eligible to submit a Phase I SBIR or STTR proposal to DOE unless it has submitted a Letter of Intent (LOI). The LOI deadline typically precedes the full Phase I proposal submission deadline by about 6 weeks. For more information on Letter of Intent, please refer to the Tutorial on Letters of Intent.

Under specific conditions—small business can have their DOE Phase I proposals considered for both the SBIR and STTR programs. Applications that include at least 30%, but not more than 33% of cooperative research collaboration with a single research institution may be considered for funding in both the SBIR and STTR programs. Applicants that meet this criteria 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. This is a unique feature of the DOE program which the in essence enables you to submit one proposal in order to have two chances of getting your project funded.

Some DOE applications may be submitted concurrently to the SBIR and STTR programs if it meets the specified criteria

RESEARCH PERFORMED IN THE U.S.

All funded research or research and development must be performed in the U.S. for both Phase I and Phase II except under exceptional circumstances where expertise or facilities do not exist within the US to perform the R&D. Be sure to consult the Funding Opportunity Announcement or FOA for more guidance on "Other Eligibility Requirements," as insufficient justification may result in declination of the entire application.

In addition to the 50 U.S. states, small business concerns located in the following can participate in the SBIR/STTR programs: Commonwealth of Puerto Rico, the Republic of the Marshall Islands, the Federated States of Micronesia, the Republic of Palau and the District of Columbia.

In summary, be sure to review and carefully consider the DOE SBIR/STTR eligibility requirements before you begin to invest time in developing your proposal. In this way you can assure that your firm is eligible and that you comply with DOE's guidelines. The next tutorial will focus on understanding the role and responsibility of the Principal Investigator, as well as the differences between consultants and subcontractors.

FOR MORE INFORMATION, PLEASE CONTACT

Department of Energy
(301) 903-5707

Revised December 2021