

March 8, 2002

Lt. General Ronald Kadish
Director
Missile Defense Agency
710 Defense Pentagon, FOB #2
Washington, DC 20301

RE: FY 2002 SBIR Appropriations

Dear Director Kadish:

The Office of Advocacy has been approached by small research and development companies, small business trade organizations and other entities representing the interests of small business research and innovation regarding the action of the Missile Defense Agency (MDA) to reduce by nearly 49.6 percent (\$74 million) its FY 2002 Research and Development spending for the Small Business Innovation Research program (SBIR). A budgetary decrease of nearly 50 percent is not an acceptable course of action when small businesses in this country are needed more than ever in the defense of home and the world.

The Chief Counsel for Advocacy of the U.S. Small Business Administration was created in 1976 to represent the views and interests of small business in federal policy making activities.¹ The Chief Counsel participates in rulemakings and other federal agency activities when he deems it necessary to ensure proper representation of small business interests. In addition, the Chief Counsel has a particular interest in ensuring that laws and regulations do not have an adverse impact on competition among businesses of differing sizes.

There are more than 25 million small businesses in the United States. They are the economic backbone of this Nation. Small businesses represent more than 99 percent of all employers and provide about 75 percent of the net new jobs. In 1998, small business employers spent about \$1.5 trillion on annual payroll.

In the area of research and development, small businesses have been stalwarts in helping to make this Nation's military superior to all others. Examples of successful defense-related SBIR funded projects include, advance materials for divert propulsion systems developed by Ultramet, Inc., missile body composites developed by MMCC, and miniature rad-hard accelerometers developed by Silicon Designs.

The Department of Defense (DoD) has, in general, recognized the importance of small businesses in research and development in the past decade. In 1990, small businesses were awarded only 9 percent of DoD's research dollars. By 2000, this percentage had increased to 17.9. Overall, DoD should be commended for its commitment to the 1982 congressionally

¹ Pub. L. No. 94-305 (codified as amended at 15 U.S.C. §§634a-g, 637.)

established Small Business Research and Development program.

This office is extremely concerned that the negative budgetary actions of MDA will not only blemish the overall excellent record of DoD, but will also send the wrong message to the rest of the agencies with SBIR programs. We applaud your statement on April 17, 2001 when you said, "should BMDO [Ballistic Missile Defense Organization] budget levels increase, our investment in SBIR will correspondingly increase."² This statement seems to contradict your position on recent budgeting and appropriations discussions.

Advocacy would like the opportunity to work with your office to find a mutually agreeable solution to the nearly \$74 million shortfall facing the MDA's FY 2002 SBIR program. I recommend that we meet to fashion a workable plan of action. This office has successfully worked with the Department of Navy, the National Security Agency and several other agencies. I have asked Major Clark of my staff to coordinate our meeting. His telephone number is 202-205-7150 and his e-mail address is major.clark@sba.gov.

I look forward to working with you on this important issue.

Sincerely,

Thomas M. Sullivan
Chief Counsel for Advocacy

² Lt. Gen. Ronald Kadish, Speech at the National Defense Industrial Association "Tech Trends 2001: Profiling Through Technology Partnerships" Conference (April 17, 2001). Speech was delivered by Richard Sokol who represented Lt. Gen. Kadish at the conference.