



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

JUN 23 2006

OFFICE OF THE ADMINISTRATOR

The Honorable John F. Kerry
United States Senate
Washington, D.C. 20510

Dear Senator Kerry:

Thank you for your letter of April 27, 2006, to Administrator Barreto, concerning the Small Business Innovation Research (SBIR) program and the current review by the U.S. Small Business Administration (SBA) of the program's eligibility requirements. This review began with an Advance Notice of Proposed Rulemaking (ANPRM) that SBA published on December 3, 2004, (69 Federal Register 70197) to solicit public comments on the issue of venture capital ownership and control of SBIR program awardees. In your letter, you requested that the SBA expedite publication of a final rule on the issue and provide a schedule for publishing such a rule.

While the public comments on the ANPRM provided SBA with useful information regarding positions and arguments on both sides of the issue, many complexities of the issue were not addressed. The comments may be viewed via SBA's website at http://www.sba.gov/size/anprm_sbir_comments-01.html. In a recent report, for example, the U.S. Government Accountability Office (GAO) found that information on majority ownership of SBIR awardees by venture capital companies was unavailable or non-existent and, as a result, it was unable to provide information pertaining to the eligibility issue.

SBA is currently meeting with concerned industry representatives and other interested parties to more clearly identify the problems of venture capital investment, ownership, and control of SBIR applicants and potential solutions. Because of the unusual complexity of this program and eligibility issue, we would be happy to provide your office with briefings and further information on the subject as needed. SBA appreciates the importance of this issue to small businesses interested in the SBIR program, and is working diligently to ensure that access to the program takes into account both the concerns of small business owners and the venture capital community.

Again, thank you for your letter and for your continued and long-standing support for the SBIR program and for SBA. If you have any additional questions, please have a member of your staff contact C. Edward "Tee" Rowe, Associate Administrator, in the SBA's Office of Congressional and Legislative Affairs at (202) 205-6700.

Sincerely,

Hector V. Barreto
Administrator

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