

Congress of the United States

Washington, DC 20515

March 25, 2004

**The Honorable Olympia J. Snowe
Chairwoman, Senate Small Business and Entrepreneurship Committee
United States Senate
Senate Russell Office Building 428A
Washington, DC 20510**

**The Honorable Donald A. Manzullo
Chairman, House Small Business Committee
2361 Rayburn House Office Building
Washington, DC 20515**

Dear Chairwoman Snowe and Chairman Manzullo:

We are writing to urge you to include language in the Small Business Administration (SBA) Reauthorization bill (H.R. 2802, S. 1375) that restores eligibility for Small Business Innovation Research (SBIR) grants to venture-backed biotechnology start-up companies. The SBA provides start-up funding to small businesses in a variety of ways, such as the SBIR program. Within the SBIR program a specific percentage of all federal research and development grant monies are reserved for small business applicants. These funds provide critical "seed" money to new business innovators, including biotechnology companies.

However, a recent change in the SBA's interpretation of eligibility standards for SBIR grants now disqualifies many start-up companies with venture capital backing. Specifically, SBA regulations require that, to be eligible for a grant, a small company must be at least 51 percent owned by one or more individuals. Recently, the SBA has interpreted "individuals" to mean only natural persons, resulting in the disqualification of companies with venture capital backing from the SBIR program.

Pennsylvania is a leader in biotechnology R&D and relies on the SBIR program to fund early-stage companies. In addition, venture capital plays a vital role in the financial support of the very companies the SBIR program has been designed to benefit. Unfortunately, the new SBA interpretations prevent Pennsylvania's most innovative small biotech companies from participating in SBIR grant program, resulting in an adverse impact on the industry and the economy.

Clearly, this new interpretation threatens an important funding source for Pennsylvania's start-up biotech companies. Once again, we urge you to include language in the SBA


Reauthorization bill that would restore eligibility for SBIR grants to venture-backed biotechnology start-up companies.

Sincerely,



ARLEN SPECTER
Senator



RICK SANTORUM
Senator



JIM GERLACH
Member of Congress


JIM GREENWOOD
Member of Congress


TIM HOLDEN
Member of Congress


MIKE DOYLE
Member of Congress


MELISSA HART
Member of Congress


BILL SHUSTER
Member of Congress


TIM MURPHY
Member of Congress

cc: Administrator Hector V. Barretto, Jr.
Small Business Administration
409 Third Street, SW
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