

Senator Ted Kennedy's Role in the Birth of the Small Business Innovation Research Program

One of Senator Kennedy's major contributions has been the Small Business Innovation Research (SBIR) Program. This program has been ongoing for more than thirty years and is currently funded at the \$2.4 billion annual level. It has allowed the entrepreneurial inventor or scientist with good ideas but no financial backing to demonstrate whether their approach is technically and economically feasible, and it has allowed our economy to benefit from the innovations that arise largely from small organizations and individuals. It has resulted in 70,000 issued patents, almost 700 public companies and follow on venture capital investments of an estimated \$41 billion. The SBIR program would not exist if Senator Kennedy had not forced its evolution.

In the 1970s Senator Ted Kennedy was chairman of the National Science Foundation (NSF) Subcommittee of the Senate Labor and Public Welfare Committee. At all stages, institutional resistance was encountered within NSF to the support of research at qualified small business. As a result, Senator Kennedy included in the NSF Authorization Act the requirement for NSF to provide a minimum of 7-1/2% of its applied research funding (later 12-1/2%) for projects with small business. NSF executives felt that this was an increasing encroachment on their prerogatives and could result in reduced funds available to their preferred beneficiaries, academia. Therefore, they terminated this applied research program (12-1/2% x \$0 = \$0) and replaced it with a similar one that did not have this restriction. In response for the following year Kennedy introduced into the legislation the requirement that 1/2 % of the entire NSF budget be directed toward small business. After it became clear to the NSF that this would be an annual requirement, they decided to look for a new way to encourage quality proposals from small business and in 1977 instituted the SBIR program.

In 1979 the Small Business Administration looked for ways to encourage innovation and concluded that the SBIR program should be instituted at all government agencies involved in research. Senator Kennedy and his staff drafted the legislation and actively spearheaded its passage in the presence of fierce opposition from the academic community. At the beginning of 1981 the Senate and the President switched from Democratic to Republican resulting in Kennedy losing much of his clout. He recognized that the Republicans would not want to give credit to a liberal Democrat for new legislation. Therefore, he maintained a low profile and worked behind the scenes with his Democratic colleagues. At the same time he convinced Republican Senator Warren Rudman to lead the charge to secure the passage the bill's passage. Finally in July 1982 the Congress passed and the president signed the bill making the SBIR program government wide. It says a great deal about the character of Ted Kennedy that his focus was on the passage of the legislation rather than gaining the personal recognition which he so well deserved.

Prepared by Arthur S. Obermayer – 8/28/09 - obermayer@alum.mit.edu