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**The Rapid Innovation Fund Program**

The Rapid Innovation Fund (RIF), created by the Defense Authorization Act of 2011, is a competitive, merit based series of annual announcements designed to accelerate fielding of innovative small business technologies into military systems. The goals for use of the funds were designed to reflect the DoD's emphasis on rapid, responsive acquisition of promising technologies that meet specific defense needs, and the engagement of small innovative businesses across the country in solving defense problems.

Specifically, NDAA language requires the DOD to target and utilize SBIR Phase II technologies for this program **“to the greatest extent practicable**”. This language was included in the National Defense Authorization Act of 2012 that contains the SBIR/STTR reauthorization provisions [Appendix I] and includes major new language that indicates strong Congressional intent to improve the process of rapidly transitioning SBIR/STTR (hereafter SBIR) innovative technologies for insertion into DOD fielded systems and platforms. The law specifically states:

“Sec. 5108: To the **greatest extent practicable**, Federal agencies and Federal prime contractors **shall**issue Phase III awards relating to technology, including sole source awards, to the SBIR and STTR award recipients that developed the technology.”[[1]](#footnote-1) [Emphasis added.] [Phase III is further defined as, see Sec. 5125 – “for work that derives from, extends, or completes efforts made under prior funding agreements under the SBIR program.”]

The law now requires that the Secretary of Defense shall:

1. set a goal to increase the number of Phase II SBIR contracts and the number of Phase II STTR contracts awarded by the Secretary that lead to technology transition into programs of record or fielded systems;
2. insert incentive language from paper
3. insert report language.

**Past Congressional and DOD Phase III efforts**

The RIF program is just the latest in a long series of efforts by Congress and the DOD to better utilize technologies that have been produced by R&D expenditures, and help transition those technologies to the warfighter. Since 1996, there has been a multitude of hearings, proposals and programs before Congress concerning transitioning technology at DOD, especially SBIR technology. DOD, on the other hand, has launched a number of Congressionally-sanctioned technology transition programs not focusing on SBIR such as Defense Acquisition Challenge, Technology Transition Initiative, Quick Reaction Fund and Rapid Technology Transition. DOD has almost 50 external funding programs with 20 of those programs designed to rapidly transition technology. Unfortunately, none of these programs have been as successful as Congress or DOD would have been hoped. None of these 20 external funding programs have focused on SBIR technology.

Top DOD leadership and many agency leaders have understood the value of the SBIR programs in providing advanced technology to the war fighters faster than many traditional acquisition strategies. Yet, more can be done to improve the process.

Examples of past DOD top leadership initiatives towards improved SBIR transition and insertion include:

 Jacques Gansler, USD (A&T) wrote in his 24 February 1998 memo, *SBIR Program*, “I am requesting that you…establish quantifiable, performance-based metrics of SBIR program outcomes in phase III…”

 Dr. James Finley, DUSD-Acq. & Tech., in late 2006 declared his intention to lead improvement of

DOD technology transition overall. “My duties,” he said, “are to support the Secretary … with matters relating to acquisition and the integration of technology. I have three major goals: One to reduce cycle time; two, to increase competitiveness; and three to broaden communications.” (Dr. Finley received the Tibbett’s award in 2007 for his leadership.)

 DOD component SBIR programs – led by the Navy – have pushed down the technology transition path, securing over $21 billion in cumulative commercialization reported by over 7,500 projects since the inception of the Program. As a rough comparative indicator the direct SBIR investment over the 2000-2009 periods was $9.6 billion.”7. In 2008 the Navy issued a report on their successes, entitled, *A Report on the Navy SBIR Program: Best Practices, Roadblocks and Recommendations for Technology Transition*, 5 in which they reported:

“As a whole, the Navy SBIR program has the highest transition success across the DOD and has that honor because of the dedication of the people that are involved. Nevertheless, we must continually study our processes and techniques in our desire to increase Phase III transitions and value to the Fleet.” [Page IV.]

 DOD has issued guidelines to agency program managers to improve the process of incorporation of

SBIR innovations into fielded programs such as:

 *Small Business Innovation Research, Small Business Technology Transfer, Program Manager Checklist,* v02-04/29/11

 *DOD Program Manager Tools, Using SBIR for Risk mitigation*; which states:

“SBIR can be employed during the Technology Development Phase for technology risk reduction, competitive prototyping and the identification of the appropriate set of technologies to be integrated into a full system. One way to derive maximum value from SBIR is to include specific award fee clauses in contract language to target and reward incorporation of SBIR technologies by prime contractors. This following is an example of appropriate language to encourage use of SBIR technology:

“Two percent of the total award fee pool shall be dedicated to an evaluation of success in applying technology from SBIR projects.”DOD component SBIR programs – led by the Navy – have pushed down the technology transition path, securing $2.8B in Phase III contracts since 2005.”

Over the past decade Congress has also recognized the value of rapid transition of SBIR innovations to the war fighters and provided specific SBIR related programs supporting such efforts. These include:

 The Commercialization Pilot Program (Section 252 of the National Defense Authorization Act of

2006, PL 109-163), which was a successful SBIR-related pilot program and resulted in the language in the new law requiring commercialization programs at other agencies [Sec. 5123].

 PL 111-84, the FY2010 National Defense Authorization Act, extended the DOD SBIR Program in the absence of Congressional reauthorization of SBIR for all agencies.

 Public Law 111-383, The “Ike Skelton National Defense Authorization Act for Fiscal Year 2011” provided the Defense Research and Development Rapid Innovation Program [Sec. 1073] “to accelerate the fielding of technologies developed pursuant to Phase II SBIR projects … to rapidly insert such products directly in support of primarily major defense acquisition programs.”

 House Report 112-331, House Defense Appropriations Subcommittee creates 200 million to transition technology to be spent on SBIR and other technology transition.

 In addition to these laws, the House Armed Services Committee has created a special panel on Challenges to Doing Business with the Department of Defense. This panel has held a number of 6 hearings around the country. This Panel issued its report on March 19, 2012. Much of this report deals with SBIR. The Panels hearings began with testimony on the importance of the SBIR Program to DOD.

In a hearing before this Panel on September 29, 2010 DOD reported its SBIR commercialization rate:

“the DOD SBIR Program has over $21 billion in cumulative commercialization reported by over 7,500 projects since the inception of the Program. As a rough comparative indicator the direct SBIR investment over the 2000-2009 period was $9.6 billion.”[[2]](#footnote-2)

Congress has now recognized that not enough had been done to transition SBIR technology. As a result, the Armed Services Committees and the Small Business Committees included language to dramatically strengthen the SBIR Reauthorization Act to require better transitioning of SBIR technology.

**RIF has already been a success**

Although still in its infancy, the RIF has been extremely successful in accomplishing the goals and objectives established by Congress and the DOD. The list of RIF winners is geographically diverse, representing companies from 29 states, and has included a surprising percentage of new companies. Two-thirds of RIF winners had never previously received any follow-on funding from the Government, and over 40% of RIF winners have won less than 10 SBIR awards. The net effect is rather than the awards being concentrated on a few larger companies clustered around cities on the coasts, as was feared by some, the RIF has dispersed the awards across the country, to a wide range of types of small businesses.

This chart shows just how geographically dispersed the RIF awards have been:



It is still far too soon to be able to judge what kind of impact the technologies accelerated by this program will have, or how successful they will be deployed in the field. But given the highly competitive nature of the program (over 3,000 submissions in 2011 vs 145 winners; fewer than 1 in 20 applicants won awards), and the prevalence of promising SBIR Phase II technologies that have already twice before won competitive federal R&D grants, the technologies selected by the RIF are the absolute best of the best available to suit the DOD’s needs.

Because of the promising start the RIF program has had, the SBTC believes that this program should be allowed to continue and be further scrutinized, and should not be ended or defunded prematurely. After careful analyzing the RIF, every indication seems to be this is a healthy, successful program that could potentially help bring valuable and useful technologies to the field for the DOD while at the same time nurturing promising young small businesses all over the country for years and decades to come. We believe that, in time, the RIF could be a model program that other federal agencies could emulate and create Phase III programs based on it.

- Most of the2011 RIF awards have been in place for a little over a year. Most of the 2012 awards have not been awarded and no 2013 RIF awards have been made.

-In 2011 solication there were over 3,000 proposals submitted and evaluated, and only 145 awards made. This result in one of the most competitive solications. The award rate was less than 5%.

-SBTC has retained Inknovation to study the awards made by DOD

-132 of 145 RIF winners are SBIR Phase II winners
-106 RIF winners had never previously been awarded Phase III funding
-42% of RIF winners have received fewer than 10 SBIR awards total (it's not just "big" SBIR firms winning awards)
-121 RIF winners received only a single award only \_\_\_%,

Companies from 29 states won awards

-RIF is has proven to be geographically diverse, and there are many new & young companies that have won awards.

The program has resulted in a number of significant technologies that \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_XXX

-RIF is still in its infancy, but shows promise achieving the goals set out by Congress in creating the program.

-RIF should be continued to be funded.

- Appendix XX is a list from DOD of important innovations that RIF has funded.

1. 15 USC 638(e)(4)(C) [↑](#footnote-ref-1)
2. Testimony of Ms. Linda Oliver, Acting Director, Office of Small Business Programs, Office of the Under Secretary of Defense (Acquisition, Technology and Logistics) before the House ASC, Subcommittee on Terrorism, Unconventional Threats and Capabilities, September 29, 2010. [↑](#footnote-ref-2)