



DEPARTMENT OF THE NAVY  
OFFICE OF THE SECRETARY  
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WASHINGTON, D.C. 20350-1000

SECNAVINST 4380.7B  
ONR 364  
23 December 2005

SECNAV INSTRUCTION 4380.7B

From: Secretary of the Navy

Subj: IMPLEMENTATION OF THE DEPARTMENT OF THE NAVY (DON)  
SMALL BUSINESS INNOVATION RESEARCH (SBIR) PROGRAM

Ref: (a) Public Law 97-219, as reauthorized by Public Law  
106-554 Dec 2000  
(b) Federal Register Vol. 67 No. 185, Small Business  
Administration Policy Directive: SBIR Program,  
effective 24 Sep 02  
(c) SECNAVINST 5430.7N

1. Purpose. To describe the DON SBIR Program and assign certain responsibilities relating to the implementation of the DON SBIR Program, under reference (a). This instruction is substantially revised and should be reviewed in its entirety.

2. Cancellation. SECNAVINST 4380.7A

3. Applicability. Applies to the DON.

4. Definitions

a. SBIR Program Goals. The statutory purpose of the SBIR Program is to strengthen the role of innovative small business concerns (SBCs) in Federally-funded research or research and development (R/R&D), per reference (a). Specific program purposes are to:

(1) Stimulate technological innovation;

(2) Use small business to meet Federal R/R&D needs;

(3) Foster and encourage participation by socially and economically disadvantaged SBCs, and by SBCs that are 51 percent owned and controlled by women, in technological innovation; and

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(4) Increase private sector commercialization of innovations derived from Federal R/R&D, thereby increasing competition, productivity and economic growth.

b. SBIR Program Phases. The SBIR Program is a phased process of soliciting proposals and awarding funding agreements for R/R&D, production, services, or any combination, to meet stated agency needs or missions.

(1) Phase I - Feasibility. The process for this phase consists of solicitation, evaluation, and contract award for effort to determine the scientific or technical merit and feasibility of solutions for DON-identified work requirements. Typically a Phase I is awarded for 6 months and on a firm-fixed price contract basis. Awards over \$100,000 require written justification to the DON SBIR Program Office by the Systems Command (SYSCOM) SBIR Program Manager per Section 7(h) of reference (b), within one month after contract award.

(2) Phase II - Demonstration. This phase normally includes follow-on prototype development using the results of the analysis delivered under Phase I. The Phase II award decision requires consideration of the proposal's commercial (government or private sector) potential by reviewing the SBC's Commercialization Plan. Typically this phase is performed over a two year period. Awards over \$750,000 require written justification by the SYSCOM SBIR Program Manager to the DON SBIR Program Office, per section 7(h) of reference (b), within one month after contract award. Only those firms that have successfully completed Phase I contract efforts are eligible for consideration for Phase II awards.

(3) Phase III - Commercialization. This phase refers to work that derives from, extends, or logically concludes effort(s) performed under prior SBIR contracts, but is not funded with SBIR funds. Phase III work may be for products, production, services, R/R&D, or any combination, that is funded by the Government, commercial vendors (both defense and non-defense), or individuals. Neither the monetary value nor number of Phase III awards is restricted and may be awarded any time after a Phase I or Phase II has been awarded. Per section 4(c)(3) of reference (b), the agency need not compete Phase III awards. Phase III awards, awarded through a competitive or non-competitive process, must be designated as such and include the SBIR data rights clauses FAR 52.227-20 and DFARS 252.227-7018 in the contract. The small business size limits for Phase I and Phase II awards do not apply to Phase III awards.

c. DON SBIR Program Director. Within the responsibilities of the Chief of Naval Research (CNR) as described by reference (c), the official appointed by the CNR who is responsible for the Department-wide management of the DON SBIR Program.

d. SYSCOM SBIR Program Manager. Each SYSCOM shall appoint a lead SBIR official responsible for management of SBIR funds and activities within that SYSCOM and associated Program Executive Offices (PEO).

e. Program Executive Officer (PEO) SBIR Technology Manager. Each PEO shall designate a lead SBIR Technology Manager responsible for advocating transition of SBIR products applicable to the PEO's platform(s) or system(s).

f. SBC. Per section 3(y) of reference (b), a concern that is organized for profit, located within the United States, at least 51% owned and controlled by one or more individuals who are citizens of, or permanent resident aliens in the United States, and including affiliates of not more than 500 employees.

g. Extramural Budget. The sum of the total obligations for RDT&E minus amounts obligated for RDT&E activities by employees of a Federal agency in or through Government-owned, Government-operated facilities.

## 5. DON SBIR Program Funding

a. DON SBIR Program contract funds result from a 2.5 percent assessment of extramural RDT&E Budget Activities 6.1 through 6.7.

(1) Technical Assistance: DON may provide discretionary technical assistance to SBIR awardees per Section 9(c)(1) of reference (b).

(2) Phase II Enhancement: An incentive program that encourages DON to provide additional SBIR Phase II SBIR funds to a SBC who receives a DON Phase III award while the DON Phase II contract is still open.

b. Per section 9(f)(2) of reference (b), the cost for SBIR Program administrative support, including costs associated with program operations and employee salaries, shall not be covered by any portion of the 2.5 percent extramural assessment.

6. Description of Primary DON SBIR Program Tasks. Under references (a) and (b), DON will perform the following SBIR tasks:

- a. Establish topics that address DON needs and requirements, for inclusion in SBIR Program solicitations.
- b. Evaluate proposals of DON topics received in response to SBIR solicitations using existing acquisition procedures and evaluation criteria established in the SBIR solicitation.
- c. Award Phase I, Phase II, and Phase III contracts, as appropriate.
- d. Monitor technical progress and administer DON SBIR contracts.
- e. Assure payment to SBIR contractors in accordance with contract.
- f. Foster effective Phase III transition planning and Phase III award tracking mechanisms.
- g. Report SBIR award data through the Navy SBIR Program Manager (PM) Database and forward the required information to the Office of the Secretary of Defense (OSD), the Small Business Administration (SBA), and the Congress of the United States.

7. Responsibilities

- a. The DON SBIR Program Director shall:
  - (1) Manage the DON SBIR Program and establish policy pursuant to statutory, regulatory, and other official program determinants.
  - (2) Oversee administration of DON SBIR funds and obligations.
  - (3) Provide the central source for reporting all Navy Phase I, Phase II and Phase III activities to OSD and SBA.
  - (4) Disseminate policy and directive changes to SYSCOM SBIR Program Managers and represent their views to OSD and SBA as appropriate.

- b. The SYSCOM SBIR Program Managers shall:

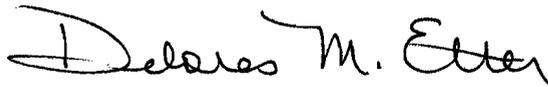
(1) Within SYSCOM SBIR budget parameters, evaluate and recommend SBIR topics and proposals; manage SYSCOM funds and obligations; award and administer SBIR contracts; and oversee the SBIR activities of Program Executive Offices, Direct Reporting Program Managers (DRPM) and Program Managers (PM) associated with the SYSCOM and provide SBIR data to the DON SBIR Program Manager, as required. This includes written justification to the DON SBIR Program Director for awards in excess of amounts outlined in section 4b of this instruction.

(2) Establish a process for awarding Phase I contracts within 4 months of proposal receipt and Phase II contracts within 6 months of Phase I completion.

(3) Ensure all required Phase I and Phase II contract and funding information is entered into the Navy PM Database within one month after the award date, and promulgate and foster Phase III tracking requirements.

c. The PEO SBIR Technology Manager will coordinate all SBIR activities for their PEO. This includes developing SBIR topics addressing that PEO's specific military requirements, monitoring the progress of Phase I and Phase II award recipients, and acquisition planning and budgeting for Phase III awards that follow a successful Phase II. They will report all of their SBIR activities up through their associated SYSCOM SBIR Program Manager.

8. Reports. Reporting requirements contained in paragraph 6g are exempt from reports control by SECNAVINST 5214.2B.



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