# SBIR Proposal Writing Basics: Opportunities to Skip Phase I

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For years, folks have debated whether it should be possible to skip Phase I and go straight into a Phase II award. The argument for this has been that some small businesses have already proven feasibility of their innovation (the purpose of a Phase I SBIR or STTR project), and therefore should be able to apply directly to Phase II. The argument against has been that this takes the innovation out of SBIR/STTR, because the programs end up funding “sure bets” rather than “risky ideas that may not work.” Congress decided, in its most recent reauthorization of SBIR/STTR, to give several agencies the option of allowing their applicants to skip Phase I. More specifically, Dept of Defense (DOD), National Institutes of Health (NIH), and Dept. of Education (DoEd) were given the opportunity to create “Direct to Phase II” (DTP2) programs.

NIH was the first to exercise this authority, and has had a DTP2 program for almost two years now. DOD has not made an agency-wide decision, but instead each DOD component decides whether or not to have a DTP2 program. To date, DARPA and Air Force have created DTP2 programs. Dept. of Education has not created a DTP2, to our knowledge.

If you decide to pursue a DTP2 proposal with NIH, DARPA or USAF, be prepared for a substantial undertaking. As you might expect, you have to write a Phase II proposal—that’s perhaps the easiest of your tasks. You also have to create a commercialization plan. This is not the relatively brief and simplistic com plan that you might include in a Phase I proposal, but should be more detailed, lengthy, and specific. For example, NIH only expects a couple of paragraphs on commercialization in a Phase I grant proposal, but is looking for a commercialization plan of up to 12 pages in a DTP2 proposal.

A DTP2 proposal also must convince the reviewer that you have already proven the feasibility of your innovation. You must submit documentation that, in essence, is the equivalent of a Phase I final report. By the way, that prior feasibility work must have been “substantially performed” by the small business proposing the DTP2 project, and/or its Principal Investigator, so your firm cannot submit a DTP2 proposal building on feasibility work that someone else has done.

Also note that the implementation of the DTP2 program is very different at NIH, DARPA and USAF. At NIH, because it is a granting agency, you can submit any human health related R&D project for which you have already proven feasibility and that has strong commercial potential. At DARPA, you are given a series of topics on which DARPA wants proposals and you need to respond to one of those topics (always remember what Susan Nichols, DARPA SBIR Program Manager says, “Give us what we asked for, not what you think we need”). You can submit a Phase I proposal on any of those topics, or you can submit a DTP2 proposal on some (but not all) of those topics. USAF has issued a DTP2 solicitation that specifies only a few, relatively narrow topics on which you can only submit a Direct to Phase II proposal. Therefore, you have maximum flexibility with NIH, and the least with USAF.

It is important to note that this DTP2 authority has been granted to NIH, DOD and DoEd only through the end of the current reauthorization period, which is Sept 30, 2017). Presumably any DTP2 project initiated before that date will be allowed to continue even if Direct to Phase II is not continued beyond its pilot program period.

We also will caution newcomers to SBIR/STTR that DTP2 may not be appropriate for them. That is because a Phase I project is not just to determine the feasibility of your innovation, but also for the Federal agency to determine if you are trustworthy and capable of doing good R&D. They will trust a newcomer with a $150k Phase I award and give the small business a chance to prove itself; it is unlikely that they will give the newbie a $1+ million Phase II grant or contract to see how they do.