

## Securing NIH Stimulus Funds Proves Tricky

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With the largest ever federal stimulus plan now in place, life science entrepreneurs stand to receive a healthy portion of the pie, with more than \$10 billion in new money going to the National Institutes of Health. But while the agency rushes to allocate the money, tight deadlines and strict reporting requirements may not fill entrepreneurs' needs for cash in a challenging environment.

The federal stimulus package -- the American Recovery & Reinvestment Act, or ARRA -- allocated \$787 billion in money across the board. The NIH, with a regular budget allocation of \$28 billion, is receiving an additional \$10.4 billion under the plan.

With public markets frozen, large biotech and device companies consolidating and venture capital dollars stretched thin, investors are hoping that some of this money will benefit their portfolios. "It's hard to find people making early-stage deals these days," said Mort Collins, general partner at Battelle Ventures, an early-stage investor in Princeton, N.J. "Our hope is, of course, that these [NIH] funds will be made available and find their way to these companies."

The NIH typically sponsors billions in research in-house, or intramural, as well as for universities and small businesses, funded as extramural grants. In fiscal year 2008, the agency distributed \$6.3 billion in extramural money under the small business innovation research/small business technology transfer, or SBIR/SBTT, program, out of a total \$14.8 billion in research grants.

The stimulus money will be geared more heavily towards extramural programs, according to NIH documents. Of the total new allocation, \$8.2 billion, or 78.8%, will be dedicated to external research.

But unlike the SBIR/SBTT program, which goes only to private companies, the stimulus-funded programs are also open to university researchers, and Jenny Haliski, an NIH spokeswoman, said it is impossible for the agency to say how much of the money will be granted to corporations.

One outside agency, Innovation America, a private/public partnership, said stimulus programs like the NIH's may not leave much room for programs already transferred out of schools. "We've looked at the stimulus package, and there's not a lot there for start-ups," said Richard Bendis, president and founder of Innovation America.

But even money given specifically to schools will benefit venture capitalists in a few years' time, said Collins of Battelle Ventures. "This will help create companies that would otherwise just not be there to invest in," he said.

### Trio of New Funding Programs

Since the ARRA was signed in mid-February, the NIH has scrambled to determine how to allocate the dollars. Three main programs have been announced to date: the challenge grant program, with \$200 million, the "grand opportunities" program, with \$200 million and a \$60 million autism initiative.

For the challenge grants, the NIH has identified 15 categories for applications, ranging from broad categories like clinical trials and information technology for health care data to more specific, hot-button areas like stem cells and regenerative medicine. The program has a strict deadline -- applications are due by the end of April -- and recipients will receive \$500,000 annually for two years with no expectation of further funding.

The grand opportunities program ambitiously targets "large, specific biomedical and biobehavioral research endeavors that will benefit from significant 2-year funds," according to the NIH's Web site, with an application deadline at the end of May. Allocation terms are similar to the challenge grants.

The NIH has set ambitious goals for its piece of the stimulus money, such as a challenge-grant goal to fund projects "that would benefit from an influx of funds to quickly advance the area in significant ways."

### Tough Deadlines Faced

Rohit Shukla, chief executive of the Larta Institute, a nonprofit that works with start-up companies, said it is important for young companies to realize that the NIH stimulus grants are different than the regular, rolling SBIR/SBTT ones, which have three deadlines a year. "From the agency's perspective, this is on a different authorization track and the requirements of the program are stiff," he said. "You have to turn around in a very short period of time and there is a stringent reporting component."

The regular, rolling SBIR/SBTT grants have three deadlines a year, while the one-time stimulus programs have typically given applicants less than two months to submit a request. Also, in addition to more frequent reporting than for traditional grants, recipients of ARRA-funded grants have to provide far more paperwork to include information on compliance with stimulus goals, such as the number of jobs created and compliance with "buy American" provisions.

Larta works with the NIH's commercialization program, helping select grant recipients raise additional private money after their federal funds expire. He said that unlike the traditional grant programs the NIH runs, which help companies along the process from idea through early clinical trials, he believes the new money is planned for projects that will make a quick but important contribution to their respective markets. "While the other money is for pure research, they really are making an attempt at translational research with this new money," he said.

In keeping with the spirit of the entire ARRA, which aims to provide a jolt to the ailing economy, Shukla said applicants for the NIH's piece of the stimulus package should apply if they have research that can benefit from a short-term infusion of cash, rather than the larger, longer-term grants in the agency's traditional programs. "The way the stimulus differs is that it is for projects that need a quick fillip," he said.

### Navigating the Process

Finalizing ARRA-funded programs has been difficult since the new administration has not yet staffed all positions in granting agencies, said Andrew Friendly, principal at Advanced Technology Ventures in Waltham, Mass. He recently joined a tour of Boston-area clean technology companies to meet with officials and grant program managers in the nation's capital to help them navigate the process and said the firm is reviewing options for its life science holdings.

"One issue is which companies are well suited for NIH funding," Friendly said. "How do you determine which stimulus package program to apply for?"

Ultimately, the vast majority of projects submitted to the NIH for money do not get funded, NIH's Haliski said, although she said the various agency institutes will be able to review fiscal year 2008 and 2009 grants to see if they are eligible under the new stimulus money. She also said she hopes the ARRA money will help increase the percentage of programs that do get funded, both for universities and small corporations. "Overall success rates for all types of grant programs in fiscal year 2008 was 21.8%," she said of how many proposals get approved. "ARRA funding will certainly allow us to fund at a much higher success rate."