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Exhibit R-2, RDT&E Budget Item Justification: FY 2018 Washington Headquarters Service **Date:** May 2017

Appropriation/Budget Activity 0400: <i>Research, Development, Test & Evaluation, Defense-Wide I BA 3: Advanced Technology Development (ATD)</i>	R-1 Program Element (Number/Name) PE 0603342D8W I <i>Defense Innovation Unit Experimental (DIUx)</i>
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COST (\$ in Millions)	Prior Years	FY 2016	FY 2017	FY 2018 Base	FY 2018 OCO	FY 2018 Total	FY 2019	FY 2020	FY 2021	FY 2022	Cost To Complete	Total Cost
Total Program Element	-	0.000	0.000	29.594	-	29.594	29.611	29.659	29.680	30.304	Continuing	Continuing
434: <i>DIUx</i>	-	0.000	0.000	29.594	-	29.594	29.611	29.659	29.680	30.304	Continuing	Continuing

Note

Defense Innovation Unit Experimental (DIUx) transfer from OSD (PE 0602230D8Z) to WHS - (Non-Management Headquarters)

The U.S. Department of Defense (DoD) relies on innovation to maintain our nation's ability to deter, and if need be, prevail in conflict. Defense Innovation Unit Experimental (DIUx) increases the Department's access to leading-edge technologies and talent that reside in the commercial sector, with the ultimate goal of accelerating innovation into the hands of the warfighter. Working across the country, and in collaboration with allied international partners, DIUx is developing new ways of doing business, growing our defense industrial base to include "non-traditional" companies that never imagined the military as a potential customer, working with traditional vendors in novel ways to increase efficiency, and challenging innovators to share their tremendous talents on the vital and difficult mission of our nation's defense.

A. Mission Description and Budget Item Justification

Defense Innovation Unit Experimental (DIUx) was established in April 2015 and DIUx 2.0 in May 2016.

DIUx mission is to accelerate innovation the majority of which resides in the commercially- focused technology sector to the warfighter. Initially, DIUx was managed by the Under Secretary of Defense Acquisition, Technology and Logistics, (USD, AT&L) when it was established in July 2015. In May 2016, DIUx was placed under the operational control of the Secretary of Defense and administratively managed by Washington Headquarters Services (WHS) with a functional realignment of \$148.8 million across the FYDP to WHS.

DIUx funds the acquisition and/or prototyping of leading-edge technologies from commercially-focused companies (i.e., "non-traditionals") from Silicon Valley, Boston, Austin, and across the country; as well as from traditional defense contractors that either partner with non-traditionals or offer one-third in cost sharing. DIUx acquires and/or prototypes these commercially viable technologies solutions, in direct response to particular capability gaps faced by our nation's warfighters. As such, solution proposals are assessed to ensure alignment with DoD's strategic objectives to increase and strengthen our nation's security.

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B. Program Change Summary (\$ in Millions)	FY 2016	FY 2017	FY 2018 Base	FY 2018 OCO	FY 2018 Total
Previous President's Budget	0.000	0.000	0.000	-	0.000
Current President's Budget	0.000	0.000	29.594	-	29.594
Total Adjustments	0.000	0.000	29.594	-	29.594
• Congressional General Reductions	-	-			
• Congressional Directed Reductions	-	-			
• Congressional Rescissions	-	-			
• Congressional Adds	-	-			
• Congressional Directed Transfers	-	-			
• Reprogrammings	-	-			
• SBIR/STTR Transfer	-	-			
• Functional Realignment of DIUx from Under Secretary of Defense Acquisition, Technology, and Logistics, (USD, AT&L) to Deputy Chief Management Officer, Washington Headquarters Services (WHS)	-	-	29.594	-	29.594

Change Summary Explanation

Initially, DIUx was managed by the Under Secretary of Defense Acquisition, Technology and Logistics, (USD, AT&L) when it was established in July 2015. In May 2016, DIUx was placed under the operational control of the Secretary of Defense and administratively managed by Washington Headquarters Services (WHS),with functional realignment of \$148.8 million across the FYDP Washington Headquarters Services (WHS) beginning in FY 2018.

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Exhibit R-2A, RDT&E Project Justification: FY 2018 Washington Headquarters Service **Date:** May 2017

Appropriation/Budget Activity 0400 / 3	R-1 Program Element (Number/Name) PE 0603342D8W / <i>Defense Innovation Unit Experimental (DIUx)</i>	Project (Number/Name) 434 / <i>DIUx</i>
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COST (\$ in Millions)	Prior Years	FY 2016	FY 2017	FY 2018 Base	FY 2018 OCO	FY 2018 Total	FY 2019	FY 2020	FY 2021	FY 2022	Cost To Complete	Total Cost
434: <i>DIUx</i>	-	0.000	0.000	29.594	-	29.594	29.611	29.659	29.680	30.304	Continuing	Continuing

A. Mission Description and Budget Item Justification

DIUx mission is to accelerate innovation to the warfighter by leveraging commercial technology innovations. Initially, this program was managed by the Under Secretary of Defense Acquisition, Technology, and Logistics, (USD, AT&L) with functional realignment of \$148.8 million across the FYDP to Washington Headquarters Services (WHS) beginning in FY 2018. The DIUx program will fund the development of novel leading-edge technologies emerging from high-tech companies that are not traditional defense contractors. An objective of this program is to obtain innovative ideas from industry that have low technology readiness and are of high priority to DoD leadership. Incoming proposals will be assessed to ensure alignment with the DoD's strategic objectives to increase and strengthen our nation's security.

B. Accomplishments/Planned Programs (\$ in Millions)

	FY 2016	FY 2017	FY 2018
Title: Defense Innovation Unit - Experimental (DIUx)	-	-	29.594
FY 2018 Plans:			
The U.S. Department of Defense relies on innovation to maintain our nation's ability to deter, and if need be, prevail in conflict. With outposts in the heart of Silicon Valley and Boston, Defense Innovation Unit Experimental (DIUx) serves as a bridge between those in the U.S. military executing on some of our nation's toughest security challenges and companies operating at the cutting edge of technology. DIUx is an experiment that continuously repeat how best to identify, contract, and prototype novel innovations through sources traditionally not available to the Department of Defense, with the ultimate goal of accelerating technology into the hands of warfighters and keep them on the cutting edge of technology.			
Accomplishments/Planned Programs Subtotals			29.594

C. Other Program Funding Summary (\$ in Millions)

Line Item	FY 2016	FY 2017	FY 2018 Base	FY 2018 OCO	FY 2018 Total	FY 2019	FY 2020	FY 2021	FY 2022	Cost To Complete	Total Cost
• PE 0901650D8W: O&M	0.000	0.000	24.221	-	24.221	24.270	24.350	24.431	24.809	Continuing	Continuing

Remarks

DIUX O&M mission support funding.

D. Acquisition Strategy

N/A

E. Performance Metrics

N/A

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Exhibit R-3, RDT&E Project Cost Analysis: FY 2018 Washington Headquarters Service		Date: May 2017
Appropriation/Budget Activity 0400 / 3	R-1 Program Element (Number/Name) PE 0603342D8W / <i>Defense Innovation Unit Experimental (DIUx)</i>	Project (Number/Name) 434 / <i>DIUx</i>

Remarks
The DIUx program will fund the development of novel leading-edge technologies emerging from high-tech companies that are not traditional defense contractors.

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Exhibit R-4, RDT&E Schedule Profile: FY 2018 Washington Headquarters Service		Date: May 2017
Appropriation/Budget Activity 0400 / 3	R-1 Program Element (Number/Name) PE 0603342D8W / <i>Defense Innovation Unit Experimental (DIUx)</i>	Project (Number/Name) 434 / <i>DIUx</i>

	FY 2016				FY 2017				FY 2018				FY 2019				FY 2020				FY 2021				FY 2022			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
<i>DIUx Partnering</i>																												
Innovation Assessments																												
<i>Technology Assesment</i>																												
Innovation Prototyping																												
<i>Research and Development</i>																												
Delivery coordination																												

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Exhibit R-4A, RDT&E Schedule Details: FY 2018 Washington Headquarters Service		Date: May 2017
Appropriation/Budget Activity 0400 / 3	R-1 Program Element (Number/Name) PE 0603342D8W / <i>Defense Innovation Unit Experimental (DIUx)</i>	Project (Number/Name) 434 / <i>DIUx</i>

Schedule Details

Events by Sub Project	Start		End	
	Quarter	Year	Quarter	Year
<i>DIUx Partnering</i>				
Innovation Assessments	4	2018	4	2022
<i>Technology Assessment</i>				
Innovation Prototyping	4	2019	4	2022
<i>Research and Development</i>				
Delivery coordination	3	2020	4	2022