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Exhibit R-2, RDT&E Budget Item Justification: PB 2021 Office of the Secretary Of Defense **Date:** February 2020

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 0603342D8Z / <i>Defense Innovation Unit (DIU)</i>
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COST (\$ in Millions)	Prior Years	FY 2019	FY 2020	FY 2021 Base	FY 2021 OCO	FY 2021 Total	FY 2022	FY 2023	FY 2024	FY 2025	Cost To Complete	Total Cost
Total Program Element	0.000	0.000	29.398	26.141	-	26.141	26.849	27.383	28.056	28.628	Continuing	Continuing
434: <i>DIU</i>	0.000	0.000	29.398	26.141	-	26.141	26.849	27.383	28.056	28.628	Continuing	Continuing

Note

In FY 2017, Defense Innovation Unit Experimental (DIUx) was transferred from OSD (PE 0602230D8Z) to Washington Headquarters Services (WHS) (PE 0603342D8W). In July 2018, DIUx was realigned from WHS to the Office of the Under Secretary of Defense, Research and Engineering (OUSD(R&E)). In August 2018, DIUx was re-designated the Defense Innovation Unit (DIU) to signify a permanence of the program. Effective FY 2020, DIU funding transferred from WHS PE 0603342D8W to OSD PE 0603342D8Z consistent with the realignment and establishment of USD(Research & Engineering), and disestablishment of USD(Acquisition, Technology, & Logistics). In FY 2018 and FY 2019, this program had \$23.498 million and \$29.198 million, respectively, in PE 0603342D8W.

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. DIU 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, DIU is developing new ways of doing business, growing our defense industrial base to include "non-traditional" companies that had previously not collaborated with the military, working with traditional vendors in novel ways to increase efficiency, and challenging innovators to share their knowledge and expertise in support 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.

The DIU mission is to accelerate innovation in the commercially-focused technology sector to the warfighter. The 2018 National Defense Strategy asserts that we have returned to an era of inter-state strategic competition with Russia and China, heightening the sense of urgency with which the nation, and DoD in particular, must reform our acquisition policies and approach to sustaining military-technical superiority. Adversaries are challenging the U.S. across several dimensions. Most importantly, adversaries are at par or ahead of the U.S. in critical technology areas. Consistent with the FY 2020 OMB/OSTP research and development budget priorities, this new era of competition requires technological superiority to ensure ability to project power, maintain international norms and rule of law, and to serve as a credible deterrence. Notably, the critical technologies that forge military-technical superiority are increasingly dual-use and rapidly developed by the commercial sector. The DIU program will find and provide access to leading-edge technology companies on behalf of DoD organizations. Additionally, DIU will execute projects to leverage commercial sector technology analogous to military application thereby increasing dual-use technology agility for the DoD.

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B. Program Change Summary (\$ in Millions)	FY 2019	FY 2020	FY 2021 Base	FY 2021 OCO	FY 2021 Total
Previous President's Budget	0.000	29.398	29.178	-	29.178
Current President's Budget	0.000	29.398	26.141	-	26.141
Total Adjustments	0.000	0.000	-3.037	-	-3.037
• Congressional General Reductions	-	-			
• Congressional Directed Reductions	-	-			
• Congressional Rescissions	-	-			
• Congressional Adds	-	-			
• Congressional Directed Transfers	-	-			
• Reprogrammings	-	-			
• SBIR/STTR Transfer	-	-			
• Reduction for Defense Wide Review	-	-	-3.008	-	-3.008
• Other Adjustments	-	-	-0.029	-	-0.029

Change Summary Explanation

Defense-Wide Review: The FY 2021 funding request was reduced by \$3.008 million during DWR to realign funds for higher priority DoD missions.

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Exhibit R-2A, RDT&E Project Justification: PB 2021 Office of the Secretary Of Defense										Date: February 2020		
Appropriation/Budget Activity 0400 / 3					R-1 Program Element (Number/Name) PE 0603342D8Z / Defense Innovation Unit (DIU)				Project (Number/Name) 434 / DIU			
COST (\$ in Millions)	Prior Years	FY 2019	FY 2020	FY 2021 Base	FY 2021 OCO	FY 2021 Total	FY 2022	FY 2023	FY 2024	FY 2025	Cost To Complete	Total Cost
434: DIU	0.000	0.000	29.398	26.141	-	26.141	26.849	27.383	28.056	28.628	Continuing	Continuing

Note

Defense Innovation Unit Experimental (DIUx) was established in April 2015 and DIUx 2.0 in May 2016. In FY 2017, Defense Innovation Unit Experimental (DIUx) was transferred from OSD (PE 0602230D8Z) to Washington Headquarters Services (WHS) (PE 0603342D8W). In July 2018, DIUx was realigned from WHS to the Office of the Under Secretary of Defense, Research and Engineering (OUSD(R&E)). In August 2018, DIUx was re-designated the Defense Innovation Unit (DIU) to signify a permanence of the program. Effective FY 2020, DIU funding will transfer from WHS PE 0603342D8W to OSD Program Element 0603342D8Z consistent with the realignment and establishment of USD(Research & Engineering), and disestablishment of USD(Acquisition, Technology, & Logistics).

A. Mission Description and Budget Item Justification

The DIU mission is to accelerate innovation to the warfighter by leveraging commercial technology innovations. The 2018 National Defense Strategy asserts that we have returned to an era of inter-state strategic competition with Russia and China, heightening the sense of urgency with which the nation, and Department of Defense (DoD) in particular, must reform our acquisition policies and approach to sustaining military-technical superiority. Adversaries are challenging the U.S. across several dimensions. Most importantly, adversaries are at par or ahead of the U.S. in critical technology areas. Consistent with the FY 2020 OMB/OSTP research and development budget priorities, this new era of competition requires technological superiority to ensure ability to project power, maintain international norms and rule of law, and to serve as a credible deterrence. Notably, the critical technologies that forge military-technical superiority are increasingly dual-use and rapidly developed by the commercial sector. The DIU program will find and provide access to leading-edge technology companies on behalf of DoD organizations. Additionally, DIU will execute projects to leverage commercial sector technology analogous to military application thereby increasing dual-use technology agility for the DoD.

The U.S. DoD relies on innovation to maintain our nation's ability to deter, and if need be, prevail in conflict. The DIU 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, DIU is developing new ways of doing business, growing our defense industrial base to include "non-traditional" companies that had previously not collaborated with the military, working with traditional vendors in novel ways to increase efficiency, and challenging innovators to share their knowledge and expertise in support of our nation's defense.

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

	FY 2019	FY 2020	FY 2021
Title: Defense Innovation Unit - Experimental (DIU)	0.000	29.398	26.141
Description: The U.S. DoD relies on innovation to maintain our nation's ability to deter, and if need be, prevail in conflict. With outposts in Mountain View, California, Cambridge, Massachusetts, Washington, D.C., and Austin, Texas, DIU serves as a bridge between those in the U.S. Military executing our nation's highest priority problems with companies developing cutting technology for the commercial sector. DIU continuously experiments on methods to identify, contract, prototype, and transition			

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B. Accomplishments/Planned Programs (\$ in Millions)	FY 2019	FY 2020	FY 2021
novel technology with commercial entities that would not otherwise do work with the DoD. The end goal is to accelerate the adoption of cutting-edge technology and grow the defense industry base for the warfighter.			
<i>FY 2020 Plans:</i> DIU continues its mission to identify and deliver cutting-edge commercial innovation to the Joint Force. DIU is rapidly prototyping and deploying innovative commercial technologies to fill critical capability gaps identified by DoD customers in the Services, Defense Agencies, and Combatant Commands. DIU works to solve challenges and issues for the Department in areas such as Artificial Intelligence and Machine Learning, Autonomy, Human Systems, Information Technology, and Space. In FY 2020, DIU will add two new technology focus areas of Power and Energy, and Advanced Materials to develop and deliver technologies within the fields of Tactical Power, Operational Power, Directed Energy, and Hypersonics. DIU has plans to expand it's presence in Austin, TX to optimize outreach with innovative commercial sources and enhance collaboration with the newly established Army Futures Command.			
<i>FY 2021 Plans:</i> DIU will continue its mission to identify and deliver cutting-edge commercial innovation to the Joint Force. DIU is rapidly prototyping and deploying innovative commercial technologies to fill critical capability gaps identified by DoD customers in the Services, Defense Agencies, and Combatant Commands. DIU works to solve challenges and issues for the Department in areas such as Artificial Intelligence and Machine Learning, Autonomy, Human Systems, Information Technology, and Space.			
<i>FY 2020 to FY 2021 Increase/Decrease Statement:</i> DWR: The FY 2021 decrease of \$3.008 million will result in a re-balance of investments across the technology focus areas of Artificial Intelligence and Machine Learning, Autonomy, Human Systems, Information Technology, Space, Advanced Technology Material and Manufacturing, and Power and Energy.			
Accomplishments/Planned Programs Subtotals	0.000	29.398	26.141

C. Other Program Funding Summary (\$ in Millions)											
<u>Line Item</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u> <u>Base</u>	<u>FY 2021</u> <u>OCO</u>	<u>FY 2021</u> <u>Total</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>Cost To</u> <u>Complete</u>	<u>Total Cost</u>
• PE 0901583D8Z: <i>O&M</i>	11.384	17.358	17.705	-	17.705	18.059	18.420	18.789	19.165	Continuing	Continuing
• PE 0603342D8W: <i>DIUx</i>	29.198	0.000	0.000	-	0.000	0.000	0.000	0.000	-	Continuing	Continuing

Remarks
DIU O&M mission support funding; prior year RDT&E funds were in PE 0603342D8W.

D. Acquisition Strategy
N/A