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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 4: Advanced Component Development & Prototypes (ACD&P)</i>	R-1 Program Element (Number/Name) PE 0604341D8Z I <i>DIU Prototyping</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	17.000	13.255	-	13.255	12.867	12.412	12.761	13.021	Continuing	Continuing
843: <i>DIU Prototyping</i>	0.000	0.000	17.000	13.255	-	13.255	12.867	12.412	12.761	13.021	Continuing	Continuing

Note

Defense Innovation Unit Experimental (DIUx) was established in April 2015 and DIUx 2.0 in May 2016. 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 to OSD 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 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 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 Office of Management and Budget (OMB)/Office of Science and Technology Policy (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 U.S. 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.

The DIU Prototyping program will find and provide access to 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. DIU Prototyping funds will facilitate the award of projects that can augment commercial technologies, existing government-owned capabilities or concepts for defense application.

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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	92.000	13.268	-	13.268
Current President's Budget	0.000	17.000	13.255	-	13.255
Total Adjustments	0.000	-75.000	-0.013	-	-0.013
• Congressional General Reductions	-	-75.000			
• Congressional Directed Reductions	-	-			
• Congressional Rescissions	-	-			
• Congressional Adds	-	-			
• Congressional Directed Transfers	-	-			
• Reprogrammings	-	-			
• SBIR/STTR Transfer	-	-			
• Other Adjustments	-	-	-0.013	-	-0.013

Congressional Add Details (\$ in Millions, and Includes General Reductions)

Project: 843: *DIU Prototyping*

Congressional Add: *N/A*

	FY 2019	FY 2020
Congressional Add Subtotals for Project: 843	0.000	-
Congressional Add Totals for all Projects	0.000	-

Change Summary Explanation

This was a new Program Element in FY 2020 with two Project Codes for DIU Prototyping/Project 843, \$17.000 million, and National Security Innovation Capital (NSIC)/Project 844, \$75.000 million. For Project 843, FY 2020 \$17.000 million was transferred from WHS O&M 0901583D8W to RDT&E, DW PE 0604341D8Z/843 DIU Prototyping. Project 844 NSIC was a new program add in FY2020, but was not funded due to a Congressional mark. NSIC was to fund the commercialization and scaling dual-use, hardware-based technologies that are critical to the military. These technology areas are currently severely underserved by the private U.S. venture capital industry and often funded by strategic and persistent capital from China. NSIC would attract private capital to leverage DoD investments in select priority projects that include batteries, drones, and quantum sensors.

The overall decrease in FY 2021 of \$3.732 million was a planned program change. The DIU Prototyping focus areas will not only save funds in the future, but more importantly, grow the National Security Innovation Base (NSIB) by attracting new NSIB suppliers and improve the adoption of commercial technologies for the warfighter.

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Appropriation/Budget Activity 0400 / 4					R-1 Program Element (Number/Name) PE 0604341D8Z / <i>DIU Prototyping</i>				Project (Number/Name) 843 / <i>DIU Prototyping</i>			
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
843: <i>DIU Prototyping</i>	0.000	0.000	17.000	13.255	-	13.255	12.867	12.412	12.761	13.021	Continuing	Continuing
Quantity of RDT&E Articles	-	-	-	-	-	-	-	-	-	-		

A. Mission Description and Budget Item Justification

The DIU mission is to accelerate innovation in the commercially-focused technology sector to the warfighter. Initially, DIUx was managed by the Under Secretary of Defense Acquisition, Technology and Logistics (OUSD(AT&L)) when it was established in July 2015. In May 2016, DIUx was placed under the control of the Secretary of Defense and administratively managed by WHS. In July 2018, DIUx was realigned from WHS to the 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 to OSD consistent with the functional realignment to OUSD(R&E).

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 Prototyping program will find and provide access to 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. In FY 2020, DIU Prototyping funds will facilitate the award of projects that can augment commercial technologies, existing government-owned capabilities or concepts for defense application.

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

	FY 2019	FY 2020	FY 2021
Title: Defense Innovation Unit (DIU) Prototyping	0.000	17.000	13.255
Description: In FY 2020, DIU will execute projects to leverage commercial sector technology analogous to military application thereby increasing dual-use technology agility for the DoD. DIU Prototyping funds will facilitate the award of projects that can augment commercial technologies, existing government-owned capabilities, or concepts for defense application.			
FY 2020 Plans: In FY 2020, DIU Prototyping funds will facilitate follow-on prototype contract awards of projects that can augment commercial technologies, existing government-owned capabilities, or concepts for defense application.			
FY 2021 Plans:			

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B. Accomplishments/Planned Programs (\$ in Millions)	FY 2019	FY 2020	FY 2021
In FY 2021, DIU Prototyping funds will facilitate additional follow-on prototype contract awards of projects that can augment commercial technologies, existing government-owned capabilities, or concepts for defense application.			
<i>FY 2020 to FY 2021 Increase/Decrease Statement:</i> The FY 2021 decrease of \$3.732 million is a result of planned program changes.			
Accomplishments/Planned Programs Subtotals	0.000	17.000	13.255

	FY 2019	FY 2020
<i>Congressional Add:</i> N/A	0.000	-
<i>FY 2019 Accomplishments:</i> N/A		
Congressional Adds Subtotals	0.000	-

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

N/A

Remarks

For Project 843, FY 2020 \$17.000 million was transferred from WHS O&M 0901583D8W to RDT&E, DW PE 0604341D8Z/843 DIU Prototyping.

D. Acquisition Strategy

N/A

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Exhibit R-4, RDT&E Schedule Profile: PB 2021 Office of the Secretary Of Defense **Date:** February 2020

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FY 2019				FY 2020				FY 2021				FY 2022				FY 2023				FY 2024				FY 2025			
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>DIU Prototyping</i>	
DIU Prototyping	[REDACTED]

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Exhibit R-4A, RDT&E Schedule Details: PB 2021 Office of the Secretary Of Defense **Date:** February 2020

Appropriation/Budget Activity 0400 / 4	R-1 Program Element (Number/Name) PE 0604341D8Z / <i>DIU Prototyping</i>	Project (Number/Name) 843 / <i>DIU Prototyping</i>
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Schedule Details

Events by Sub Project	Start		End	
	Quarter	Year	Quarter	Year
<i>DIU Prototyping</i>				
DIU Prototyping	2	2020	3	2021