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Exhibit R-2, RDT&E Budget Item Justification: PB 2022 Air Force **Date:** May 2021

Appropriation/Budget Activity 3600: <i>Research, Development, Test & Evaluation, Air Force I BA 6: RDT&E Management Support</i>	R-1 Program Element (Number/Name) PE 0605502F / <i>Small Business Innovation Research</i>
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COST (\$ in Millions)	Prior Years	FY 2020	FY 2021	FY 2022 Base	FY 2022 OCO	FY 2022 Total	FY 2023	FY 2024	FY 2025	FY 2026	Cost To Complete	Total Cost
Total Program Element	-	884.237	0.000	0.000	0.000	0.000	-	-	-	-	-	-
663005: <i>Small Business Innovation Research</i>	-	884.237	0.000	0.000	0.000	0.000	-	-	-	-	-	-
Quantity of RDT&E Articles	-	-	-	-	-	-	-	-	-	-		

A. Mission Description and Budget Item Justification

This program implements 15 U.S.C., Section 638 to maximize the creative, innovative, and entrepreneurial spirit of small businesses to solve technological problems.

In Jan 2021, the Secretary of the Air Force named the AFWERX Director as the Chief Commercialization Officer and aligned the Department of the Air Force's (DAF) Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) Programs in AFWERX. While all stages of research and development align to the SBIR/STTR program, commercialization to Phase III transition is the focused goal. Leveraging SBIR/STTR funding, the AFWERX mission is to transition agile, affordable, and accelerated capabilities by teaming commercial technology developers with Airmen and Guardian talent. AFWERX will accomplish this mission through (i) connecting diverse, innovative industry, academia, and government individuals; (ii) creating capability options and prototype opportunities for the Air Force and Space Force; (iii) facilitating streamlined acquisition processes; and (iv) fostering a culture of innovation.

This Program Element (PE) has a direct tie to PE 64317F (Technology Transfer) Project 646030 (AFWERX) and PE 64858F (Tech Transition Program) Project 640858 (Agility Prime) as this program improves Air Force and Space Force capabilities by connecting innovators, simplifying technology transfer, and accelerating results.

This document reflects actual FY 2020 3600 funds aligned to the SBIR/STTR program in accordance with the legislative authority to direct 3.65% of enacted funds anticipated for extramural awards to the program. Funds to resource this program for FY 2021 and forward will be applied to this PE and highlighted as actuals in each subsequent President's Budget submission.

Funding is spread across multiple focus areas and change from year to year based on known and emerging technology gaps, warfighting demand signals, and broader assessments of the military industrial base in light of its reliance on foundational commercial industries. Expected proportional execution of SBIR/STTR funds in each fiscal year's focus area, as well as a description of each of these areas, is provided below. Actuals may vary depending on allocation of actual funds received, timeliness of funds availability, or changes to strategic guidance or executive priorities.

Legacy funding accounts for pre-existing topics (i.e., prior to FY 2020) that either have select notices for Phase IIs or would like to release a Request For Proposal for a Phase II award. This budget allocation category will be phased out by FY 2023. Defense focused funding is dedicated for defense-focused technologies that do not have clear non-defense potential in the near term. Dual use funding is dedicated for dual-use technologies that have clear non-defense and defense applicability.

FY 2020 SBIR/STTR funds are allocated as follows:

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<p>Legacy: 17% Defense Focused: 8% Dual Use: 66% Strategic Fund Increase (STRATFI): 5% - In FY 2020, the DAF introduced STRATFI program. The STRATFI program re-imagines follow-on Phase II efforts to allow for longer, larger scale awards which provide the time and funding necessary to transition technologies over the valley of death - from prototype to program of record. The STRATFI program allows for up to 15 million of SBIR/STTR funds per effort, depending on individual effort approval from the Small Business Administration (SBA). Given strategic level requirements, it also requires matched funding, i.e., 2:1 or 1:2:1 (2 Government non-SBIR to 1 SBIR or 1 Government non-SBIR to 2 Private to 1 SBIR) matching. Administrative: 4%</p> <p>FY 2021 SBIR/STTR funds are intended to be allocated as follows: Legacy: 18% Defense Focused: 16% Dual Use: 41% Supplemental Funding Pilot Program (SFPP): 21% - In FY 2021, the DAF introduced the SFPP. SFPP expands STRATFI initiative with the Tactical Funding Increase (TACFI) program. The TACFI program supports smaller scale, tactical level requirements (e.g., on-going operations at a Wing or Delta). The TACFI program allows for up to 1.7 million of SBIR/STTR funds per effort, and may also require individual effort approval from the SBA. Given smaller amounts of supplemental funding as compared to STRATFI, TACFI requires a lower matched funding ratio at 1:1 (1 Government non-SBIR to 1 SBIR OR 1 Private to 1 SBIR) matching. Administrative: 4%</p> <p>FY 2022 SBIR/STTR funds are intended to be allocated as follows: Legacy: 2% Defense Focused: 20% Dual Use: 54% SFPP: 20% Administrative: 4%</p> <p>The budget for this program is implemented after an appropriation is passed as directed in provisions of 15 U.S.C., Section 638.</p> <p>This program element includes necessary civilian pay and program management administration expenses required to manage, execute and deliver Small Business Innovation Research and Small Business Technology Transfer activities.</p> <p>This program is in Budget Activity 6, RDT&E Management Support because this budget activity includes research, development, test and evaluation efforts and funds to sustain and/or modernize the installations or operations required for general research, development, test and evaluation.</p>		

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B. Program Change Summary (\$ in Millions)	FY 2020	FY 2021	FY 2022 Base	FY 2022 OCO	FY 2022 Total	
Previous President's Budget	0.000	0.000	0.000	0.000	0.000	
Current President's Budget	884.237	0.000	0.000	0.000	0.000	
Total Adjustments	884.237	0.000	0.000	0.000	0.000	
• Congressional General Reductions	0.000	0.000				
• Congressional Directed Reductions	0.000	0.000				
• Congressional Rescissions	0.000	0.000				
• Congressional Adds	0.000	0.000				
• Congressional Directed Transfers	0.000	0.000				
• Reprogrammings	0.000	0.000				
• SBIR/STTR Transfer	884.237	0.000				
• Other Adjustments	0.000	0.000	0.000	0.000	0.000	
C. Accomplishments/Planned Programs (\$ in Millions)				FY 2020	FY 2021	FY 2022
Title: Small Business Innovation Research & Small Business Technology Transfer				884.237	0.000	0.000
Description: Implements 15 U.S.C., Section 638 for Air Force Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) efforts, including associated program management and civilian manpower costs to run the Air Force SBIR and STTR programs.						
FY 2021 Plans: Not applicable						
FY 2022 Plans: Not applicable						
FY 2021 to FY 2022 Increase/Decrease Statement: Not applicable						
Accomplishments/Planned Programs Subtotals				884.237	0.000	0.000
D. Other Program Funding Summary (\$ in Millions)						
N/A						
Remarks						
E. Acquisition Strategy						
Not applicable						