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Exhibit R-2, RDT&E Budget Item Justification: PB 2023 Air Force **Date:** April 2022

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 2021	FY 2022	FY 2023 Base	FY 2023 OCO	FY 2023 Total	FY 2024	FY 2025	FY 2026	FY 2027	Cost To Complete	Total Cost
Total Program Element	-	662.308	0.000	0.086	0.000	0.086	0.118	0.123	0.126	0.128	Continuing	Continuing
663005: <i>Small Business Innovation Research</i>	-	662.308	0.000	0.086	0.000	0.086	0.118	0.123	0.126	0.128	Continuing	Continuing
Quantity of RDT&E Articles	-	-	-	-	-	-	-	-	-	-		

A. Mission Description and Budget Item Justification

The Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) program implements 15 U.S.C Section 638 to maximize the creative, innovative, and entrepreneurial spirit of small businesses to solve technological problems. AFWERX's 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 entities; (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. Additionally, 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 2021 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.

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. Specific topics funding is dedicated for defense-focused technologies that do not have clear non-defense potential in the near term. Open Topics are an opportunity for any qualified small-business offeror to seek product-market fit within the DAF, demonstrate value to early-adopter communities, and scale their solution to meet market demand.

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.

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B. Program Change Summary (\$ in Millions)	FY 2021	FY 2022	FY 2023 Base	FY 2023 OCO	FY 2023 Total	
Previous President's Budget	0.000	0.000	0.000	0.000	0.000	
Current President's Budget	662.308	0.000	0.086	0.000	0.086	
Total Adjustments	662.308	0.000	0.086	0.000	0.086	
• 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	662.308	0.000				
• Other Adjustments	0.000	0.000	0.086	0.000	0.086	
C. Accomplishments/Planned Programs (\$ in Millions)				FY 2021	FY 2022	FY 2023
Title: Small Business Innovation Research & Small Business Technology Transfer				662.308	0.000	0.086
Description: FY 2021 SBIR/STTR funds were allocated in the following manner:						
Legacy: 18%						
Specific Topic: 16%						
Open Topic: 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%						
FY 2022 Plans:						
FY 2022 SBIR/STTR funds are intended to be allocated as follows:						
Legacy: 2%						
Specific Topic: 35%						
Open Topic: 39%						
SFPP: 20%						

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C. Accomplishments/Planned Programs (\$ in Millions)	FY 2021	FY 2022	FY 2023
Administrative: 4%			
<i>FY 2023 Plans:</i> FY 2023 SBIR/STTR funds are intended to be allocated as follows: Specific Topic: 38% Open Topic: 38% SFPP: 20% Administrative: 4%			
FY 2024 SBIR/STTR funds are intended to be allocated as follows: Specific Topic: 38% Open Topic: 38% SFPP: 20% Administrative: 4%			
<i>FY 2022 to FY 2023 Increase/Decrease Statement:</i> Increase of 0.086 million is a programming error that will be fixed in the enactment position			
Accomplishments/Planned Programs Subtotals	662.308	0.000	0.086

D. Other Program Funding Summary (\$ in Millions)
N/A

Remarks

E. Acquisition Strategy
Not applicable