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Exhibit R-2, RDT&E Budget Item Justification: PB 2017 Navy **Date:** February 2016

| Appropriation/Budget Activity 1319: <i>Research, Development, Test & Evaluation, Navy / BA 6: RDT&E Management Support</i> | | | | | R-1 Program Element (Number/Name) PE 0605861N / <i>RDT&E Science & Tech Mgmt</i> | | | | | | | |
|--|--------------------|----------------|----------------|---------------------|--|----------------------|----------------|----------------|----------------|----------------|-------------------------|-------------------|
| COST (\$ in Millions) | Prior Years | FY 2015 | FY 2016 | FY 2017 Base | FY 2017 OCO | FY 2017 Total | FY 2018 | FY 2019 | FY 2020 | FY 2021 | Cost To Complete | Total Cost |
| Total Program Element | 0.000 | 72.943 | 76.948 | 62.811 | - | 62.811 | 62.901 | 64.224 | 65.809 | 66.973 | Continuing | Continuing |
| 0135: <i>ONR Science & Technology Mgmt</i> | 0.000 | 64.966 | 69.489 | 55.561 | - | 55.561 | 55.338 | 56.438 | 57.806 | 58.816 | Continuing | Continuing |
| 2353: <i>DFAS Billings</i> | 0.000 | 2.324 | 1.695 | 1.465 | - | 1.465 | 1.623 | 1.715 | 1.793 | 1.838 | Continuing | Continuing |
| 3234: <i>Office of Naval Research - N-ERP</i> | 0.000 | 1.120 | 1.168 | 1.121 | - | 1.121 | 1.205 | 1.241 | 1.270 | 1.297 | Continuing | Continuing |
| 3364: <i>ONR Global Management</i> | 0.000 | 4.533 | 4.596 | 4.664 | - | 4.664 | 4.735 | 4.830 | 4.940 | 5.022 | Continuing | Continuing |

A. Mission Description and Budget Item Justification

This program element (PE) covers Office of Naval Research (ONR) corporate expenses including salaries, Information Technology (IT), Financial Improvement Plan (FIP) efforts and some of the day-to-day logistical costs. The vast majority of these items represent fixed costs associated with Scientists and Engineers supporting the Navy's Science and Technology (S&T) Programs.

The Defense Finance and Accounting Service (DFAS) Billings project 2353 funds accounting services provided to ONR and Navy Research and Development (R&D) activities.

| B. Program Change Summary (\$ in Millions) | FY 2015 | FY 2016 | FY 2017 Base | FY 2017 OCO | FY 2017 Total |
|---|----------------|----------------|---------------------|--------------------|----------------------|
| Previous President's Budget | 73.033 | 76.948 | 77.793 | - | 77.793 |
| Current President's Budget | 72.943 | 76.948 | 62.811 | - | 62.811 |
| Total Adjustments | -0.090 | 0.000 | -14.982 | - | -14.982 |
| • Congressional General Reductions | - | - | | | |
| • Congressional Directed Reductions | - | - | | | |
| • Congressional Rescissions | - | - | | | |
| • Congressional Adds | - | - | | | |
| • Congressional Directed Transfers | - | - | | | |
| • Reprogrammings | - | - | | | |
| • SBIR/STTR Transfer | -0.090 | 0.000 | | | |
| • Rate/Misc Adjustments | 0.000 | 0.000 | -14.982 | - | -14.982 |

Change Summary Explanation

The FY 2017 request was reduced by -\$0.185 as required for the Department of the Navy to comply with the Bipartisan Budget Act of 2015.

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| Appropriation/Budget Activity 1319: <i>Research, Development, Test & Evaluation, Navy / BA 6: RDT&E Management Support</i> | R-1 Program Element (Number/Name) PE 0605861N / <i>RDT&E Science & Tech Mgmt</i> | |
| Effective in FY 2017, funding that supports Management Headquarters Activity (MHA) salaries in the amount of -\$14.5 million is realigned into PE 0605898N Management HQ - R&D. | | |
| Technical: Not applicable. | | |
| Schedule: Not applicable. | | |

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| Exhibit R-2A, RDT&E Project Justification: PB 2017 Navy | | | | | | | | | | Date: February 2016 | | |
| Appropriation/Budget Activity 1319 / 6 | | | | | R-1 Program Element (Number/Name) PE 0605861N / RDT&E Science & Tech Mgmt | | | | | Project (Number/Name) 0135 / ONR Science & Technology Mgmt | | |
| COST (\$ in Millions) | Prior Years | FY 2015 | FY 2016 | FY 2017 Base | FY 2017 OCO | FY 2017 Total | FY 2018 | FY 2019 | FY 2020 | FY 2021 | Cost To Complete | Total Cost |
| 0135: ONR Science & Technology Mgmt | 0.000 | 64.966 | 69.489 | 55.561 | - | 55.561 | 55.338 | 56.438 | 57.806 | 58.816 | Continuing | Continuing |
| Quantity of RDT&E Articles | | - | - | - | - | - | - | - | - | - | | |

A. Mission Description and Budget Item Justification

This project supports ONR leadership, management and direction for the Naval S&T program. This project funds ONR HQ salaries, communications, and other fixed costs. In FY16 and out, the Mid-Range Financial Improvement Plan effort will be transferred into this project from PE 0605853N Project 3025 to support ONR's goal of attaining a clean and auditable financial statement. ONR sponsors scientific advances, which lead to Future Naval Capabilities (FNCs), supporting the Fleet's ability to operate from a position of technological superiority. Functions performed include (1) scientific and technical direction of the nationwide 6.1 basic research program with colleges, universities, non-profit organizations and Naval Laboratories and Warfare Centers; (2) scientific and technical direction of the 6.2 applied research program through the Naval R&D laboratories and Warfare Centers and industry; (3) scientific and technical direction of the Naval 6.3 advanced technology development program through the Navy's R&D laboratories, Warfare Centers and industry; (4) management, resource formulation, program assessment, and contract negotiation/administration of the Navy basic research, applied research and advanced technology development program; and (5) coordination of the Navy's Technology Base program within the context of total DoD/Government (e.g., National Science Foundation, National Academy of Sciences) R&D initiatives in order to maximize scientific advances. This project also supports ONR management and direction for the following Navy-wide programs: Small Business Innovation Research, Naval Research Advisory Committee, Navy Patent Program, Historically Black Colleges and Universities/Minority Institutions Program, Navy Manufacturing Technology Program and the Ballistic Missile Submarine Nuclear (SSBN) Security Technology Program.

Additionally, this project funds ONR field salaries, communications, and other fixed costs. Functions performed support ONR's Navy-wide responsibilities in the negotiation and establishment of indirect cost rates for DoD-assigned universities and performance of contract administration for all DoD contracts/grants at all colleges and universities.

B. Accomplishments/Planned Programs (\$ in Millions, Article Quantities in Each)

| | FY 2015 | FY 2016 | FY 2017 Base | FY 2017 OCO | FY 2017 Total |
|--|----------------|----------------|---------------------|--------------------|----------------------|
| Title: S&T MANAGEMENT SUPPORT | 64.966 | 69.489 | 55.561 | 0.000 | 55.561 |
| Articles: | - | - | - | - | - |
| Description: This project provides for basic costs of ONR Headquarters in support of the entire Navy S&T program. Most all the funds in this project are fixed costs, such as salaries and communications. Specifically, it pays the salaries of Scientific and Engineering and corporate business personnel who direct the execution of the Navy's basic research, applied research, and advanced technology development programs at the nation's universities/colleges, Navy laboratories, Warfare Centers, and private industry. | | | | | |

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| Exhibit R-2A, RDT&E Project Justification: PB 2017 Navy | | Date: February 2016 |
| Appropriation/Budget Activity 1319 / 6 | R-1 Program Element (Number/Name) PE 0605861N / <i>RDT&E Science & Tech Mgmt</i> | Project (Number/Name) 0135 / <i>ONR Science & Technology Mgmt</i> |

B. Accomplishments/Planned Programs (\$ in Millions, Article Quantities in Each)

| | FY 2015 | FY 2016 | FY 2017 Base | FY 2017 OCO | FY 2017 Total |
|--|----------------|----------------|---------------------|--------------------|----------------------|
| <p>This project also provides for basic costs of ONR's field activities to include fixed costs, such as salaries and communications.</p> <p>The increase from FY 2015 to FY 2016 reflects a transfer of the Mid-Range Financial Improvement Plan funding from PE 0605853N Management, Technical and International Support, an increase in the FERS Employer Contribution Rate, and management, communications, and other fixed costs required to support the Navy S&T program.</p> <p>Effective in FY 2017, ONR realigned costs associated with Management Headquarters Activity (MHA) salaries into PE 0605898N Management HQ - R&D. The reduction in FY 2016 to FY 2017 reflects that realignment.</p> <p><i>FY 2015 Accomplishments:</i> - This project provided for all basic costs of ONR Headquarters in support of the entire Navy S&T program. Most all of the funds in this project are fixed costs, such as salaries, and communications. Specifically, it pays the salaries of Scientific and Engineering and corporate business personnel who direct the execution of the Navy's basic research, applied research, and advanced technology development programs at the nation's universities/ colleges, Navy laboratories, Warfare Centers, and private industry. This project provided for all basic costs of ONR field activities in support of the entire Navy S&T program.</p> <p><i>FY 2016 Plans:</i> - Continue all efforts of FY 2015 - Ramp up support and focus on audit readiness to prepare for the FY17 financial auditability mandates set by SECDEF and Congress.</p> <p><i>FY 2017 Base Plans:</i> - Continue all efforts in directly supporting Navy Science and Technology programs.</p> <p><i>FY 2017 OCO Plans:</i> N/A</p> | | | | | |
| Accomplishments/Planned Programs Subtotals | 64.966 | 69.489 | 55.561 | 0.000 | 55.561 |

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

N/A

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| Exhibit R-2A, RDT&E Project Justification: PB 2017 Navy | | Date: February 2016 |
| Appropriation/Budget Activity 1319 / 6 | R-1 Program Element (Number/Name) PE 0605861N / RDT&E Science & Tech Mgmt | Project (Number/Name) 0135 / ONR Science & Technology Mgmt |

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

Remarks

D. Acquisition Strategy

Not applicable.

E. Performance Metrics

This PE funds operating costs for ONR's mission. Program performance is measured by attaining financial benchmarks for planned obligations vs. actual obligations and planned expenditures vs. actual expenditures.

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| Appropriation/Budget Activity 1319 / 6 | R-1 Program Element (Number/Name) PE 0605861N / RDT&E Science & Tech Mgmt | Project (Number/Name) 2353 / DFAS Billings |
|--|--|--|

| COST (\$ in Millions) | Prior Years | FY 2015 | FY 2016 | FY 2017 Base | FY 2017 OCO | FY 2017 Total | FY 2018 | FY 2019 | FY 2020 | FY 2021 | Cost To Complete | Total Cost |
|----------------------------|-------------|---------|---------|--------------|-------------|---------------|---------|---------|---------|---------|------------------|------------|
| 2353: DFAS Billings | 0.000 | 2.324 | 1.695 | 1.465 | - | 1.465 | 1.623 | 1.715 | 1.793 | 1.838 | Continuing | Continuing |
| Quantity of RDT&E Articles | | - | - | - | - | - | - | - | - | - | | |

A. Mission Description and Budget Item Justification

This project provides funding for accounting services provided to the Office of Naval Research and other Navy research and development activities by the Defense Finance and Accounting Service (DFAS).

B. Accomplishments/Planned Programs (\$ in Millions, Article Quantities in Each)

| | FY 2015 | FY 2016 | FY 2017 Base | FY 2017 OCO | FY 2017 Total |
|---|---------|---------|--------------|-------------|---------------|
| Title: TRANSACTIONS PROCESSED IN SUPPORT OF DON R&D | 2.324 | 1.695 | 1.465 | 0.000 | 1.465 |
| Articles: | - | - | - | - | - |
| Description: This project funds the DFAS bill for transactions processed in support of Department of the Navy R&D activities. Specific services include payroll, transportation, commercial invoices, travel, maintenance of trial balances, associated accounting and reporting. | | | | | |
| The decrease from FY 2015 to FY 2016 reflects historical execution. | | | | | |
| The decrease from FY 2016 to FY 2017 is due to an increase in automated efficiencies requiring less support from DFAS. | | | | | |
| FY 2015 Accomplishments: - This project funded the DFAS bill for transactions processed in support of the Department of Navy R&D activities. Specific services include payroll, transportation, commercial invoices, travel and maintenance of trial balances, associated accounting and reporting. | | | | | |
| FY 2016 Plans: - Continue all efforts of FY 2015 | | | | | |
| FY 2017 Base Plans: - Continue all efforts of FY 2016 | | | | | |
| FY 2017 OCO Plans: N/A | | | | | |
| Accomplishments/Planned Programs Subtotals | 2.324 | 1.695 | 1.465 | 0.000 | 1.465 |

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| Appropriation/Budget Activity 1319 / 6 | R-1 Program Element (Number/Name) PE 0605861N / RDT&E Science & Tech Mgmt | Project (Number/Name) 2353 / DFAS Billings |

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

N/A

Remarks

D. Acquisition Strategy

Not applicable.

E. Performance Metrics

This PE funds operating costs for ONR's mission. Program performance is measured by attaining financial benchmarks for planned obligations vs. actual obligations and planned expenditures vs. actual expenditures.

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| Appropriation/Budget Activity 1319 / 6 | R-1 Program Element (Number/Name) PE 0605861N / RDT&E Science & Tech Mgmt | Project (Number/Name) 3234 / Office of Naval Research - N-ERP |
|--|---|---|

| COST (\$ in Millions) | Prior Years | FY 2015 | FY 2016 | FY 2017 Base | FY 2017 OCO | FY 2017 Total | FY 2018 | FY 2019 | FY 2020 | FY 2021 | Cost To Complete | Total Cost |
|--|-------------|---------|---------|--------------|-------------|---------------|---------|---------|---------|---------|------------------|------------|
| 3234: Office of Naval Research - N-ERP | 0.000 | 1.120 | 1.168 | 1.121 | - | 1.121 | 1.205 | 1.241 | 1.270 | 1.297 | Continuing | Continuing |
| Quantity of RDT&E Articles | | - | - | - | - | - | - | - | - | - | | |

A. Mission Description and Budget Item Justification

This project provides funding to support the site implementation costs for the Office of Naval Research transition to Navy's Enterprise Resource Planning (ERP) and to administratively track this continuing effort.

B. Accomplishments/Planned Programs (\$ in Millions, Article Quantities in Each)

| | FY 2015 | FY 2016 | FY 2017 Base | FY 2017 OCO | FY 2017 Total |
|--|---------|---------|--------------|-------------|---------------|
| Title: OFFICE OF NAVAL RESEARCH NAVY ERP | 1.120 | 1.168 | 1.121 | 0.000 | 1.121 |
| Articles: | - | - | - | - | - |
| Description: This project funds N-ERP implementation and sustainment. | | | | | |
| FY 2015 Accomplishments: - Continue N-ERP sustainment efforts. | | | | | |
| FY 2016 Plans: - Continue N-ERP sustainment efforts. | | | | | |
| FY 2017 Base Plans: - Continue N-ERP sustainment efforts. | | | | | |
| FY 2017 OCO Plans: N/A | | | | | |
| Accomplishments/Planned Programs Subtotals | 1.120 | 1.168 | 1.121 | 0.000 | 1.121 |

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

N/A

Remarks

D. Acquisition Strategy

Not applicable.

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| Exhibit R-2A, RDT&E Project Justification: PB 2017 Navy | | Date: February 2016 |
| Appropriation/Budget Activity 1319 / 6 | R-1 Program Element (Number/Name) PE 0605861N / <i>RDT&E Science & Tech Mgmt</i> | Project (Number/Name) 3234 / <i>Office of Naval Research - N-ERP</i> |

E. Performance Metrics

This PE funds operating costs for ONR's mission. Program performance is measured by attaining financial benchmarks for planned obligations vs. actual obligations and planned expenditures vs. actual expenditures.

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| Appropriation/Budget Activity 1319 / 6 | R-1 Program Element (Number/Name) PE 0605861N / RDT&E Science & Tech Mgmt | Project (Number/Name) 3364 / ONR Global Management |
|--|--|--|

| COST (\$ in Millions) | Prior Years | FY 2015 | FY 2016 | FY 2017 Base | FY 2017 OCO | FY 2017 Total | FY 2018 | FY 2019 | FY 2020 | FY 2021 | Cost To Complete | Total Cost |
|-----------------------------|-------------|---------|---------|--------------|-------------|---------------|---------|---------|---------|---------|------------------|------------|
| 3364: ONR Global Management | 0.000 | 4.533 | 4.596 | 4.664 | - | 4.664 | 4.735 | 4.830 | 4.940 | 5.022 | Continuing | Continuing |
| Quantity of RDT&E Articles | | - | - | - | - | - | - | - | - | - | | |

A. Mission Description and Budget Item Justification

This project funds ONR field salaries, communications, and other fixed costs. Functions performed support ONR Navy-wide responsibilities in the negotiation and establishment of indirect cost rates for DoD-assigned universities and performance of contract administration for all DoD contracts/grants at all colleges and universities.

B. Accomplishments/Planned Programs (\$ in Millions, Article Quantities in Each)

| | FY 2015 | FY 2016 | FY 2017 Base | FY 2017 OCO | FY 2017 Total |
|---|---------|---------|--------------|-------------|---------------|
| Title: ONR Global | 4.533 | 4.596 | 4.664 | 0.000 | 4.664 |
| Articles: | - | - | - | - | - |
| FY 2015 Accomplishments: - This project provides for all basic costs of ONR field activities in support of the entire Navy S&T program. | | | | | |
| FY 2016 Plans: - Continue all efforts of FY 2015 | | | | | |
| FY 2017 Base Plans: - Continue all efforts of FY 2016 | | | | | |
| FY 2017 OCO Plans: N/A | | | | | |
| Accomplishments/Planned Programs Subtotals | 4.533 | 4.596 | 4.664 | 0.000 | 4.664 |

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

N/A

Remarks

D. Acquisition Strategy

N/A

E. Performance Metrics

N/A