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Exhibit R-2, RDT&E Budget Item Justification							Date: February 2003	
APPROPRIATION/BUDGET ACTIVITY RESEARCH, DEVELOPMENT, TEST & EVALUATION, DEFENSE-WIDE, BUDGET ACTIVITY 6				R-1 ITEM NOMENCLATURE SBIR Administration PE 0605790D8Z				
COST (\$ in Millions)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Total PE Cost	14.544	2.018	2.026	2.003	2.009	2.061	2.155	2.198
SBIR/Challenge Admin No.P-518	14.544	2.018	2.026	2.003	2.009	2.061	2.155	2.198

A. Mission Description and Budget Item Justification

BRIEF DESCRIPTION OF ELEMENT: The Small Business Innovation Research (SBIR) Program and the Small Business Technology Transfer (STTR) Program fund approximately \$600 million annually in mission oriented research and development projects at small technology companies. The purpose of the program is to stimulate the development of new technologies to improve U.S. military and economic capabilities. The SBIR/STTR Program is mandated by public laws (PL) 97-219, PL 99-443, PL 102-564, PL 106-554, and PL 107-50. The Department of Defense (DoD) SBIR/STTR Program strives to encourage scientific and technical innovation in areas specifically identified by participating DoD components.

DoD components participating in the SBIR/STTR Program include the: Army , Navy, Air Force, Defense Advanced Research Projects Agency (DARPA), Missile Defense Agency (MDA), Defense Threat Reduction Agency (DTRA), U.S. Special Operations Command (SOCOM), and the National Imagery and Mapping Agency(NIMA). DoD components participating in the STTR Program include the: Army, Navy, Air Force, DARPA, and MDA.

The SBIR/STTR Program is executed in three phases. The purpose of phase I is to determine, insofar as possible, the scientific technical and commercial merit, and feasibility of ideas submitted under the SBIR/STTR Program. Phase II awards are made to firms that have been awarded a phase I contract on the basis of the results of their phase I effort and the scientific, technical, and commercial merit of the phase II proposal. Phase II is the principal research or research and development effort and is expected to produce a well-defined deliverable prototype. Phase III SBIR/STTR efforts are not funded with SBIR/STTR funds and can be considered “follow-on” contracts to phase II efforts. Under phase III, companies participating in the SBIR/STTR Program are expected to obtain funding from the private sector and/or non-SBIR/STTR government source to develop the prototype into a viable product or non-R&D service for sale in military and/or private sector markets.

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Since PL 102-564 prohibits the use of any of the SBIR budget to fund administrative costs of the program, program element (PE) 0605790D8Z is the only source of funds for the coordination, administration and execution of the Department's SBIR/STTR Program. In addition to funding costs for program administration, coordination and execution, PE 0605790D8Z funds essential elements of the SBIR/STTR Program that are required by law including: (a) the development and maintenance of information systems and software required for the measurement, evaluation, and effective management of the SBIR/STTR R&D Program (b). outreach to small technology companies, potential investors in such companies, SDBs WOSBs HBCU/MIs and others, to encourage and facilitate their participation in the SBIR/STTR Programs (e.g. conferences, trade shows, etc.)(c) preparation of the SBIR/STTR R&D solicitations and related publications; (d) support efforts such as administration of the various SBIR/STTR process action teams; (e) development and promulgation of guidance and reference materials to DoD contracting officers, technical monitors, and other personnel involved in administering the SBIR/STTR Programs; and (f) respond to requests for information relative to DoD's SBIR/STTR Program.

PROGRAM ACCOMPLISHMENT AND PLANS:

FY 2002 Accomplishments: This budget item funded the costs for program administration, coordination and execution, and, essential elements of the SBIR/STTR Program that are required by law including: (a) the development and maintenance of information systems and software required for the measurement, evaluation, and effective management of the SBIR/STTR R&D Program (b). outreach to small technology companies, potential investors in such companies, SDBs WOSBs HBCU/MIs and others, to encourage and facilitate their participation in the SBIR/STTR Programs (e.g. conferences, trade shows, etc.)(c) preparation of the SBIR/STTR R&D solicitations and related publications; (d) support efforts such as administration of the various SBIR/STTR process action teams; (e) development and promulgation of guidance and reference materials to DoD contracting officers, technical monitors, and other personnel involved in administering the SBIR/STTR Programs; and (f) respond to requests for information relative to DoD's SBIR/STTR Program.

The \$12.5 million provided in the Defense FY 2002 Appropriations Act Conference Report (107-350) "only for the further development and rapid insertion of innovative SBIR technologies as competitive alternatives to Defense acquisition program technologies" has not yet been used as of this date (January 23, 2003).

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FY 2003 Plans: This budget item funds continuing execution of program administration, coordination and execution, and, essential elements of the SBIR/STTR Program that are required by law including: : (a) the development and maintenance of information systems and software required for the measurement, evaluation, and effective management of the SBIR/STTR R&D Program (b). outreach to small technology companies, potential investors in such companies, SDBs WOSBs HBCU/MIs and others, to encourage and facilitate their participation in the SBIR/STTR Programs (e.g. conferences, trade shows, etc.) (c) preparation of the SBIR/STTR R&D solicitations and related publications; (d) support efforts such as administration of the various SBIR/STTR process action teams; (e) development and promulgation of guidance and reference materials to DoD contracting officers, technical monitors, and other personnel involved in administering the SBIR/STTR Programs; and (f) respond to requests for information relative to DoD's SBIR/STTR Program.

FY 2004 Plans: This budget item funds continuing execution of program administration, coordination and execution, and, essential elements of the SBIR/STTR Program that are required by law including: : (a) the development and maintenance of information systems and software required for the measurement, evaluation, and effective management of the SBIR/STTR R&D Program (b). outreach to small technology companies, potential investors in such companies, SDBs WOSBs HBCU/MIs and others, to encourage and facilitate their participation in the SBIR/STTR Programs (e.g. conferences, trade shows, etc.) (c) preparation of the SBIR/STTR R&D solicitations and related publications; (d) support efforts such as administration of the various SBIR/STTR process action teams; (e) development and promulgation of guidance and reference materials to DoD contracting officers, technical monitors, and other personnel involved in administering the SBIR/STTR Programs; and (f) respond to requests for information relative to DoD's SBIR/STTR Program.

FY 2005 Plans: This budget item funds continuing execution of program administration, coordination and execution, and, essential elements of the SBIR/STTR Program that are required by law including: : (a) the development and maintenance of information systems and software required for the measurement, evaluation, and effective management of the SBIR/STTR R&D Program (b). outreach to small technology companies, potential investors in such companies, SDBs WOSBs HBCU/MIs and others, to

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encourage and facilitate their participation in the SBIR/STTR Programs (e.g. conferences, trade shows, etc.)(c) preparation of the SBIR/STTR R&D solicitations and related publications; (d) support efforts such as administration of the various SBIR/STTR process action teams; (e) development and promulgation of guidance and reference materials to DoD contracting officers, technical monitors, and other personnel involved in administering the SBIR/STTR Programs; and (f) respond to requests for information relative to DoD's SBIR/STTR Program.

B. <u>Program Change Summary</u>	<u>FY 2002</u>	<u>FY2003</u>	<u>FY2004</u>	<u>FY2005</u>
Previous President's Budget	2.068	2.018	2.026	2.003
Current FY2004 President's Budge	14.544	2.018	2.026	2.003
Total Adjustments				
Congressional program reductions				
Congressional rescissions				
Congressional increases	12.500			
Reprogrammings				
SBIR/STTR Transfer	-0.24			

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C. Other Program Funding Summary: N/A

D. Acquisition Strategy: N/A

E. Schedule Profile N/A

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