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|---|--|--------|--------|--------|--|--------|--------|--------|-----------------------|------------|
| RDT&E BUDGET ITEM JUSTIFICATION SHEET (R-2 Exhibit) | | | | | | | | | DATE February 2000 | |
| APPROPRIATION/BUDGET ACTIVITY RESEARCH, DEVELOPMENT, TEST & EVALUATION, DEFENSE-WIDE, BUDGET ACTIVITY 6 | | | | | R-1 ITEM NOMENCLATURE SBIR Administration PE 0605790D8Z | | | | | |
| COST (In Millions) | | FY1999 | FY2000 | FY2001 | FY2002 | FY2003 | FY2004 | FY2005 | Cost to Complete | Total Cost |
| Total Program Element (PE) Cost | | 1.737 | 1.630 | 1.728 | 1.757 | 1.795 | 1.832 | 1.868 | Continue | Continue |
| SBIR Administration No. P-518 | | 1.737 | 1.630 | 1.728 | 1.757 | 1.795 | 1.832 | 1.868 | Continue | Continue |

A. Mission Description and Budget Item Justification

BRIEF DESCRIPTION OF ELEMENT: Under the Small Business Innovation Research (SBIR) program, DoD funds approximately \$550 million annually in mission-oriented R&D projects at small technology companies. The program has broad bipartisan backing in Congress, based on DoD’s recent finding that “SBIR-developed technologies have resulted in significant improvements in U.S. military capabilities and major savings to the taxpayer,” as well as consistently favorable evaluations of the program by the National Academy of Sciences (1999), National Bureau of Economic Research at Harvard (1996), and General Accounting Office (1989, 1992, 1996, 1997, 1999).

PE 0605790D8Z is the only source of funds for the coordination and evaluation of the component SBIR programs within DoD, because the 1992 SBIR Act provided that “a Federal agency shall not use any of its SBIR budget...for the purpose of funding administrative costs of the program.” PE 0605790D8Z funds central elements of SBIR program coordination and evaluation that are required by law, including:

- **Implementation of quantifiable, performance-based metrics for DoD’s SBIR program**, based on the degree to which SBIR technologies are commercialized in military and private sector markets (in response to Section 818 of P.L. 105-261);
- **Development of processes to facilitate the transition of SBIR-developed technologies into DoD acquisition programs** (in response to Section 818 of P.L. 105-261);
- **Development of processes to facilitate participation in the program by small technology companies that have never before done business with DoD** (in response to P.L. 102-564); and
- **Monitoring of DoD-wide SBIR program expenditures, to meet Congressionally mandated reporting requirements** (P.L. 102-564 and 97-219).

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PROGRAM ACCOMPLISHMENT AND PLANS:

FY 1999 Accomplishments: This budget item funded implementation of USD(A&T) and/or Congressionally-directed initiatives including the following: (1) Development and implementation of quantifiable, performance-based metrics for the DoD SBIR program and the small companies that participate in the program, based on the degree to which SBIR technologies are commercialized in military and private sector markets; (2) Development and implementation of a process for using a company's track record in commercializing its prior SBIR awards as a critical factor in the evaluation of the company's SBIR proposals; (3) Systematic evaluation of DoD's new "Fast Track" policy, under which small businesses that attract matching funds from outside investors receive a significantly higher probability of SBIR award; (4) Monitoring of DoD-wide SBIR program expenditures, as well as DoD's annual reporting to Congress and the Small Business Administration on the operation of DoD's SBIR program; (5) Development and implementation of processes to streamline the SBIR process and facilitate participation in the program by companies not used to doing business with the government. (1.737 Million)

FY 2000 Plans: This budget item is funding continuing implementation of the USD(A&T) and/or Congressionally-directed initiatives, including the following activities: (1) tracking the metrics of commercialization of SBIR R&D in military and/or private sector markets; (2) analysis of these metrics for purposes of program evaluation and improvement; (3) use of the metrics in the process for evaluating the SBIR proposals from small companies; (4) continuing evaluation of the Fast Track and other recent USD(A&T)-directed initiatives; and (5) Monitoring of DoD-wide SBIR program expenditures and implementation of processes to facilitate participation in the program by companies not used to doing business with the government. In addition, this budget item is funding the initial analysis and implementation of a new Congressionally-directed initiative to facilitate the transition of SBIR-developed technologies into DoD acquisition programs, through such vehicles as web-based networking. This program element includes funding for travel, including invitational travel, in support of the above activities. (\$1.630 Million)

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FY 2001 Plans: This budget item will continue to fund the USD(A&T) and/or Congressionally-directed initiatives to track and analyze metrics of the SBIR program's effectiveness; evaluate the success of recent program improvements; monitor DoD-wide program expenditures; facilitate participation by new companies; and facilitate the transition of SBIR-developed technologies into DoD acquisition programs. It will also fund the initial study, analysis, and implementation of the new "Challenge" program that has been approved by the House-Senate conference on the FY 2000 Defense Authorization Act. This program will enable small technology companies to submit proposals to DoD for innovative technologies to improve the capabilities and/or reduce the costs of ongoing DoD acquisition programs. (\$1.728 Million)

B. Program Change Summary

| | FY1999 | FY2000 | Total Cost |
|--|--------|--------|---------------|
| Previous President's Budget | 1.799 | 1.713 | Continuing |
| Appropriated Value | 1.799 | 1.713 | |
| Adj. to Approp. Value/President's Budget | (.062) | (.083) | |
| Current Budget Submit | 1.737 | 1.630 | Continuing |

Change Summary Explanation:

Funding: The change in funding in FY 1999 and FY 2000 is the result of undistributed Congressional reductions and inflation savings.
 Schedule: N/A
 Technical: N/A

C. Other Program Funding Summary: N/A

D. Acquisition Strategy: N/A

E. Schedule Profile N/A

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