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Exhibit R-2, RDT&E Budget Item Justification: PB 2020 Defense Logistics Agency **Date:** March 2019

Appropriation/Budget Activity 0400: Research, Development, Test & Evaluation, Defense-Wide / BA 6: RDT&E Management Support					R-1 Program Element (Number/Name) PE 0605502S / Small Business Innovative Research (SBIR)							
COST (\$ in Millions)	Prior Years	FY 2018	FY 2019	FY 2020 Base	FY 2020 OCO	FY 2020 Total	FY 2021	FY 2022	FY 2023	FY 2024	Cost To Complete	Total Cost
Total Program Element	27.597	11.631	10.454	0.000	-	0.000	0.000	0.000	0.000	0.000	Continuing	Continuing
SBIR: <i>Small Business Innovative Research</i>	27.597	11.631	10.454	0.000	0.000	0.000	0.000	0.000	0.000	0.000	Continuing	Continuing

A. Mission Description and Budget Item Justification

Defense Logistics Agency's (DLA's) ability to deliver Americans the right logistics solution in every transaction requires more than successful management of the Agency's wholesale supplies and suppliers. It requires supply chain excellence. Our military's ability to generate and sustain combat readiness indefinitely, anywhere on the globe requires that DLA-managed materiel flow seamlessly and as needed from the nation's industrial base to where it is ultimately used.

DLA's Small Business Innovative Research (SBIR) program seeks to solicit innovative research and development proposals from the small business community to address DLA's strategic and operational requirements. All selections shall demonstrate and involve some technical risk with yet to be determined technical feasibility. Phase I proposals should demonstrate the feasibility of the proposed technology and provide a strong business case for Phase II investment for a prototype or at least a proof-of-concept demonstration. A favorable return on investment and commercialization potential have a strong influence on Phase II selections.

B. Program Change Summary (\$ in Millions)	FY 2018	FY 2019	FY 2020 Base	FY 2020 OCO	FY 2020 Total
Previous President's Budget	0.000	0.000	0.000	-	0.000
Current President's Budget	11.631	10.454	0.000	-	0.000
Total Adjustments	11.631	10.454	0.000	-	0.000
• Congressional General Reductions	-	-			
• Congressional Directed Reductions	-	-			
• Congressional Rescissions	-	-			
• Congressional Adds	-	-			
• Congressional Directed Transfers	-	-			
• Reprogrammings	-	-			
• SBIR/STTR Transfer	11.631	10.454			

Change Summary Explanation

FY2018 and FY2019 Small Business Innovation Research (SBIR) and Small Technology Transfer (STTR) taxes for DLA programs establish the baseline for this program element. DLA SBIR/STTR taxes include \$3.695 million and \$4.449 million in FY2018 and FY2019 respectively. In addition, Defense Microelectronics Agency (DMEA) funds include \$7.936 million and \$6.005 million for FY2018 and FY2019 respectively.

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Exhibit R-2A, RDT&E Project Justification: PB 2020 Defense Logistics Agency										Date: March 2019		
Appropriation/Budget Activity 0400 / 6					R-1 Program Element (Number/Name) PE 0605502S / Small Business Innovative Research (SBIR)				Project (Number/Name) SBIR / Small Business Innovative Research			
COST (\$ in Millions)	Prior Years	FY 2018	FY 2019	FY 2020 Base	FY 2020 OCO	FY 2020 Total	FY 2021	FY 2022	FY 2023	FY 2024	Cost To Complete	Total Cost
SBIR: Small Business Innovative Research	27.597	11.631	10.454	0.000	0.000	0.000	0.000	0.000	0.000	0.000	Continuing	Continuing
Quantity of RDT&E Articles	-	-	-	-	-	-	-	-	-	-		

A. Mission Description and Budget Item Justification

This program explores innovative concepts pursuant to Public Law 106-554 (Small Business Reauthorization Act of 2000) and Public Law 107-50 (Small Business Technology Transfer Program Reauthorization Act of 2001), which mandates a two-phase competition for small businesses with innovative technologies with a defense application as well as a commercial value. The SBIR and Small Business Technology Transfer (STTR) programs will develop new dual-use technologies for possible future DLA operational and sustainment requirements. Dual-use means the technologies will be judged on their potential for future private sector investment both as a vehicle for reducing development time and cost, unit costs of new DLA technologies, and as a route to national economic growth through new commercial products. DLA will conduct the competition as well as award and manage the contracts.

The DLA's SBIR/STTR investments are divided into multiple Research Areas identified from within several DLA Elements:

J6 R&D

- Nuclear Enterprise Support Office (NESO) Alternative Sources of Supply
- Additive Manufacturing Technologies, Process Controls, and Supply Chain
- Advanced Battery Manufacturing
- Advanced Aircraft Braking Systems
- Anti-Counterfeiting Technologies
- Medical 3D Printing of Prosthetics
- Seamless Self Sealing Fuel Bladders and Inflatables
- Strategic Materials Rare Earth Element Source Development
- Warehouse Modernization Technologies
- Subsistence Supply Chain Solutions
- Land & Maritime (L&M) Alternative Sources of Supply
- US Navy LCAC Power Supply Source Development
- US Air Force F-107 Engine Replacement Parts Source Development

DMEA

- Advanced microelectronics concepts, technologies, and applications

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B. Accomplishments/Planned Programs (\$ in Millions)		FY 2018	FY 2019
Title: SBIR Accomplishments/Plans FY 2019 Plans: DLA SBIR/STTR: Continue execution of all active Phase I and Phase II SBIR/STTR Projects. Work with other R&D Programs and other divisions within DLA to identify requirements that meet DLA's long and short term Strategic Objectives. Provide adequate guidance and mentorship to Phase II to projects to increase the likelihood of transition into government programs of record or commercial ventures. DMEA SBIR/STTR: DMEA will continue to seek innovative technical solutions to DoD microelectronics research and development needs and increase private-sector commercialization of these innovations. FY 2019 to FY 2020 Increase/Decrease Statement: SBIR and STTR tax amounts are based on enacted budgets so FY2020 amounts have not been established.		11.631	10.454
Accomplishments/Planned Programs Subtotals		11.631	10.454
C. Other Program Funding Summary (\$ in Millions) N/A Remarks N/A			
D. Acquisition Strategy The SBIR acquisition process seeks to match projects with DLA's Strategic Focus Areas. The goal is to align SBIR/STTR developed technology with current and future DLA requirements. DLA solicits all new project execution work through the DoD SBIR Broad Agency Announcement (BAA). There are three separate solicitation periods throughout each year. (Jan-Feb, May-Jun, and Sep-Oct)			
E. Performance Metrics SBIR /STTR programs measure performance in two separate metrics: 1. Phase Progression: In terms of progression from Phase I to Phase II to Phase III, DLA deems each successive progression success. DLA seeks to have a 30% progression from one Phase to the next as a minimum. 2. Commercialization: The Congressional language defines "Commercialization," which is clarified by the Office of Secretary of Defense Office of Small Business Programs (OSD/OSBP) Re-Authorization Policy Directive: - (Investment) The process of developing products, processes, technologies, or services; and/or			

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<p>- (Sales) The production and delivery (whether by the originating party or by others) of products, processes, technologies, or services for sale to or use by the Federal Government or commercial markets</p> <p>The Small Business Administration and OSD/OSBP assign a Commercialization Index based on progression within the Phases and reported successes.</p>		