

**AMENDMENT TO**  
**RULES COMMITTEE PRINT 118-36**  
**OFFERED BY MS. HOULAHAN OF PENNSYLVANIA**

At the end of subtitle E of title VIII, insert the following new section:

1 **SEC. 8\_\_ . DEFENSE INDUSTRIAL BASE ADVANCED CAPA-**  
2 **BILITIES PILOT PROGRAM.**

3 (a) **ESTABLISHMENT.**—The Under Secretary of De-  
4 fense for Acquisition and Sustainment and the Director  
5 of the Office of Strategic Capital shall establish pilot pro-  
6 gram to accelerate the production and acquisition of ad-  
7 vanced capabilities for national security by creating incen-  
8 tives for investment in dual-use technology covered busi-  
9 nesses to—

10 (1) strengthen the defense industrial base and  
11 the resilience and capacity of the domestic defense  
12 supply chain; and

13 (2) take advantage of private venture capital to  
14 develop such advanced capabilities for production  
15 and acquisition by the Department of Defense.

16 (b) **PUBLIC-PRIVATE PARTNERSHIPS.**—

17 (1) **IN GENERAL.**—In carrying out subsection  
18 (a), the Under Secretary shall seek to enter into a

1 public-private partnership with for-profit persons  
2 using the criteria set forth in paragraph (2).

3 (2) CRITERIA.—The criteria referred to in  
4 paragraph (1) shall include the following:

5 (A) The person shall be independent.

6 (B) The person shall be free from foreign  
7 oversight, control, influence, or beneficial own-  
8 ership.

9 (C) The person shall have commercial ven-  
10 ture fund experience investing in and managing  
11 a portfolio of innovative businesses.

12 (D) The person shall be eligible for access  
13 to classified information (as defined in the pro-  
14 cedures established pursuant to section 801 of  
15 the National Security Act of 1947 (50 U.S.C.  
16 3161)).

17 (c) INVESTMENT OF EQUITY.—

18 (1) IN GENERAL.—A person that is a party to  
19 a public-private partnership entered into under this  
20 section shall invest equity in covered businesses and  
21 shall select investments in advanced capabilities  
22 based on technical merit, economic value, and the  
23 modernization priorities of the Department of De-  
24 fense.

1           (2) AUTHORITIES.—A person described in para-  
2           graph (1) shall have sole authority to operate, man-  
3           age, and invest under a public-private partnership  
4           entered into under this section.

5           (d) LOAN GUARANTEE.—

6           (1) IN GENERAL.—Under a public-private part-  
7           nership entered into under this section, the Under  
8           Secretary shall provide a loan guarantee with a ratio  
9           of debt-to-equity of 4 to 1 for an equity investment  
10          made under subsection (c).

11          (2) MANAGEMENT.—Loan guarantees made by  
12          the Under Secretary pursuant to this section shall  
13          be professionally managed by experienced venture  
14          capital managers, selected using established credit  
15          rating agencies and risk management tools available  
16          to the Director of the Office of Strategic Capital.

17          (3) EQUITY CONTRIBUTION.—The Director of  
18          the Office of Strategic Capital shall invite venture  
19          capital funds to apply for Federal loan guarantees in  
20          support of loans including public bonds to leverage  
21          the venture equity commitments.

22          (e) PHASED IMPLEMENTATION SCHEDULE AND RE-  
23          QUIRED REPORTS AND BRIEFINGS.—The pilot program  
24          under this section shall be carried out in two phases as  
25          follows:

1 (1) PHASE 1.—

2 (A) IN GENERAL.—Phase 1 shall consist of  
3 one public-private partnership with one person  
4 to assess the feasibility and advisability of ex-  
5 panding the scope of the program. The Under  
6 Secretary shall begin implementation of Phase  
7 1 not later than 90 days after the date of the  
8 enactment of this Act.

9 (B) IMPLEMENTATION SCHEDULE AND  
10 FRAMEWORK.—Not later than 45 days after the  
11 date of the enactment of this Act, the Under  
12 Secretary shall submit an implementation plan  
13 to the congressional defense committees on the  
14 design of Phase 1. The plan shall include—

15 (i) an overview of the public-private  
16 partnership and activities completed;

17 (ii) a description of the advanced ca-  
18 pabilities investments under consideration  
19 for Phase 1; and

20 (iii) implementation milestones and  
21 metrics.

22 (C) REPORT AND BRIEFING REQUIRED.—  
23 Not later than 27 months after the date of the  
24 enactment of this Act, the Under Secretary  
25 shall provide to the congressional defense com-

1           mittees a report and briefing on the implemen-  
2           tation of Phase 1 and the feasibility and advis-  
3           ability of expanding the scope of the pilot pro-  
4           gram. The report and briefing shall include, at  
5           a minimum—

6                   (i) an overview of the performance of  
7                   the pilot program and implementation and  
8                   execution milestones and outcomes;

9                   (ii) an overview of progress in—

10                           (I) transitioning new products  
11                           into production that provide advanced  
12                           capabilities aligned with Department  
13                           of Defense needs;

14                           (II) scaling covered businesses  
15                           aligned to deliver advanced capabili-  
16                           ties;

17                           (III) generating defense indus-  
18                           trial base job growth;

19                           (IV) increasing domestic defense  
20                           supply chain resilience and capacity;  
21                           and

22                           (V) enhancing competition on ad-  
23                           vanced capability programs; and

24                           (iii) a description of the activities  
25                           completed and an outline of the opportuni-

1                   ties and risks of expanding the scope of  
2                   the pilot program.

3                   (2) PHASE 2.—Not later than 30 months after  
4                   the date of the enactment of this Act and subject to  
5                   the availability of funds, the Secretary may enter  
6                   into not more than two additional public-private  
7                   partnerships under this section. Such a partnership  
8                   may not begin until the date that is three months  
9                   after the date on which the Secretary provides to the  
10                  congressional defense committees a briefing on such  
11                  partnership.

12                  (f) REPORT AND BRIEFING REQUIRED.—Not later  
13                  than five years after the date of the enactment of this Act,  
14                  the Secretary shall provide to the congressional defense  
15                  committees a report and briefing on the outcomes of the  
16                  pilot program under this section that includes the ele-  
17                  ments described in subsection (e)(1)(C) and an analysis  
18                  of the feasibility and advisability of making the pilot pro-  
19                  gram permanent.

20                  (g) TERMINATION.—The authority to enter into an  
21                  agreement to carry out the pilot program under this sec-  
22                  tion shall terminate on the date that is five years after  
23                  the date of the enactment of this Act.

24                  (h) DEFINITIONS.—In this section:

1           (1) The term “advanced capabilities” means  
2           technology-enabled capabilities that—

3                   (A) address critical gaps in the capabilities  
4                   of the Department of Defense; and

5                   (B) have reached a technology readiness  
6                   level (as determined by the Secretary of De-  
7                   fense) of five or greater in a covered technology  
8                   category (as defined in section 149(e)(2) of title  
9                   10, United States Code).

10          (2) The term “covered business” means—

11                   (A) an entity that is a domestic business;

12                   or

13                   (B) a nontraditional business that is a do-  
14                   mestic business.

15          (3) The term “domestic business” has the  
16           meaning given the term “U.S. business” in section  
17           800.252 of title 31, Code of Federal Regulations, or  
18           successor regulation.

19          (4) The term “free from foreign oversight, con-  
20           trol, influence, or beneficial ownership”, with respect  
21           to a person means a person who has not raised and  
22           managed capital from a person or entity that is not  
23           trusted and who is otherwise free from foreign over-  
24           sight, control, influence, or beneficial ownership.

1           (5) The term “independent”, with respect to a  
2           person, means a person who lacks a conflict of inter-  
3           est accomplished by not having entity or manager  
4           affiliation or ownership with an existing fund.

5           (6) The term “nontraditional business” has the  
6           meaning given the term “nontraditional defense con-  
7           tractor” in section 3014 of title 10, United States  
8           Code.

