

**AMENDMENT TO RULES COMMITTEE PRINT 115-**

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**OFFERED BY MR. GALLAGHER OF WISCONSIN**

At the end of subtitle E of title X, insert the following:

1 **SEC. 10\_\_ . CULTIVATING AND SECURING THE NATIONAL**  
2 **SECURITY INNOVATION BASE.**

3 (a) FINDINGS; SENSE OF CONGRESS.—

4 (1) FINDINGS.—Congress makes the following  
5 findings:

6 (A) Adversaries to the United States con-  
7 tinue to acquire and develop new technologies  
8 and methods of warfare that will be disruptive  
9 to the security environment and are designed to  
10 put the United States military at a disadvan-  
11 tage; and

12 (B) The private sector in the United  
13 States has long been a source for commercial  
14 and military technology advancement, and the  
15 pace of technology development in the United  
16 States private sector far exceeds similar efforts  
17 by the United States Government or any com-  
18 peting system in the world.

1           (2) SENSE OF CONGRESS.—It is the sense of  
2 Congress that—

3           (A) in order to prepare for challenges to  
4 the national security of the United States, a ro-  
5 bust national security innovation base is crit-  
6 ical; and

7           (B) the Department of Defense should col-  
8 laborate with the private sector to drive per-  
9 sistent innovation and invention of advanced  
10 and emerging technologies with military appli-  
11 cations critical to a strong national defense.

12       (b) AUTHORITY TO ESTABLISH NON-PROFIT ENTI-  
13 TY.—

14           (1) ESTABLISHMENT.—Notwithstanding any  
15 other provision of law, the Secretary of Defense shall  
16 establish an nonprofit organization that operates  
17 pursuant to section 501(c)(3) of the Internal Rev-  
18 enue Code of 1986 for the express purpose of invest-  
19 ing in private entities that are engaged in the devel-  
20 opment of emerging, foundational, and other critical  
21 technologies that may have, or could reasonably lead  
22 to, military applications, in addition to commercial  
23 applications. Such technologies may include ad-  
24 vanced materials, semiconductors, microelectronics,  
25 energy generation and storage, and quantum sen-

1 sors, quantum computation, and quantum informa-  
2 tion sciences.

3 (2) CONTROL AND OVERSIGHT.—

4 (A) OVERALL RESPONSIBILITY.—The  
5 Under Secretary of Defense for Research and  
6 Engineering shall have overall responsibility for  
7 the management and oversight of the nonprofit  
8 organization established pursuant to paragraph  
9 (1), including oversight of the staff, which shall  
10 include a president and chief executive officer,  
11 general counsel, and other senior experts in the  
12 field of investments, technology, business devel-  
13 opment, and security.

14 (B) BOARD OF DIRECTORS.—The Under  
15 Secretary shall establish a Board of Directors,  
16 which shall consist of not fewer than five mem-  
17 bers, including members of each of the Armed  
18 Forces, Department of Defense civilian employ-  
19 ees, and subject-matter expert civilians. The  
20 Board of Directors shall be accountable to the  
21 Secretary and shall meet periodically to provide  
22 oversight and make recommendations regarding  
23 management of the organization to ensure  
24 alignment with military technology priorities  
25 and operations within budget.

1           (C) INVESTMENT COMMITTEE.—In collabo-  
2           ration with private sector partners, the non-  
3           profit organization shall establish an Invest-  
4           ment Committee made up of officials from each  
5           investment entity. The Investment Committee  
6           shall be responsible for deciding whether to in-  
7           vest funds in technology companies vetted and  
8           surfaced by the investment professionals of the  
9           nonprofit organization and the participating  
10          private capital providers.

11          (D) REPORT TO CONGRESS.—The Under  
12          Secretary for Research and Engineering shall  
13          submit to Congress a biannual basis a report  
14          detailing the status on the disbursement and  
15          funds for the purposes outlined in the section,  
16          including the details of utilization within the  
17          companies receiving investment, and the per-  
18          formance of the companies.

19          (3) INVESTMENT IN ADVANCED AND EMERGING  
20          TECHNOLOGIES.—The nonprofit organization estab-  
21          lished under this section shall issue forgivable loans  
22          with warrant coverage to newly established and ex-  
23          isting companies that, in the judgment of the non-  
24          profit organization, are engaged in the development  
25          or production of products or technology that have

1 dual-use applications. The following other authorities  
2 and limitations shall apply to such nonprofit organi-  
3 zation:

4 (A) The nonprofit organization may take  
5 equity in a company in which it has invested  
6 under this paragraph.

7 (B) If a company receives investment from  
8 the nonprofit organization under this section  
9 and also receives private sector investment in  
10 the same round of financing, at no time may  
11 the nonprofit organization provide more than  
12 50 percent of the total value of the financing  
13 round.

14 (C) An investment of the nonprofit organi-  
15 zation in a company under this section may be  
16 made without regard to fiscal year limitations  
17 or other time limitations. Such investment shall  
18 remain available to the company until expended  
19 or withdrawn by an Act of Congress.

20 (D) The nonprofit organization may make  
21 investments in companies under this section  
22 over multiple rounds of financing, at the discre-  
23 tion of the organization.

24 (E) A company in which the nonprofit  
25 makes an investment under this section shall

1           agree as a condition of the investment that the  
2           company will not accept funding from any for-  
3           foreign state or entity associated with a foreign  
4           state that poses a significant security concern,  
5           as determined by the Secretary of Defense.

6           (F) The nonprofit organization shall select  
7           companies in which to invest on the basis of a  
8           number of criteria, including, but not limited  
9           to—

10                   (i) whether the company produces or  
11                   does research in a key area as determined  
12                   by the Board of Directors;

13                   (ii) whether at least one of the private  
14                   sector partners to the nonprofit is partici-  
15                   pating in the funding round;

16                   (iii) whether the nonprofit organiza-  
17                   tion and private capital partners have iden-  
18                   tified the company as creating promising  
19                   dual-use hardware; and

20                   (iv) whether the technology being de-  
21                   veloped is in an area that is currently un-  
22                   derserved by the private United States ven-  
23                   ture capital market.

24           (G) The nonprofit organization may not  
25           accept or distribute funding except amounts au-

1           thorized to be appropriated and appropriated by  
2           the United States Government.

3           (4) DEFINITIONS.—In this section:

4                   (A) The term “forgivable loan” means a  
5           loan that does not need to be repaid in the case  
6           of bankruptcy or dissolution.

7                   (B) The term “warrant coverage” means  
8           an agreement between a company and the in-  
9           vestors where the investors agree to buy stock  
10          of the company at a specified price.

11          (5) AUTHORIZATION OF APPROPRIATIONS.—

12          There is authorized to be appropriated  
13          \$100,000,000 for fiscal year 2019 to carry out this  
14          subsection.

15          (c) LIMITATION.—The Under Secretary for Research  
16          and Engineering shall ensure that expenditures under this  
17          section do not reflect unfavorably on the ability of the De-  
18          partment of the Defense, any of its employees, or any  
19          member of the Armed Forces to carry out any responsi-  
20          bility or duty in a fair and objective manner, or com-  
21          promise the integrity or appearance of integrity of any  
22          program of the Department of the Defense, or any indi-  
23          vidual involved in such a program.

In section 4301 of division D, relating to operation and maintenance, defense-wide, reduce the amounts as follows:

1           (1) For Defense Acquisition University, Line  
2           50, by \$19,560,000.

3           (2) For Defense Contract Audit Agency, Line  
4           100, by \$5,940,000.

5           (3) For Defense Information Systems Agency,  
6           Line 130, by \$14,500,000.

7           (4) For Defense Security Cooperation Agency,  
8           Line 190, by \$60,000,000.

