Amendment to Rules Committee Print 115–70

Offered by Mr. Gallagher of Wisconsin

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

SEC. 10. CULTIVATING AND SECURING THE NATIONAL SECURITY INNOVATION BASE.

(a) FINDINGS; SENSE OF CONGRESS.—

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

(A) Adversaries to the United States continue to acquire and develop new technologies and methods of warfare that will be disruptive to the security environment and are designed to put the United States military at a disadvantage; and

(B) The private sector in the United States has long been a source for commercial and military technology advancement, and the pace of technology development in the United States private sector far exceeds similar efforts by the United States Government or any competing system in the world.
(2) SENSE OF CONGRESS.—It is the sense of Congress that—

(A) in order to prepare for challenges to the national security of the United States, a robust national security innovation base is critical; and

(B) the Department of Defense should collaborate with the private sector to drive persistent innovation and invention of advanced and emerging technologies with military applications critical to a strong national defense.

(b) AUTHORITY TO ESTABLISH NON-PROFIT ENTITY.—

(1) ESTABLISHMENT.—Notwithstanding any other provision of law, the Secretary of Defense shall establish an nonprofit organization that operates pursuant to section 501(c)(3) of the Internal Revenue Code of 1986 for the express purpose of investing in private entities that are engaged in the development of emerging, foundational, and other critical technologies that may have, or could reasonably lead to, military applications, in addition to commercial applications. Such technologies may include advanced materials, semiconductors, microelectronics, energy generation and storage, and quantum sen-
(2) **CONTROL AND OVERSIGHT.**—

(A) **OVERALL RESPONSIBILITY.**—The Under Secretary of Defense for Research and Engineering shall have overall responsibility for the management and oversight of the nonprofit organization established pursuant to paragraph (1), including oversight of the staff, which shall include a president and chief executive officer, general counsel, and other senior experts in the field of investments, technology, business development, and security.

(B) **BOARD OF DIRECTORS.**—The Under Secretary shall establish a Board of Directors, which shall consist of not fewer than five members, including members of each of the Armed Forces, Department of Defense civilian employees, and subject-matter expert civilians. The Board of Directors shall be accountable to the Secretary and shall meet periodically to provide oversight and make recommendations regarding management of the organization to ensure alignment with military technology priorities and operations within budget.
(C) INVESTMENT COMMITTEE.—In collaboration with private sector partners, the nonprofit organization shall establish an Investment Committee made up of officials from each investment entity. The Investment Committee shall be responsible for deciding whether to invest funds in technology companies vetted and surfaced by the investment professionals of the nonprofit organization and the participating private capital providers.

(D) REPORT TO CONGRESS.—The Under Secretary for Research and Engineering shall submit to Congress a biannual basis a report detailing the status on the disbursement and funds for the purposes outlined in the section, including the details of utilization within the companies receiving investment, and the performance of the companies.

(3) INVESTMENT IN ADVANCED AND EMERGING TECHNOLOGIES.—The nonprofit organization established under this section shall issue forgivable loans with warrant coverage to newly established and existing companies that, in the judgment of the nonprofit organization, are engaged in the development or production of products or technology that have
dual-use applications. The following other authorities and limitations shall apply to such nonprofit organization:

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

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

(C) An investment of the nonprofit organization in a company under this section may be made without regard to fiscal year limitations or other time limitations. Such investment shall remain available to the company until expended or withdrawn by an Act of Congress.

(D) The nonprofit organization may make investments in companies under this section over multiple rounds of financing, at the discretion of the organization.

(E) A company in which the nonprofit makes an investment under this section shall
agree as a condition of the investment that the company will not accept funding from any foreign state or entity associated with a foreign state that poses a significant security concern, as determined by the Secretary of Defense.

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

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

(ii) whether at least one of the private sector partners to the nonprofit is participating in the funding round;

(iii) whether the nonprofit organization and private capital partners have identified the company as creating promising dual-use hardware; and

(iv) whether the technology being developed is in an area that is currently underserved by the private United States venture capital market.

(G) The nonprofit organization may not accept or distribute funding except amounts au-
authorized to be appropriated and appropriated by
the United States Government.

(4) DEFINITIONS.—In this section:

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

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

(5) AUTHORIZATION OF APPROPRIATIONS.—
There is authorized to be appropriated
$100,000,000 for fiscal year 2019 to carry out this
subsection.

(c) LIMITATION.—The Under Secretary for Research
and Engineering shall ensure that expenditures under this
section do not reflect unfavorably on the ability of the De-
partment of the Defense, any of its employees, or any
member of the Armed Forces to carry out any responsi-
bility or duty in a fair and objective manner, or com-
promise the integrity or appearance of integrity of any
program of the Department of the Defense, or any indi-
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. For Defense Acquisition University, Line 50, by $19,560,000.
2. For Defense Contract Audit Agency, Line 100, by $5,940,000.
3. For Defense Information Systems Agency, Line 130, by $14,500,000.
4. For Defense Security Cooperation Agency, Line 190, by $60,000,000.