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Exhibit R-2, RDT&E Budget Item Justification: PB 2024 Office of the Secretary Of Defense **Date:** March 2023

Appropriation/Budget Activity 0400: <i>Research, Development, Test & Evaluation, Defense-Wide I BA 4: Advanced Component Development & Prototypes (ACD&P)</i>	R-1 Program Element (Number/Name) PE 0901579D8Z I <i>Office of Strategic Capital (OSC)</i>
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COST (\$ in Millions)	Prior Years	FY 2022	FY 2023	FY 2024 Base	FY 2024 OCO	FY 2024 Total	FY 2025	FY 2026	FY 2027	FY 2028	Cost To Complete	Total Cost
Total Program Element	-	0.000	0.000	99.000	-	99.000	145.564	0.000	0.000	0.000	Continuing	Continuing
<i>732: Office of Strategic Capital</i>	-	0.000	0.000	99.000	-	99.000	145.564	0.000	0.000	0.000	Continuing	Continuing

Note

New Start (Y/N): Yes

A. Mission Description and Budget Item Justification

This program supports the Department's initiatives to Build Sustainable and Long-Term Advantage and Build a Resilient Joint Force and Defense Ecosystem.

The Office of Strategic Capital (OSC) program supports the Department of Defense's focus on building a resilient Joint Force and enduring advantages across the defense ecosystem. OSC supports the DoD through targeted investments in critical technologies needed to solve national security challenges and secure the supply-chain for industries of the future. Specifically, the OSC program will target supply-chain critical technologies, such as advanced materials and semiconductors, which do not traditionally receive investment from the DoD procurement and acquisition enterprise, rather, they rely solely on private investment to for commercialization, manufacturing, and infrastructure. In recognition of the power of private investors to influence research and development, our global competitors directly influence and leverage private capital markets to advance their technology objectives counter to U.S. interests. Current peer competitor action requires urgent United States Government response to attract and scale private investment in support of national security.

In partnership with the DoD, defense industrial base, and the array of private sector enterprises, OSC will identify and prioritize technology areas based on DoD and United States Government Science & Technology intellectual property superiority, availability of private capital, and transition opportunities into existing and future DoD capabilities. Once identified, OSC will implement highly targeted partner capital programs expressly to attract private capital investments through lowering their cost of capital where their capital then drives an increased investment in commercialization, manufacturing, and infrastructure. These strategic technical investments will shore up the foundations to build enduring advantages through a secure critical technology base for future military capabilities.

The program will:

- Increase deep technology private capital investment to enhance the commercialization of DoD and United States Government (USG) Science & Technology investments.
- Increase domestic production, manufacturing, and infrastructure to scale domestic production and secure the national security supply chain for industries of the future
- Finance industrial transformation to mobilize suppliers to support emerging needs and industries of the future
- Co-invest with partners and allies in international critical technology companies, where practical, to support international interoperability as well as domestic integration and scaled production, and
- Accelerate the transition and fielding of capabilities that meet service priorities

The programs will be executed through DoD services and interagency partners.

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B. Program Change Summary (\$ in Millions)	FY 2022	FY 2023	FY 2024 Base	FY 2024 OCO	FY 2024 Total
Previous President's Budget	0.000	0.000	0.000	-	0.000
Current President's Budget	0.000	0.000	99.000	-	99.000
Total Adjustments	0.000	0.000	99.000	-	99.000
• Congressional General Reductions	-	-			
• Congressional Directed Reductions	-	-			
• Congressional Rescissions	-	-			
• Congressional Adds	-	-			
• Congressional Directed Transfers	-	-			
• Reprogrammings	-	-			
• SBIR/STTR Transfer	-	-			
• New Start	-	-	99.000	-	99.000

Change Summary Explanation

As a new start in FY 2024, the increase of \$99.000 million supports the Department of Defense's focus on building a resilient Joint Force and enduring advantages across the defense ecosystem through targeted investments in critical technologies needed to solve national security challenges and secure the supply-chain for industries of the future.

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Exhibit R-2A, RDT&E Project Justification: PB 2024 Office of the Secretary Of Defense **Date:** March 2023

Appropriation/Budget Activity 0400 / 4	R-1 Program Element (Number/Name) PE 0901579D8Z / Office of Strategic Capital (OSC)	Project (Number/Name) 732 / Office of Strategic Capital
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COST (\$ in Millions)	Prior Years	FY 2022	FY 2023	FY 2024 Base	FY 2024 OCO	FY 2024 Total	FY 2025	FY 2026	FY 2027	FY 2028	Cost To Complete	Total Cost
<i>732: Office of Strategic Capital</i>	-	0.000	0.000	99.000	-	99.000	145.564	0.000	0.000	0.000	Continuing	Continuing
Quantity of RDT&E Articles	-	-	-	-	-	-	-	-	-	-		

Note

New Start (Y/N): Yes

A. Mission Description and Budget Item Justification

The OSC Program Element funding supports investments in the productization and scaling of critical technologies vital to national and economic security, and in doing so directly aligns to the National Defense Strategy through ensuring an enduring advantage in our critical technology areas, increasing integrated deterrence in the economic domain, strengthening partnerships, campaigning alongside mission-aligned national security departments and agencies, and developing a scalable and secure supply base for industries of the future. Program portfolio aligns with the critical technology areas where applicable. Investment identification and prioritization is determined in coordination with the Military Services and Joint Staff, alongside principle policy-making leadership, including the Undersecretaries for Research and Engineering, Acquisition and Sustainment, Policy, and Comptroller, and the Director of CAPE. Individual projects will scale proportionally with impact, mission need, and private sector contributions. Projects are selected using a merit-based process that identifies the most promising, innovative, and cost-effective technology opportunities, with an emphasis on transitioning technologies into current or future programs of record.

B. Accomplishments/Planned Programs (\$ in Millions)

	FY 2022	FY 2023	FY 2024
Title: Critical Technologies Limited Partner Program	0.000	-	15.000
Description: This project licenses and invests via loans, loan guarantees, convertible instruments, grants and / or contracts into Critical Technology (CT) private investment funds. CT funds are organized and vertically integrated by critical technology areas that support broader national security and economic security objectives, such as semiconductors, advanced materials, and biotechnology. The intent is to increase early-stage investment in the enabling and frontier critical technology areas that require longer duration, lower return “patient capital” required for hardware-based technologies as compared to the software-based technologies.			
FY 2024 Plans: OSC will work with interagency partners and build towards a program capable of seeding that “patient capital” via debt and convertible instruments. The requirement for patient capital has decreased private-sector investment in these critical technologies (i.e., e-commerce received 150 times more investment than quantum in FY 2021). The planning for this project was initiated in FY 2023 in partnership with the Small Business Administration’s Small Business Investment Company (SBIC) program. Planning			

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B. Accomplishments/Planned Programs (\$ in Millions)		FY 2022	FY 2023	FY 2024
<p>focused on building the framework for the CT program, including training, digital infrastructure, and process codification. This project will receive its first DoD funding in FY 2024.</p> <p>FY 2023 to FY 2024 Increase/Decrease Statement: This is a new start program and funding in FY 2024.</p>				
<p>Title: Loan Program Office</p> <p>Description: This project invests via loans, loan guarantees, convertible instruments, and / or purchase commitments in Critical Technology (CT) companies to scale domestic manufacturing and infrastructure. CT companies require significant capital to manufacture and deploy critical technologies. Given the market risk of emerging critical technologies, as well as higher domestic production costs, private capital financing is often insufficient or unavailable to CT companies. This elevated cost decreases the probability that companies will have enough time to scale production to meet DoD needs and increases the probability of off-shoring manufacturing.</p> <p>FY 2024 Plans: In order to appropriately scale and secure the supply chains for critical technology areas vital to national security and to meet NDS mandates, OSC will develop a loan program office that supports capital expenditure financing, project financing, and working capital for companies developing technologies critical to national security. The planning for this project was initiated in FY 2023 in partnership with the Export-Import Bank. This project will receive its first DoD funding in FY 2024.</p> <p>FY 2023 to FY 2024 Increase/Decrease Statement: This is a new start program and funding in FY 2024.</p>		0.000	-	49.200
<p>Title: Transition Acceleration Program</p> <p>Description: Leveraging existing development programs, projects, and warfighter priorities, this project aligns equity-based private investors and public development funding to co-invest in Critical Technology companies that are developing compelling military capabilities with clear pathways to transition to existing or future programs of record. The USAF pioneered a fund-matching program to co-invest SBIR/STTR funding alongside private investors to increase total investment in technologies which could support both USAF and Commercial (i.e., dual-use) use cases.</p> <p>FY 2024 Plans: In FY 2023, OSC will be deploying a similar approach with OUSD(R&E) SBIR/STTR funding, expanding to other eligible appropriations in FY 2024.</p> <p>FY 2023 to FY 2024 Increase/Decrease Statement:</p>		0.000	-	15.000

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B. Accomplishments/Planned Programs (\$ in Millions)		FY 2022	FY 2023	FY 2024
This is a new start program and funding in FY 2024.				
<p>Title: Global Technology Scouting and Co-Investment Program</p> <p>Description: This project invests via loans, loan guarantees, convertible instruments, grant and / or contracts into non-profit technology scouting and investment companies to co-invest in international critical technology companies which support interoperability and integrated deterrence. While great technology can be developed anywhere, many DoD technology investment programs, such as SBIR and STTR, require focused investment in domestic technology companies.</p> <p>FY 2024 Plans: The NDS directs the DoD to support integrated deterrence in both technology and the economy. In response, the Global Technology Scouting and Co-Investment Program expands OSC’s focus in partnership with US partners and allies to scout and scale international critical technology areas and co-invest alongside allies and partners. The planning and experimentation for this program was initiated in FY 2023 and will receive its first dedicated appropriations in FY 2024.</p> <p>FY 2023 to FY 2024 Increase/Decrease Statement: This is a new start program and funding in FY 2024.</p>		0.000	-	15.000
<p>Title: Investment Prospectus Analysis</p> <p>Description: The OSC is responsible for analyzing critical technology areas for prioritization of private capital investment. The OUSD(R&E) determines OSD’s critical technology areas and OSC assess those areas by IP leadership, capital availability, and transition opportunity.</p> <p>FY 2024 Plans: The assessment, specifically the identification and prioritization of critical technologies, will be published for review by industry, and used to guide OSC investments. Additional research will be performed to assess the analytic framework being developed by OSC, as well as determine new financial tools to increase private sector investment in critical technologies. The first investment prospectus will developed in FY 2023 and scaled in FY 2024 with dedicated funding.</p> <p>FY 2023 to FY 2024 Increase/Decrease Statement: This is a new start program and funding in FY 2024.</p>		0.000	-	4.800
Accomplishments/Planned Programs Subtotals		0.000	-	99.000

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C. Other Program Funding Summary (\$ in Millions)

<u>Line Item</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u> <u>Base</u>	<u>FY 2024</u> <u>OCO</u>	<u>FY 2024</u> <u>Total</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>Cost To</u> <u>Complete</u>	<u>Total Cost</u>
• 0901579D8Z: <i>Operations & Maintenance</i>	0.000	0.000	9.832	0.000	9.832	0.000	0.000	0.000	0.000	Continuing	Continuing

Remarks

D. Acquisition Strategy

N/A

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Exhibit R-3, RDT&E Project Cost Analysis: PB 2024 Office of the Secretary Of Defense		Date: March 2023
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Remarks

This will need to be completed as a part of this exhibit.

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Exhibit R-4, RDT&E Schedule Profile: PB 2024 Office of the Secretary Of Defense		Date: March 2023
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FY 2022				FY 2023				FY 2024				FY 2025				FY 2026				FY 2027				FY 2028			
1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4

<i>TBD</i>																												
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Exhibit R-4A, RDT&E Schedule Details: PB 2024 Office of the Secretary Of Defense **Date:** March 2023

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Schedule Details

Events by Sub Project	Start		End	
	Quarter	Year	Quarter	Year
<i>TBD</i>				
TBD	1	2024	4	2025