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Exhibit R-2, RDT&E Budget Item Justification: PB 2025 Office of the Secretary Of Defense **Date:** March 2024

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 2023	FY 2024	FY 2025 Base	FY 2025 OCO	FY 2025 Total	FY 2026	FY 2027	FY 2028	FY 2029	Cost To Complete	Total Cost
Total Program Element	0.000	0.000	99.000	132.640	-	132.640	128.258	0.000	0.000	0.000	Continuing	Continuing
<i>732: Office of Strategic Capital</i>	0.000	0.000	99.000	132.640	-	132.640	128.258	0.000	0.000	0.000	Continuing	Continuing

Note

New Start (Y/N): No

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.

The Office of Strategic Capital (OSC) program will use available financial tools, including grants, contracts, direct loans, loan guarantees, to increase private sector investments in critical technologies needed to solve U.S. national and economic security challenges. Specifically, the OSC program will invest in supply-chain critical technologies to address both access to capital and cost of capital market failures. As a result, OSC investments will increase the pace of commercialization, manufacturing, and infrastructure investments in the critical technology supply base.

In addition, OSC will provide an alternative source of capital to our global competitors who seek to influence and leverage private capital to advance their technology objectives counter to U.S. interests. Current peer competitor action requires urgent United States Government response to attract and scale investment in support of national and economic security.

Specifically, the program will:

- Increase deep technology private capital investment to enhance the commercialization of DoD and United States Government (USG) Science & Technology investments;
- Increase commercialization, 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 2023	FY 2024	FY 2025 Base	FY 2025 OCO	FY 2025 Total
Previous President's Budget	0.000	99.000	145.564	-	145.564
Current President's Budget	0.000	99.000	132.640	-	132.640
Total Adjustments	0.000	0.000	-12.924	-	-12.924
• Congressional General Reductions	-	-			
• Congressional Directed Reductions	-	-			
• Congressional Rescissions	-	-			
• Congressional Adds	-	-			
• Congressional Directed Transfers	-	-			
• Reprogrammings	-	-			
• SBIR/STTR Transfer	-	-			
• Program Adjustment	-	-	-13.192	-	-13.192
• Economic Assumption	-	-	0.268	-	0.268

Change Summary Explanation

FY 2025 decrease of -\$13.192 million is due to:

-\$11.855 million re-alignment to Operations and Maintenance (O&M) project USRE_2695 for Office of Strategic Capital (OSC) contractor and operational requirements.

-Reduction of \$1.337 million was applied to meet DoD overall funding reductions, which were spread to mitigate impact.

-FY 2025 funding increase of \$0.268 million is for Economic Assumptions.

The increase of \$128.000 million in FY 2026 is for Industrial Base and Innovation in order to sustain the Office of Strategic Capital.

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Exhibit R-2A, RDT&E Project Justification: PB 2025 Office of the Secretary Of Defense **Date:** March 2024

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 2023	FY 2024	FY 2025 Base	FY 2025 OCO	FY 2025 Total	FY 2026	FY 2027	FY 2028	FY 2029	Cost To Complete	Total Cost
<i>732: Office of Strategic Capital</i>	0.000	0.000	99.000	132.640	-	132.640	128.258	0.000	0.000	0.000	Continuing	Continuing
Quantity of RDT&E Articles	-	-	-	-	-	-	-	-	-	-		

A. Mission Description and Budget Item Justification

The OSC Program Element funding supports grants, contracts, direct loans, loan guarantees, and other financial means to produce and scale critical technologies vital to national and economic security. OSC 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, and developing a scalable and secure supply base for industries of the future.

Investment identification and prioritization is determined in coordination with the Military Services and Joint Staff, alongside principal policy-making leadership, including the Under Secretaries 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 2023	FY 2024	FY 2025
Title: Critical Technologies Limited Partner Program	-	15.000	28.721
Description: This program licenses and invests via loans, loan guarantees, convertible instruments, grants and / or contracts into Critical Technology (CT) private investment funds. As a result, CT funds increase capital access for companies developing and / or integrating enabling and frontier critical 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 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.			
FY 2025 Plans: FY 2025 funding will provide the resources necessary to scale and advance work with interagency partners to seed “patient capital” via debt and convertible instruments to catalyze investment in critical technologies. The requirement for more risky, higher cost capital in critical technologies has resulted in a shortfall of private capital investment and this program provides an impactful			

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B. Accomplishments/Planned Programs (\$ in Millions)		FY 2023	FY 2024	FY 2025
remedy to address the shortfall. This project received its first DoD funding in FY 2024. FY 2025 activities will focus on attracting and scaling private capital investment in critical technologies. FY 2024 to FY 2025 Increase/Decrease Statement: FY 2025 funding increased to resource the growth necessary to expand program investment activities in partnership with interagency partners, including the Small Business Administration's (SBA) Small Business Investment Company (SBIC) Critical Technologies (CT) program.				
Title: Loan Program Office Description: This program provides direct loans and loan guarantees in Critical Component Technology (CCT) companies to produce and scale critical technologies. CCT companies require significant debt capital to scale manufacturing and deployment of CCTs into critical supply chains. Given the market risk of emerging CCTs, private debt financing is often insufficient for or unavailable to CCT companies, especially compared to other technology sectors. As a result, private companies exhibit declining manufacturing readiness and are experiencing increased offshoring of manufacturing. The availability of OSC debt financing both incents CCT companies to scale manufacturing and attracts private capital into CCT sectors. OSC-issued direct loans and loan guarantees will be underwritten and repaid from private sources, including private commercial cash flows and collateral, with no reliance on federal support. Furthermore, OSC issued credit will not be used to finance capabilities nor will the Federal government be the primary user of any investment. 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 U.S. economic security. The planning for this project was initiated in FY 2023 in partnership with the Export-Import Bank and other federal credit programs. This project will receive its first DoD funding in FY 2024. FY 2025 Plans: In order to sufficiently scale domestic supply chains for CCT areas vital to national security, OSC will begin obligating loans in FY 2024 to support CCT companies with capital expenditure financing, project financing, and working capital. OSC will continue expanding its capacity to obligate such loans in FY 2025. The credit subsidy rate estimate for FY 2025 is 2.56 percent. FY 2024 to FY 2025 Increase/Decrease Statement:		-	49.200	69.049

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B. Accomplishments/Planned Programs (\$ in Millions)	FY 2023	FY 2024	FY 2025
<p>FY 2025 funding increased to resource the growth necessary to operationalize and scale the Loan Program Office and its execution of capital expenditure financing, project financing, and working capital for companies developing technologies critical to national security.</p> <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.</p> <p>FY 2024 Plans: In FY 2023, the Office of Strategic Capital (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 2025 Plans: OSC will continue to advance current efforts and capture new Service and OSC prioritized efforts to scale investment in FY 2025.</p> <p>FY 2024 to FY 2025 Increase/Decrease Statement: No change from FY 2024 to FY 2025.</p>	-	15.000	15.030
<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.</p> <p>FY 2024 Plans: The National Defense Strategy (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 2025 Plans: FY 2025 OSC will continue to advance work with interagency and international partners in prioritized critical technologies sectors. It will prioritize expanding investment to additional partners and technology areas from FY 2024.</p> <p>FY 2024 to FY 2025 Increase/Decrease Statement:</p>	-	15.000	15.030

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B. Accomplishments/Planned Programs (\$ in Millions)	FY 2023	FY 2024	FY 2025
No change from FY 2024 to FY 2025.			
<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 assesses those areas by U.S. comparative advantage and capital availability.</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.</p> <p>FY 2025 Plans: OSC will continue to assess and prioritize critical technologies for use as a guide to frame OSC investments. Research will continue to 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. FY 2025 will continue at steady levels to support the prioritization of critical technology in the out years.</p> <p>FY 2024 to FY 2025 Increase/Decrease Statement: No change from FY 2024 to FY 2025.</p>	-	4.800	4.810
Accomplishments/Planned Programs Subtotals	-	99.000	132.640

C. Other Program Funding Summary (\$ in Millions)											
<u>Line Item</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025 Base</u>	<u>FY 2025 OCO</u>	<u>FY 2025 Total</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>Cost To Complete</u>	<u>Total Cost</u>
• 0901579D8Z: <i>Operations & Maintenance</i>	0.000	9.832	11.855	-	11.855	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 2025 Office of the Secretary Of Defense **Date:** March 2024

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Product Development (\$ in Millions)				FY 2023		FY 2024		FY 2025 Base		FY 2025 OCO		FY 2025 Total	Cost To Complete	Total Cost	Target Value of Contract
Cost Category Item	Contract Method & Type	Performing Activity & Location	Prior Years	Cost	Award Date	Cost	Award Date	Cost	Award Date	Cost	Award Date	Cost			
Critical Technologies Limited Partner Program	MIPR	Various (Army, Navy, Air Force, etc.) : Various	-	-		15.000	Mar 2024	28.721	Mar 2025	-		28.721	Continuing	Continuing	-
Loan Program Office	MIPR	Various (Army, Navy, Air Force, etc.) : Various	-	-		49.200	Mar 2024	69.049	Mar 2025	-		69.049	Continuing	Continuing	-
Transition Acceleration Program	MIPR	Various (Army, Navy, Air Force, etc.) : Various	-	-		15.000	Mar 2024	15.030	Mar 2025	-		15.030	Continuing	Continuing	-
Global Technology Scouting and Co-Investment Program	MIPR	Various (Army, Navy, Air Force, etc.) : Various	-	-		15.000	Mar 2024	15.030	Mar 2025	-		15.030	Continuing	Continuing	-
Subtotal			-	-		94.200		127.830		-		127.830	Continuing	Continuing	N/A

Support (\$ in Millions)				FY 2023		FY 2024		FY 2025 Base		FY 2025 OCO		FY 2025 Total	Cost To Complete	Total Cost	Target Value of Contract
Cost Category Item	Contract Method & Type	Performing Activity & Location	Prior Years	Cost	Award Date	Cost	Award Date	Cost	Award Date	Cost	Award Date	Cost			
Investment Prospectus Analysis	MIPR	Various (Army, Navy, Air Force, etc.) : Various	-	-		4.800	Mar 2024	4.810	Mar 2025	-		4.810	Continuing	Continuing	-
Subtotal			-	-		4.800		4.810		-		4.810	Continuing	Continuing	N/A

	Prior Years	FY 2023	FY 2024	FY 2025 Base	FY 2025 OCO	FY 2025 Total	Cost To Complete	Total Cost	Target Value of Contract		
Project Cost Totals		-	-	99.000	132.640	-	-	132.640	Continuing	Continuing	N/A

Remarks

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Exhibit R-4, RDT&E Schedule Profile: PB 2025 Office of the Secretary Of Defense		Date: March 2024
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FY 2023				FY 2024				FY 2025				FY 2026				FY 2027				FY 2028				FY 2029			
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

Office of Strategic Capital	
Critical Technologies Limited Partner Program	
Loan Program Office	
Transition Acceleration Program	
Global Technology Scouting and Co-Investment Program	
Investment Prospectus Analysis	

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Exhibit R-4A, RDT&E Schedule Details: PB 2025 Office of the Secretary Of Defense		Date: March 2024
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Schedule Details

Events by Sub Project	Start		End	
	Quarter	Year	Quarter	Year
Office of Strategic Capital				
Critical Technologies Limited Partner Program	3	2024	4	2026
Loan Program Office	3	2024	4	2026
Transition Acceleration Program	3	2024	4	2026
Global Technology Scouting and Co-Investment Program	3	2024	4	2026
Investment Prospectus Analysis	3	2024	4	2026