

The FY27

NDAA

REBUILDING THE ARSENAL OF FREEDOM

America's national security is dependent on our ability to produce the capabilities needed to defend our country and deter our adversaries. Peace through Strength starts in our factories, our depots, and our shipyards.

For decades, the U.S. defense industrial base (DIB) was the envy of the world. But declining investments in defense have significantly weakened the DIB. America's defense spending as a percentage of GDP has steadily fallen since World War II, and is now below that of our adversaries.

From munitions to unmanned systems, from ships to aircraft, from tactical vehicles to space systems, our warfighters require a robust defense industrial base that can produce at speed and scale.

Since the 1990s, the number of prime contractors has shrunk from more than 50 to just 6, and this lack of competition reduces resiliency, disincentives innovation, and increases costs to the taxpayer.

Underinvestment isn't the only factor weakening the DIB:

- The cost and complexity of doing business with DoD drives out small businesses and agile startups.
- Inconsistent demand signals discourage prime contractors from investing in production capacity.
- Narrow supply chains for critical materials have made us dependent on foreign supplies, creating significant vulnerabilities if our adversaries switch them off.
- Our skilled workforce has diminished and recruitment and retention have suffered.

Critical acquisition programs are years behind schedule and way over budget. We no longer have enough munitions, ships, aircraft, or autonomous systems to ensure dominance against every adversary.

THE BOTTOM LINE:

The decline in our defense industrial base has lowered our readiness and weakened our deterrence.

We are confronting an unprecedented global threat environment with multiple adversaries working together to undermine our security and that of our allies. **It has never been more important to have a robust defense industrial base.**

The FY27 **NDAAs**: **REBUILDING THE ARSENAL OF FREEDOM**

The FY27 NDAA makes the critical reforms needed to restore defense manufacturing, strengthen deterrence, and rebuild the arsenal of freedom:

Revitalizing the Defense Industrial Base

- Reviving the Organic Industrial Base
- Providing the Certainty Industry Needs to Expand Capacity
- Growing and Developing the DIB Workforce
- Advancing Small Business Participation in the DIB
- Securing our Supply Chains
- Improving Collaboration on Data Rights

Revitalizing the Defense Industrial Base

- Expands eligible uses of the Defense Industrial Base Fund to include biotechnology and biomanufacturing, private-sector drydock and ship repair infrastructure components and systems, and advanced microelectronics packaging.
- Requires the second sourcing of solid rocket motors and a whole-of-department strategy for expedited qualification of new entrant second source solid rocket motors.
- Authorizes expedited qualification of new domestic and allied-nation sources of critical minerals.
- Establishes a new prize program to incentivize the research, development, and commercialization of biotechnology capabilities.
- Requires the Navy to develop and implement a strategy to increase the third-party construction of ship modules to maximize the efficiency of major shipbuilding yards.
- Requires DoW to incorporate demand for foreign military sales into industrial base planning to better target long-term investments and expand capacity across the defense industrial base.
- Requires the National Nuclear Security Administration (NNSA) to define its long-term requirements for domestically produced uranium to meet defense mission needs.

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Reviving the Organic Industrial Base

- Accelerates the modernization of the Army organic industrial base (OIB) by limiting large variations in workload, clearly delineating workload between Army Material Command and the Assistant Secretary of the Army for Acquisition, expanding key training pipelines, and reducing burdensome overhead expenses.
- Requires the Army to expand and upgrade facilities used to produce 155mm ammunition to reach production capacity of 100,000 rounds per month and meet the Total Munitions Requirement.
- Reforms the Army depot maintenance carryover calculation to make the metric comparable to the other services and provide equity throughout the budget process.
- Enables the OIB to recruit and retain a skilled workforce by requiring DoW to:
 - Focus on skills and experience rather than education levels when hiring civilians for industrial base positions.
 - Establish a demonstration program to ensure new hiring and pay flexibilities to remain competitive with the private sector.
 - Expand training opportunities for employees by authorizing the services to use operations and maintenance funding for such purposes.

Providing the Certainty Industry Needs to Expand Capacity

- Enables industry to secure capital needed to expand and accelerate production by providing multiyear procurement authority for the following critical systems:
 - 13 exquisite and low-cost munitions
 - F-15EX Aircraft and spares
 - F-35 Aircraft and spares
 - E-2D Advanced Hawkeye Aircraft
 - Class Destroyers
 - John Lewis Class Oilers
- Authorizes multi-ship contracting for submarine tenders and Landing Helicopter Assault (LHA) and Landing Platform Dock (LPD) amphibious warships, providing a consistent demand signal for outyear procurements to support the supplier base.
- Provides advance procurement authority for the Ship-To-Shore Connector program to support the shipbuilding industrial base by allowing the Navy to procure long lead time materials providing an early and more consistent demand signal.
- Allows the Navy to incrementally fund long lead-time components for Virginia Class Submarines to consistently spread demand across fiscal years.

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Growing and Developing the DIB Workforce

- Creates new workforce development initiatives for the mining, processing, refining, recycling, and production of critical minerals, including partnerships with institutions of higher education, scholarships or tuition assistance, and work-based learning opportunities aligned to defense industrial base workforce needs.
- Expands the advanced manufacturing workforce by directing DoW to identify barriers to recruiting, training, and certifying a sufficient workforce and to assess the effectiveness of programs like the Accelerated Training in Defense Manufacturing (ATDM) program to inform scaling successful models.
- Directs DoW to assess gaps in the pipeline for technicians skilled in advanced composite materials critical to precision-guided munitions and to evaluate the effectiveness of current workforce development efforts to strengthen production capacity.
- Requires DoW to identify and assess regional partnerships among education, industry, and government that can build scalable talent pipelines aligned with defense and industrial base needs.

Advancing Small Business Participation in the DIB

- Requires DoW to implement an agile, streamlined, and risk-based approach to the surveillance of contractor business systems to reduce costly accounting regulations on small businesses.
- Raises several contracting thresholds in current law to account for economic factors and reduce regulatory burdens on small business.
- Requires the inflation adjustment of acquisition-related dollar thresholds to occur every three years instead of every five years.
- Authorizes Other Transaction Authority (OTA) for the National Nuclear Security Administration (NNSA) to expedite acquisitions, provide agility, and improve partnerships with nontraditional contractors and small businesses.
- Establishes a pilot program to leverage small businesses to address supply chain gaps associated with needed parts, products, and components that DoW cannot find contractors to supply.
- Requires closer collaboration between the Defense Innovation Unit (DIU) and service acquisition executives to enable more efficient transition of commercial technologies to service programs of record.
- Authorizes acquisition executives to accelerate production of technology by transferring a limited amount of Research, Development, Test, and Evaluation (RDT&E) funds to procurement of the solution that was developed.
- Establishes a pilot program to improve transition across the valley of death by authorizing DIU to partner with the services to increase DIU's prize challenge authority to \$15M.

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- Accelerates adoption of modular open system approaches in the design and development of a covered system.
- Clarifies payment requirements and encourages DoW to do more to leverage subscription-based procurement models for software, platforms, and mission support capabilities.
- Establishes an Acquisition Policy Experimentation Laboratory to model the defense industrial base and experiment with policy proposals to evaluate what incentivizes contractors to maintain and invest in surge capacities, as well as what policies influence a resilient, responsive defense industrial base.
- Makes it easier for small and nontraditional businesses to contract with DoW by enhancing the APEX Accelerator program—ensuring client confidentiality and providing program centers with more flexibility in funding limits to better meet growing demand.
- Requires a GAO review of DoW contracts to determine if the Department is providing full consideration to small businesses.
- Directs an evaluation of the extent to which small and medium-sized businesses exit the defense ecosystem due to compliance requirements, security requirements, or other administrative burdens unique to participation in the defense industrial base.

Securing our Supply Chains

- Establishes the Defense Supply Chain Intelligence and Risk Response Program to enhance the DoW's ability to illuminate, assess, anticipate, and respond to risks across the defense industrial base supply chain.
- Strengthens the organization, function, and authorities of the Federal Acquisition Security Council (FASC), which makes recommendations to executive agencies to prohibit the procurement and use of products that pose supply-chain threats.
- Requires DoW to designate an official with primary responsibility for assessing and mitigating risks related to adversarial capital investments in the defense supply chain.
- Ensures DoW policies on the use of advanced manufacturing capabilities prevent the dissemination of information or capabilities to adversaries.
- Requires that certain electronic parts are procured exclusively from original manufacturers or authorized dealers to guard against adversarial infiltration and counterfeits.
- Prohibits DoW from acquiring photovoltaic cells, modules, and inverters from China and other adversaries.
- Requires DoW to secure sourcing and industrial capacity for critical defense supply chain goods and services.
- Establishes a preference for U.S. companies when contracting for professional services.
- Requires DoW to remedy delays in the implementation of prior law eliminating the use of Chinese-made printed circuit boards (PCBs).
- Requires DoW to provide an assessment to Congress on aluminum supply chain security and ways to enhance domestic capacity.

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Improving Collaboration on Data Rights

- Establishes an Intellectual Property (IP) Ombudsman to provide independent, non-binding guidance to contracting officers and contractors regarding IP issues and establishes a mediation process through which DoW and contractors can resolve data rights disputes more rapidly and collaboratively than through litigation.
- Expands DoW authority to reverse engineer parts to improve sustainment of legacy systems.
- Requires DoW to plan for the acquisition of all technical data and license rights needed for the maintenance, repair, and overhaul of weapons systems before acquiring such systems.
- Requires an assessment of the feasibility of establishing a subscription-based pay-to-print program to access original equipment digital design files to enable DoW to print parts needed to sustain weapon systems.