



Updated September 8, 2026

Office of Strategic Capital: Overview and Considerations

Technological advantage has long contributed to the dominance of the U.S. Armed Forces. Some analysts and policymakers suggest that U.S. technological superiority—and, by extension, national security—is at risk due to several factors. These factors include a rapidly evolving global landscape for innovation and the increasing technological prowess of potential adversaries. As a result, the Department of Defense (DOD, which is “using a secondary Department of War designation” under Executive Order 14347) and Congress have taken a number of steps intended to improve government support for and management of defense-related innovation, including the establishment of new DOD organizations such as the Office of Strategic Capital (OSC) (10 U.S.C. §149). This In Focus provides an overview of OSC, including its mission, roles, responsibilities, programs, and funding. The In Focus also highlights selected issues for Congress pertaining to OSC transparency, accountability, funding levels, and whether to provide OSC with the authority to make equity investments.

Establishment and Mission of OSC

The mission of OSC is to use the United States’ comparative advantage in private capital markets to attract and scale investments in technologies critical to national security. A press release announcing the establishment of OSC on December 1, 2022, stated that “critical technologies ... often require long-term financing to bridge the gap between the laboratory and full-scale production.” It quoted the then-Secretary of Defense as stating, “By working with the private capital markets and by partnering with our federal colleagues, OSC will address investment gaps and add a new tool to the Department’s investment toolbox.”

OSC Roles and Responsibilities

In 2023, Section 903 of P.L. 118-31, the National Defense Authorization Act (NDAA) for Fiscal Year 2024, codified and outlined the duties of OSC to include

- developing, integrating, and implementing capital investment strategies proven in the commercial sector to shape and scale investment in critical technologies and assets;
- identifying and prioritizing promising critical technologies and assets that require funding and have the potential to benefit DOD; and
- making investments in such technologies and assets, such as supply chain technologies not always supported by traditional private capital.

In addition, the OSC director is statutorily charged with serving as the chair of the National Security Capital Forum established by the FY2025 NDAA (Section 1092 of P.L. 118-159). The duties of the National Security Capital Forum, as amended by the FY2026 NDAA (Section 876(c) of P.L. 119-60) are to

- convene domestic and international institutional investors, innovators, and business representatives from across the private sector, relevant federal agencies and offices, and government and private entities of partner nations, among others;
- allow for the exchange of information between such persons and entities and DOD regarding potential transactions in order to integrate and coordinate efforts in support of U.S. national security interests; and
- serve as a clearinghouse for vetting potential investment transactions.

OSC Capital Assistance Programs

P.L. 118-31 authorized the OSC director to carry out a pilot program to provide capital assistance—defined as loans, loan guarantees, and technical assistance—to eligible entities (e.g., corporations, joint ventures). Capital assistance is to be used for the development of dual-use technologies that meet the needs of DOD and fall within one of the 34 covered technology categories defined in statute (e.g., advanced manufacturing, quantum sensing, and space launch). The authority for the pilot program expires on October 1, 2028, and is subject to the availability of appropriations.

When selecting among applications for capital assistance, the OSC director is required to consider the following criteria: (1) the extent to which an investment supports the national security or economic interests of the United States; (2) the likelihood that the capital assistance provided would hasten the anticipated outcome of the investment; and (3) the creditworthiness of an investment.

OSC’s capital assistance pilot program includes both direct debt financing for companies and the financing of venture capital, private equity, and other investment funds. For example, under its Credit Program, on August 7, 2026, OSC announced a conditional loan commitment of \$400 million to Sunrise Energy Metals Limited to support the development of the company’s scandium operations in New South Wales, Australia. Scandium is a critical mineral used by the aerospace and defense industries, in addition to being strategically important for data centers and semiconductors. According to the press release, “this financing will provide the Department [of Defense] with a right of first offer on Sunrise’s output, and the scandium produced by Sunrise would support the demand of U.S. companies, including defense industrial base companies.” In another example, on July 31, 2026, OSC announced “a conditional loan commitment of up to \$820 million to Performance Drone Works to establish high-volume domestic manufacturing capacity for critical drone components.”

In addition, OSC provides loans and loan guarantees to third-party investment funds (e.g., venture capital funds). For example, the Small Business Investment Company

Critical Technology Initiative is a joint effort between the U.S. Small Business Administration (SBA) and OSC that takes advantage of SBA’s Small Business Investment Company Program as a means “to empower highly qualified [investment] fund managers to scale and catalyze investments” in small businesses developing critical technologies of importance to DOD. In another example, on August 20, 2026, OSC released a notice of funding opportunity for its National Security Fund Finance program that seeks to “combine[] OSC loans with private capital to invest in portfolio companies focused on solving U.S. national security shortages, gaps, and vulnerabilities with respect to critical minerals and materials supply chains.”

Further, per DOD’s FY2027 budget justification, OSC’s Global Technology Scout Program leads international efforts to identify and leverage OSC capital assistance with co-investments from U.S. allies to advance critical technologies, support interoperability, and prevent adversarial capital investment.

OSC Appropriations

For FY2026, P.L. 119-75, the Consolidated Appropriations Act, 2026, Division A, provided \$97.8 million to the DOD Credit Program account for OSC’s capital assistance pilot program. Such funds are available until expended to subsidize up to \$4.4 billion in loans, loan guarantees, and technical assistance in accordance with Title 10, Section 149(e), of the *U.S. Code*. Per the explanatory statement associated with P.L. 119-75, OSC also received \$2 million for FY2026 through the defense-wide research, development, test, and evaluation (RDT&E) account. According to DOD’s FY2027 budget justification, OSC plans to use \$20 million in FY2025 reconciliation funding for RDT&E activities in FY2026 (see **Table 1**).

DOD’s FY2027 budget request includes \$216 million in discretionary funding and \$20 billion in mandatory funding for OSC’s capital assistance pilot program. The request also includes \$19 million for OSC’s RDT&E activities.

Table 1 details additional funding provided to OSC as part of the FY2025 budget reconciliation law (P.L. 119-21).

Table 1. OSC Funding in FY2025 Budget Reconciliation Law (P.L. 119-21)

Section	Amount and Purpose
20004(d)	\$500 million to the DOD Credit Program account, available until Sept. 30, 2029, to subsidize up to \$100 billion in loans, loan guarantees, and technical assistance for critical minerals and related industries and projects
20005(a)(1)	\$25 million, available until Sept. 30, 2029, for the OSC Global Technology Scout program
20005(a)(33)	\$20 million, available until Sept. 30, 2029, for the OSC workforce
20005(b)	\$1 billion to the DOD Credit Program account, available until Sept. 30, 2029, to subsidize up to \$100 billion in loans, loan guarantees, and technical assistance for covered technologies

Source: CRS analysis of P.L. 119-21.
Note: For a list of covered technologies, see 10 U.S.C. §149(h)(2).

Issues for Congress

As Congress considers the effectiveness, relevance, and role of OSC within the broader defense innovation ecosystem, it may consider the following selected issues, among others.

A Senate committee-reported version of an FY2027 NDAA (S. 4784) would provide OSC with the authority to make equity investments in private-sector companies for the development of batteries and critical minerals, materials, and chemicals. At hearings in February and March 2026, some Members of Congress questioned the rationale and potential implications of DOD equity investments. As Congress determines whether to provide OSC the authority to take equity positions in U.S. or foreign firms, it may consider the pros and cons of such a practice. Potential advantages include (1) strengthening national security and supply chain resilience through direct support for domestic or foreign companies in sectors where reliance on foreign adversaries—especially China—poses a strategic vulnerability; (2) attracting private investments that could bolster the competitiveness of U.S. firms; and (3) generating potential financial returns for the U.S. government and taxpayers if such companies are successful. Potential disadvantages include (1) the risk of politicization and undue influence over a firm’s decisionmaking; (2) market distortion, including concerns over preferential treatment toward companies in which the federal government has equity stakes; and (3) high financial risk for the U.S. government.

Some experts have recommended that DOD more clearly communicate its short- and long-term needs to industry, suggesting that a clear market demand signal would allow DOD to more effectively leverage and foster private-sector innovation and research investments. In FY2024 and FY2025, OSC released strategies indicating its investment priorities. OSC has not released such a strategy for FY2026 or FY2027 as of the date of this In Focus. Additionally, DOD is required to submit an annual report to the House and Senate Armed Services Committees describing OSC’s activities under the capital assistance pilot program. Such information is not required to be publicly available. Congress may consider the pros and cons of additional reporting and related requirements, including an annual investment strategy; a public database of OSC loans, loan guarantees, and technical assistance; and transparency into OSC’s role in the National Security Capital Forum. For example, a House version of an FY2027 NDAA (H.R. 8800) would require quarterly reporting to Congress on the activities and goals of the National Security Capital Forum.

Further, as Congress determines the level of funding to provide OSC, it may consider what, if any, metrics OSC is collecting or should collect to track short- and long-term outcomes and successes.

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