

FY2025 NDAA: Defense Industrial Base Policy

August 19, 2024

Background

The defense industrial base (DIB) is the network of organizations, facilities, and resources that supplies the U.S. government—particularly the Department of Defense (DOD)—with materials, products, and services for defense purposes. The DIB is large and complex, encompassing private and public entities engaged in activities ranging from basic research to the assembly and delivery of complete platforms. Given its role in enabling military operations, the DIB has received attention from Congress as part of the [annual defense authorization process](#).

During Congress’s consideration of a National Defense Authorization Act (NDAA) for Fiscal Year 2025 (FY2025), much of this attention has focused on the question of whether defense suppliers can reliably and effectively produce the weapons and equipment needed by DOD. Some [Members](#), [executive branch officials](#), and [industry figures](#) have claimed that achieving U.S. strategic objectives—particularly those relating to competition with China and security assistance to Ukraine—requires broad improvements to the industrial base, such as strengthened supply chains and expanded capacity. In analyzing the condition of the DIB, some industry stakeholders have emphasized what they see as problems with government management (e.g., allegedly [onerous regulatory barriers and an inflexible acquisition system](#)), while others, including at least one Senator and one executive branch official, have publicly highlighted what they contend are issues with private industry (such as purported [overcharging](#) and [corporate underinvestment in capital projects](#)). For further discussion of DIB-related developments and issues, see CRS Report R47751, *The U.S. Defense Industrial Base: Background and Issues for Congress*.

Overview of NDAA Provisions

The House-passed (H.R. 8070) and Senate Armed Services Committee (SASC)-reported (S. 4638) bills for an FY2025 NDAA each contain provisions addressing a variety of defense industrial issues, programs, and policies. These provisions may be broadly divided into two categories: those relating to supply chains and domestic sourcing, and those relating to other industrial base matters.

The first category includes provisions that would

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IN12406

- **establish or modify requirements that DOD procure goods and services from sources in the United States or allied countries** (Sections 173, 821, 843, and 855 in H.R. 8070 and 843, 883, and 888 in S. 4638); and
- **direct new or expanded monitoring and planning related to defense supply chains and associated vulnerabilities**, such as single points of failure and sourcing from unfriendly countries (Sections 178, 845, 846, 847, 848, and 852 in H.R. 8070 and 334, 841, 844, 845, 851, 852, and 871 in S. 4638).

The second category includes provisions that would

- **require assessments of the DIB's condition and the impacts of certain policy interventions** (Sections 856 and 857 in H.R. 8070 and 849 in S. 4638);
- **require or modify strategies and programs to enhance the industrial capacity, resilience, and innovativeness of U.S. defense suppliers** (Sections 851, 853, 1078, and 3536 in H.R. 8070 and 876, 1090, 881, 882, and 911 in S. 4638);
- **establish new mechanisms for dialogue and coordination between the U.S. government and private industry** (Sections 927 and 1078 in H.R. 8070 and 850 and 1090 in S. 4638); and
- **require assessments of the potential for expanded defense industrial partnerships with foreign countries**, including Israel, Taiwan, and Ukraine (Sections 252 and 1313 in H.R. 8070 and 1238 and 1253 in S. 4638).

Each of these provisions is summarized in **Table 1** below.

Table 1. Selected Defense Industrial Base Provisions

Selected provisions from the House and Senate bills for an FY2025 NDAA

House-passed (H.R. 8070)	SASC-reported (S. 4638)
<i>Supply Chains and Domestic Sourcing</i>	
Sec. 173 would prohibit the Secretary of Defense from procuring certain foreign-made light detection and ranging technologies for use on manned or unmanned systems. ^a	Sec. 883 in S. 4638 is similar to Sec. 173 in H.R. 8070.
Sec. 178 would direct the Under Secretary of Defense for Acquisition and Sustainment (USD(A&S)) to conduct a study to identify sources of secure parts for unmanned aircraft systems (UAS).	Sec. 871 would direct the Secretary of Defense to submit to the congressional defense committees a plan to develop a secure domestic and allied supply chain of critical components for small UAS.
Sec. 821 would amend 10 U.S.C. §4862 (often known as the “Berry Amendment”) to require DOD to procure all stainless steel flatware and dinnerware from U.S. sources.	Sec. 843 in S. 4638 is similar to Sec. 821 in H.R. 8070.
Sec. 843 would limit government procurement of certain diesel engines from sources other than U.S., Canadian, British, Australian, or New Zealand manufacturers. ^b	No similar provision.
Sec. 845 would direct the Secretary of Defense to use “recycled and reused minerals and metals” as sources of supply to accomplish strategic and critical materials goals. ^c	Sec. 844 in S. 4638 is similar to Sec. 845 in H.R. 8070.
Sec. 846 would direct the Secretary of Defense to submit two reports to the congressional defense committees: one on the procurement and domestic availability of fire-resistant fiber blend fabric for uniforms, and one on the domestic nonavailability determination (DND) process. ^d	Sec. 841 would direct USD (A&S) to: 1) develop a plan for the annual public disclosure of DNDs; and 2) establish a process to allow industry to request DND reassessments; and 3) provide the congressional defense committees with a briefing on the process established for reassessing DNDs.

House-passed (H.R. 8070)	SASC-reported (S. 4638)
Sec. 847 would direct the Secretary of Defense to develop incentives to encourage contractors to holistically assess and monitor vulnerabilities in their supply chains.	No similar provision.
Sec. 848 would direct the Secretary of Defense to carry out a study on DOD use of off-the-shelf information technology products from China, Russia, North Korea, or Iran.	No similar provision.
Sec. 852 would require government contractors to disclose sourcing information for any advanced batteries and advanced battery components provided to DOD.	No similar provision.
Sec. 855 would require that certain minimum percentages of all lithium-ion batteries and cells procured by DOD be sourced from producers in the United States, Canada, the United Kingdom, Australia, New Zealand, or Japan. ^e	Sec. 888 in S. 4638 is similar to Sec. 855 in H.R. 8070. ^f
No similar provision.	Sec. 334 would direct the Secretary of the Army to develop a plan for establishing secondary domestic production sources at existing Army arsenals, depots, and ammunition plants to “address munitions supply chain chokepoints.”
No similar provision.	Sec. 845 would direct the Secretary of Defense to establish a process for reviewing the national security implications of imports when asked to do so by another federal agency.
No similar provision.	Sec. 851 would 1) state that “it is the policy of the United States to build and maintain a robust national security industrial base and supply chain free from materials, parts, supplies, major end items, and services procured from adversarial nations”; 2) direct the Assistant Secretary of Defense for Industrial Base Policy (ASD (IBP)) to publish information regarding acquisition waivers granted by DOD; and 3) direct ASD (IBP) to provide the congressional armed services committees with annual briefings regarding acquisition waivers granted by DOD.
No similar provision.	Sec. 852 would direct the Secretary of Defense to provide the congressional defense committees a report assessing the capacity to increase the domestic production and procurement of strategic and critical materials.

Other Industrial Base Matters

Sec. 252 would direct the Secretary of Defense to assess the feasibility and advisability of including Israel in the national technology and industrial base. ^g	
Sec. 851 would direct the Secretary of Defense to annually designate at least five Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs as “Entrepreneurial Innovation Projects” and require the inclusion of programs so designated in the DOD’s future-years defense program (FYDP), programming proposals, and planning, programming, budgeting, and execution (PPBE) process. ^h	No similar provision.
Sec. 853 would extend the authority of the Secretary of Defense to provide storage and distribution services to weapon systems contractors through 2039, remove the limitation of this authority to five support contracts per contractor, and eliminate an associated reporting requirement. ⁱ	Sec. 876 would amend the authority of the Secretary of Defense to provide storage and distribution services to weapon systems by eliminating the expiration of this authority, increasing the limitation from five to 30 support contracts per contractor, and modifying an associated reporting requirement.

House-passed (H.R. 8070)	SASC-reported (S. 4638)
Sec. 856 would direct the Secretary of Defense to submit to the congressional defense committees an assessment of the impact of investment in DOD-sponsored manufacturing innovation institutes on the DIB.	No similar provision.
Sec. 857 would: 1) express the sense of Congress that “it is integral that the military be able to fix its own equipment, and that efforts deliberately designed to prevent the military end user from fixing equipment in the field harm our nation’s military readiness”; and 2) direct the Secretary of Defense to submit to the White House Competition Council a report addressing contract provisions that impede DOD repairs. ^j	No similar provision.
Sec. 927 would direct the Secretary of Defense to submit to the congressional armed services committees a report on “the feasibility and advisability of establishing a Defense Industrial Revitalization Board” that would assess the health of the DIB, identify critical shortages and impediments to production, determine required production rates, and oversee and deconflict DOD efforts to improve DIB capacity.	Sec. 850 would direct the Secretary of Defense to: 1) enter into voluntary agreements with defense industry executives to consult on the health of the DIB and provide a briefing on economic mobilization to the congressional defense committees; and 2) prepare economic mobilization plans and notify the congressional defense committees upon completion.
Sec. 1078 would direct the Secretary of Defense to establish a National Security Capital Forum, chaired by the Director of the Office of Strategic Capital, that would allow coordination between the U.S. government and “institutional financiers, capital providers, investors, entrepreneurs, innovators, [and] business persons” to support U.S. national security interests.	Sec. 1090 of S. 4638 is similar to Sec. 1078 of H.R. 8070.
Sec. 1313 would direct the Secretary of Defense to “take measures to ensure that Taiwan is appropriately considered for enhanced defense industrial base cooperation activities aligned with the United States National Defense Industrial Strategy,” including cooperative research, development, testing, and evaluation (RDT&E) projects. ^k	Sec. 1253 of S. 4638 is similar to Sec. 1313 of H.R. 8070.
Section 3536 would direct the Secretary of Transportation and the Secretary of Defense to establish a marketing, recruiting, and public relations campaign to attract workers to the merchant marine and shipbuilding sectors.	No similar provision.
No similar provision.	Sec. 846 would direct USD (A&S) to submit to the congressional defense committees “a roadmap for the future desired state for the solid rocket motor industrial base.”
No similar provision.	Sec. 849 would 1) state that “it is the policy of the United States that the defense industrial base, its resiliency, and its capacity are core interests of the Department of Defense and United States national security”; and 2) direct ASD (IBP) to submit to the congressional defense committees a report on mergers and acquisitions that addresses DOD policies and procedures as well as broader impacts to the DIB.
No similar provision.	Sec. 881 would direct the Secretary of Defense to establish a pilot program for the commercial production of certain munitions, munitions test platforms, and “mission systems content.”

House-passed (H.R. 8070)	SASC-reported (S. 4638)
No similar provision.	Sec. 882 would direct USD (A&S) to establish a pilot program to “assess the feasibility and advisability of producing parts through reverse engineering or re-engineering.”
No similar provision.	Sec. 911 would establish an “Office of Expanded Competition” within the Office of the Secretary of the Air Force to 1) analyze adversarial capital flows into U.S. industries of concern to DOD, and support coordination and outreach to counteract such flows; and 2) “identify and prioritize promising critical technologies and assets... in need of capital assistance” and provide funding, capital assistance, and other support and coordination to those technologies and assets.
No similar provision.	Sec. 1238 would direct the Secretary of Defense to submit to the congressional defense committees a report on efforts to enhance U.S. defense industrial cooperation with Ukraine and other European countries.
No similar provision.	Sec. 1541 would direct the Secretary of Defense to develop a strategy for “promoting the development of a skilled manufacturing and high-demand vocational trade workforce” to expand the national technology and industrial base and the nuclear security enterprise (NSE). ¹

Source: CRS analysis of the House-engrossed text of H.R. 8070 and the SASC-reported text of S. 4638.

Notes:

- a. This restriction applies to technologies produced in/by China, Russia, North Korea, and Iran, as well as certain designated entities.
- b. This limitation would apply to “diesel engines that operate at a maximum of not greater than 1200 revolutions per minute and are capable of generating a power output of greater than 3500 kilowatts.”
- c. These goals were established by Sec. 848 of P.L. 116-283.
- d. Pursuant to 10 U.S.C. §4862(c).
- e. Sec. 855 of H.R. 8070 would establish minimum percentage requirements starting at 10% in 2026 and increasing to 25% in 2027, 50% in 2028, and 90% in 2029.
- f. Sec. 888 of S. 4638 would establish minimum percentage requirements starting at 10% in 2026 and increasing to 20% in 2027, 40% in 2028, and 80% in 2029.
- g. The national technology and industrial base is defined at 10 U.S.C. §4801; for more information, see CRS In Focus IFI1311, *Defense Primer: The National Technology and Industrial Base*.
- h. For more information on SBIR and STTR, see CRS Report R43695, *Small Business Research Programs: SBIR and STTR*, by Marcy E. Gallo.
- i. This authority was initially provided by Sec. 883 of P.L. 114-328.
- j. This same report was required by Clause (iii) of Section 5(s) of Executive Order 14036 of July 9, 2021, which directs DOD to “submit a report to the Chair of the White House Competition Council, on a plan for avoiding contract terms in procurement agreements that make it challenging or impossible for the Department of Defense or service members to repair their own equipment, particularly in the field.”
- k. For more information on international RDT&E projects, see CRS In Focus IFI2425, *Defense Primer: International Armaments Cooperation*, coordinated by Luke A. Nicastro.
- l. The NSE is defined at 50 U.S.C. §2501.

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