

UNCLASSIFIED

**Department of War
Fiscal Year (FY) 2027 Budget Estimates**

April 2026



Office of the Secretary Of Defense

Defense-Wide Justification Book Volume 1 of 2

Defense Strategic Capital Credit Program

UNCLASSIFIED

UNCLASSIFIED

THIS PAGE INTENTIONALLY LEFT BLANK

UNCLASSIFIED

UNCLASSIFIED

Office of the Secretary Of Defense • Budget Estimates FY 2027 • Procurement

Table of Volumes

Chemical and Biological Defense Program.....Volume 1

Defense Counterintelligence and Security Agency.....Volume 1

Defense Information Systems Agency.....Volume 1

Defense Logistics Agency.....Volume 1

Defense Media Activity.....Volume 1

Defense POW MIA Accounting Agency.....Volume 1

Defense Production Act Purchases.....Volume 1

Defense Threat Reduction Agency.....Volume 1

Department of Defense Education Activity.....Volume 1

DoD Human Resources Activity.....Volume 1

Office of the Secretary Of Defense.....Volume 1

The Joint Staff.....Volume 1

United States Cyber Command.....Volume 1

United States Special Operations Command.....Volume 1

Washington Headquarters Services.....Volume 1

Missile Defense Agency.....Volume 2

UNCLASSIFIED

UNCLASSIFIED

THIS PAGE INTENTIONALLY LEFT BLANK

UNCLASSIFIED

UNCLASSIFIED

Office of the Secretary Of Defense • Budget Estimates FY 2027 • Procurement

Volume 1 Table of Contents

Comptroller Exhibit P-1.....Volume 1 - v
Line Item Table of Contents (by Appropriation then Line Number)..... Volume 1 - xv
Line Item Table of Contents (Alphabetically by Line Item Title)..... Volume 1 - xvii
Executive Summary for Defense Strategic Capital Credit Program.....Volume 1 - xix
Exhibit P-40s..... Volume 1 - 1

UNCLASSIFIED

UNCLASSIFIED

THIS PAGE INTENTIONALLY LEFT BLANK

UNCLASSIFIED

UNCLASSIFIED

Department of War
FY 2027 President's Budget
Exhibit P-1
Total Obligational Authority
DoW Component Summary
(Dollars in Thousands)

Apr 2026

<u>Appropriation Summary</u>	FY 2025	FY 2026	FY 2026 PL 119-21	FY 2026 Total
	Actuals	Discretionary Enacted	Spend Plan	
Defense Strategic Capital Credit Program	288,249	97,770	1,350,000	1,447,770
Total Defense-Wide	288,249	97,770	1,350,000	1,447,770
Grand Total Department of War	288,249	97,770	1,350,000	1,447,770

UNCLASSIFIED

Department of War
FY 2027 President's Budget
Exhibit P-1
Total Obligational Authority
DoW Component Summary
(Dollars in Thousands)

Apr 2026

<u>Appropriation Summary</u>	FY 2027 Discretionary Request	FY 2027 Mandatory Request	FY 2027 Total
Defense Strategic Capital Credit Program	216,000	20,000,000	20,216,000
Total Defense-Wide	216,000	20,000,000	20,216,000
Grand Total Department of War	216,000	20,000,000	20,216,000

UNCLASSIFIED

Defense-Wide
FY 2027 President's Budget
Exhibit P-1
Total Obligational Authority
Defense Summary
(Dollars in Thousands)

Apr 2026

<u>Appropriation Summary</u>	FY 2025	FY 2026	FY 2026 PL 119-21	FY 2026 Total
	Actuals	Discretionary Enacted	Spend Plan	
Defense Strategic Capital Credit Program	288,249	97,770	1,350,000	1,447,770
Total Defense-Wide	288,249	97,770	1,350,000	1,447,770

UNCLASSIFIED

UNCLASSIFIED

Defense-Wide
FY 2027 President's Budget
Exhibit P-1
Total Obligational Authority
Defense Summary
(Dollars in Thousands)

Apr 2026

Appropriation Summary

	FY 2027 Discretionary Request	FY 2027 Mandatory Request	FY 2027 Total
Defense Strategic Capital Credit Program	216,000	20,000,000	20,216,000
Total Defense-Wide	216,000	20,000,000	20,216,000

UNCLASSIFIED

Department of War
FY 2027 President's Budget
Exhibit P-1
Total Obligational Authority
(Dollars in Thousands)

Apr 2026

Organization: Procurement, Defense-Wide	FY 2025	FY 2026	FY 2026 PL 119-21	FY 2026 Total
	Actuals	Discretionary Enacted	Spend Plan	
Secretary of Defense, OSD	288,249	97,770	1,350,000	1,447,770
Total Defense-Wide	288,249	97,770	1,350,000	1,447,770

UNCLASSIFIED

Department of War
FY 2027 President's Budget
Exhibit P-1
Total Obligational Authority
(Dollars in Thousands)

Apr 2026

Organization: Procurement, Defense-Wide	FY 2027 Discretionary Request	FY 2027 Mandatory Request	FY 2027 Total
Secretary of Defense, OSD	216,000	20,000,000	20,216,000
Total Defense-Wide	216,000	20,000,000	20,216,000

UNCLASSIFIED

Defense-Wide
 FY 2027 President's Budget
 Exhibit P-1
 Total Obligational Authority
 0362D Budget Activity Summary
 (Dollars in Thousands)

Apr 2026

Appropriation: Defense Strategic Capital Credit Program

	FY 2025 Actuals	FY 2026		FY 2026 Total
		Discretionary Enacted	FY 2026 PL 119-21 Spend Plan	
<u>Budget Activity</u>				
01. DIRECT LOAN SUBSIDY	288,249	97,770	1,350,000	1,447,770
Total Defense Strategic Capital Credit Program	288,249	97,770	1,350,000	1,447,770

UNCLASSIFIED

Defense-Wide
FY 2027 President's Budget
Exhibit P-1
Total Obligational Authority
0362D Budget Activity Summary
(Dollars in Thousands)

Apr 2026

Appropriation: Defense Strategic Capital Credit Program

	FY 2027 Discretionary Request	FY 2027 Mandatory Request	FY 2027 Total
<u>Budget Activity</u>			
01. DIRECT LOAN SUBSIDY	216,000	20,000,000	20,216,000
Total Defense Strategic Capital Credit Program	216,000	20,000,000	20,216,000

UNCLASSIFIED

Defense-Wide
 FY 2027 President's Budget
 Exhibit P-1
 Total Obligational Authority
 0362D Detail
 (Dollars in Thousands)

Apr 2026

Appropriation: 0362 Defense Strategic Capital Credit Program			FY 2025 Actuals		FY 2026 Discretionary Enacted		FY 2026 PL 119-21 Spend Plan		FY 2026 Total		
Line No	Item Nomenclature	Ident Code	Sec	Qty	Cost	Qty	Cost	Qty	Cost	Qty	Cost
<u>Budget Activity 01: DIRECT LOAN SUBSIDY</u>											
Defense Strategic Capital Credit Program											
1	Office of Strategic Capital Loan Program		U		288,249		97,770		1,350,000		1,447,770
Total DIRECT LOAN SUBSIDY					288,249		97,770		1,350,000		1,447,770
Total Defense Strategic Capital Credit Program					288,249		97,770		1,350,000		1,447,770

UNCLASSIFIED

Defense-Wide
 FY 2027 President's Budget
 Exhibit P-1
 Total Obligational Authority
 0362D Detail
 (Dollars in Thousands)

Apr 2026

Appropriation: 0362 Defense Strategic Capital Credit Program			FY 2027 Discretionary Request		FY 2027 Mandatory Request		FY 2027 Total		
Line No	Item Nomenclature	Ident Code	Sec	Qty	Cost	Qty	Cost	Qty	Cost
<u>Budget Activity 01: DIRECT LOAN SUBSIDY</u>									
Defense Strategic Capital Credit Program									
1	Office of Strategic Capital Loan Program		U		216,000		20,000,000		20,216,000
Total DIRECT LOAN SUBSIDY					216,000		20,000,000		20,216,000
Total Defense Strategic Capital Credit Program					216,000		20,000,000		20,216,000

UNCLASSIFIED

Office of the Secretary Of Defense • Budget Estimates FY 2027 • Procurement

Line Item Table of Contents (by Appropriation then Line Number)

Appropriation 0362D: Defense Strategic Capital Credit Program

Line #	BA	BSA	Line Item Number	Line Item Title	Page
1	01	10	OSCLOANS	Office of Strategic Capital Loan Program.....	Volume 1 - 1

UNCLASSIFIED

THIS PAGE INTENTIONALLY LEFT BLANK

UNCLASSIFIED

UNCLASSIFIED

Office of the Secretary Of Defense • Budget Estimates FY 2027 • Procurement

Line Item Table of Contents (Alphabetically by Line Item Title)

Line Item Title	Line Item Number	Line #	BA	BSA	Page
Office of Strategic Capital Loan Program	OSCLOANS	1	01	10.....	Volume 1 - 1

UNCLASSIFIED

UNCLASSIFIED

THIS PAGE INTENTIONALLY LEFT BLANK

UNCLASSIFIED

Executive Summary for Defense Strategic Capital Credit Program Office of the Secretary of War

Table 1: Funding Overview

	<u>FY 2025 (\$K)</u>	<u>FY 2026 (\$K)</u>	<u>FY 2027 (\$K)</u>
Discretionary	\$138,249	\$97,770	\$216,000
Mandatory	\$150,000	\$1,350,000	\$20,000,000
Total	\$288,249	\$1,447,770	\$20,216,000

Table 2: Detailed Mandatory Breakout

<u>BLI</u>	<u>Reconciliation Bin Title</u>	<u>FY 2025 (\$K)</u>	<u>FY 2026 (\$K)</u>	<u>FY 2027 (\$K)</u>
OSCLOANS	Defense Industrial Base	\$0	\$0	\$20,000,000
OSCLOANS	Low-Cost Weapons	\$0	\$1,000,000	\$0
OSCLOANS	Munitions and Supply Chain (MSC)	\$150,000	\$350,000	\$0
Mandatory Total		\$150,000	\$1,350,000	\$20,000,000

MANDATORY FUNDING JUSTIFICATION: The FY 2027 request for the Defense Strategic Capital Credit Program includes \$216,000 thousand of discretionary and \$20,000,000 thousand of mandatory (reconciliation) for a total of \$20,216,000 thousand.

Defense Industrial Base

The mandatory funds provide additional incremental subsidy required to execute direct loans using a revised average credit subsidy rate of approximately 10%. As the Office of Strategic Capital (OSC) OSC moves to support the national security Executive Orders from President Trump that referenced OSC (Maritime Dominance, Drone Dominance, Mineral Production), incremental credit subsidy is needed to lend to companies seeking to scale in critical national security supply chains. OSC will also support component level supply chains that support both commercial and defense industrial base sectors. Many of the companies in these supply chains are in

growth stage and are likely to model at higher credit risk ratings, which will require credit subsidy rates over 10%. Importantly, OSC needs flexibility not to charge undue cash interest to growing companies in the supply chain that need OSC support in order to fulfill critical national security missions.

The FY 2026 spend plan amount for the Defense Strategic Capital Credit Program includes \$97,770 thousand of discretionary and \$1,350,000 thousand of mandatory (reconciliation) for a total of \$1,447,770 thousand.

The FY 2025 spend plan amount for the Defense Strategic Capital Credit Program includes \$138,249 thousand of discretionary and \$150,000 thousand of mandatory (reconciliation) for a total of \$288,249 thousand.

UNCLASSIFIED

Exhibit P-40, Budget Line Item Justification: PB 2027 Office of the Secretary Of Defense **Date:** April 2026

Appropriation / Budget Activity / Budget Sub Activity: 0362D: Defense Strategic Capital Credit Program / BA 01: DIRECT LOAN SUBSIDY / BSA 10: Defense Strategic Capital Credit Program	P-1 Line Item Number / Title: OSCLOANS / Office of Strategic Capital Loan Program
---	---

ID Code (A=Service Ready, B=Not Service Ready): A	Program Elements for Code B Items: N/A	Other Related Program Elements: 0901579D8Z, 0604679D8Z
--	---	---

Line Item MDAP/MAIS Code: N/A

Resource Summary	Prior Years	FY 2025	FY 2026	FY 2027 Base	FY 2027 OOC	FY 2027 Total	FY 2028	FY 2029	FY 2030	FY 2031	To Complete	Total
<i>Procurement Quantity (Units in Each)</i>	-	-	-	-	-	-	-	-	-	-	-	-
<i>Gross/Weapon System Cost (\$ in Millions)</i>	288.249	288.249	97.770	216.000	-	216.000	254.808	216.267	534.420	533.746	-	2,429.509
<i>Less PY Advance Procurement (\$ in Millions)</i>	-	-	-	-	-	-	-	-	-	-	-	-
<i>Net Procurement (P-1) (\$ in Millions)</i>	288.249	288.249	97.770	216.000	-	216.000	254.808	216.267	534.420	533.746	-	2,429.509
<i>Plus CY Advance Procurement (\$ in Millions)</i>	-	-	-	-	-	-	-	-	-	-	-	-
Total Obligation Authority (\$ in Millions)	288.249	288.249	97.770	216.000	-	216.000	254.808	216.267	534.420	533.746	-	2,429.509

(The following Resource Summary rows are for informational purposes only. The corresponding budget requests are documented elsewhere.)

<i>Initial Spares (\$ in Millions)</i>	-	-	-	-	-	-	-	-	-	-	-	-
<i>Flyaway Unit Cost (\$ in Millions)</i>	-	-	-	-	-	-	-	-	-	-	-	-
<i>Gross/Weapon System Unit Cost (\$ in Millions)</i>	-	-	-	-	-	-	-	-	-	-	-	-

Description:

In support of the Department of War (DoW), the Office of Strategic Capital's (OSC) mission is to attract and scale private capital to technologies critical to the national and economic security of the United States. To accomplish its mission, OSC uses loans, loan guarantees, and technical assistance – an efficient use of taxpayer dollars – to crowd in investment by aligning government and private sector incentives. The office's tools take advantage of the power of markets and competition to support DoW needs. OSC's investments are guided by: (i) control of economic chokepoints; (ii) scaling of key industries, and (iii) commercialization of critical technologies. OSC investments will provide the DoW advantages in all these competitive arenas, especially by securing critical supply chains and rebuilding the industrial base.

Specifically, this program funding will be utilized to:

- Develop new financial products, such as direct equipment finance loans for manufacturers, project finance loans to support capital intensive projects, working capital loans for businesses in need of short-term financing, and loan guarantees through private banks.
- Provide loans, loan guarantees and technical assistance to businesses, funds, and other entities within the 33 Covered Technology Categories (CTC) prescribed by Congress.
- Identify and prioritize areas for investment through engagements with the Services, Combatant Commands, National Security Council, and other interagency partners.
- Create new data tools to map economic networks to determine chokepoints that impact U.S. national and economic security.
- Increase private capital investment to enhance the commercialization of DoW and United States Government (USG) science & technology investments.

The FY 2027 request for the OSC Loan Program Subsidy includes \$216,000 thousand of discretionary and \$20,000,000 thousand of mandatory (reconciliation) for a total of 22,160,000 thousand. The FY 2027 mandatory funds continue efforts from FY 2026 to finance credit subsidy cost of new direct loans authorized under the One Big Beautiful Bill Act (OBBBA). At an assumed subsidy rate of 10 percent, the \$20 billion in mandatory budget authority supports approximately \$200 billion in direct loan obligation capacity to eligible defense industrial base borrowers.

The FY 2026 spend plan amount for OSC Loan Program Subsidy includes \$97,770 thousand of discretionary and \$1,350,000 thousand of mandatory (reconciliation) for a total of \$1,447,770 thousand.

The FY 2025 spend plan amount for OSC Loan Program Subsidy includes \$138,249 thousand of discretionary and \$150,000 thousand of mandatory (reconciliation) for a total of \$288,249 thousand.

Justification:

The FY 2027 discretionary request of \$216,000 thousand will provide the means to finance a variety of loan products such as: direct equipment finance loans for manufacturers, project finance loans to support capital intensive projects, working capital loans for businesses in need of short-term financing, and loan guarantees through private banks.

UNCLASSIFIED

Exhibit P-40, Budget Line Item Justification: PB 2027 Office of the Secretary Of Defense		Date: April 2026
Appropriation / Budget Activity / Budget Sub Activity: 0362D: Defense Strategic Capital Credit Program / BA 01: DIRECT LOAN SUBSIDY / BSA 10: Defense Strategic Capital Credit Program		P-1 Line Item Number / Title: OSCLOANS / Office of Strategic Capital Loan Program
ID Code (A=Service Ready, B=Not Service Ready): A	Program Elements for Code B Items: N/A	Other Related Program Elements: 0901579D8Z, 0604679D8Z
Line Item MDAP/MAIS Code: N/A		

The mandatory funds provides additional incremental subsidy required to execute direct loans using a revised average credit subsidy rate of approximately 10%. As OSC moves to support the national security Executive Orders from President Trump that referenced OSC (Maritime Dominance, Drone Dominance, Mineral Production), incremental credit subsidy is needed to lend to companies seeking to scale in critical national security supply chains. OSC will also support component level supply chains that support both commercial and defense industrial base sectors. Many of the companies in these supply chains are in growth stage and are likely to model at higher credit risk ratings, which will require credit subsidy rates over 10%. Importantly, OSC needs flexibility not to charge undue cash interest to growing companies in the supply chain that need OSC support in order to fulfill critical national security missions.

Funding supports the following focus areas:

(1) Critical Technologies Limited Partnership Program (CTLP): This program provides loans, loan guarantees, and technical assistance to investment funds to increase their investable capital for investments in portfolio companies within the 31 CTCs, as described in the FY 2024 NDAA Section 903 vital to national and economic security. The intent is to increase investment in unaddressed and underserved sectors critical to national security by attracting private capital and aligning incentives within the mission of the OSC. The CTLP Program is designed to attract sophisticated private sector investment funds through market-aligned terms and conditions that smooth out capital calls to private investors and enhance efficiencies and returns.

FY 2026 Plans: Expand the CTLP Program to increase the investment in businesses focused on CTCs vital to U.S. national and economic security. This program will build on lessons learned from the Small Business Investment Company Critical Technologies Initiative (SBICCT Initiative).

FY 2027 Plans: Expand the CTLP Program to increase the investment in businesses focused on CTCs vital to U.S. national and economic security. Additional focus will be placed on current priorities including maritime industrial base, critical minerals, and drone technology.

(2) Credit Program: This program provides direct loans, loan guarantees, and technical assistance to businesses operating within the 31 CTCs mandated by Congress in the FY2024 NDAA Section 903. These companies require significant debt capital to expand manufacturing, secure critical supply chains, and produce components that are the foundation of key capabilities. Given the market risk of businesses within the 33 CTCs, private debt financing is often insufficient or otherwise inaccessible. As a result, private companies are unable to compete especially against businesses that receive direct support from adversary countries.

FY 2026 Plans: Continue to execute direct loan product for equipment finance based in loan applications accepted in 2025. Received more than 200 loan applications, representing \$8.9 billion in financing requests. Conduct credit underwriting, perform national security assessments, draft the necessary documentation to finalize ten loans, and issue intent to commit. Plan for and release next rounds of credit offerings based on current priorities including maritime industrial base, critical minerals, and drone technology.

FY 2027 Plans: Complete execution of loan products from FY 2025 applications. Begin to execute loan products against second round of credit offerings announced in FY 2026.