July 15, 2026

The Honorable Roger Wicker Chairman Senate Armed Services Committee Washington, DC 20510	The Honorable Jack Reed Ranking Member Senate Armed Services Committee Washington, DC 20510

Re: Section 815 of S. 4784, the National Defense Authorization Act for Fiscal Year 2027

Dear Chairman Wicker and Ranking Member Reed:

On behalf of the CHRO Association, I write to express our strong opposition to Section 815 of the FY27 National Defense Authorization Act (NDAA), "Limitations Relating to Capital Distributions for Defense Contractors." As drafted, Section 815 would condition eligibility for Department of Defense (DoD) contracts on a contractor's agreement to forgo stock repurchases of its publicly traded shares and to refrain from paying dividends or other capital distributions for the duration of a contract, unless the Secretary of Defense grants a waiver. The restriction applies broadly to contractors providing any goods or services to the DoD.

The **CHRO Association** is a public policy advocacy organization that represents the most senior human resource officers (CHROs) in nearly 400 of the largest corporations across industries doing business in the United States and globally. Collectively, these companies employ more than 10 million employees in the United States, nearly nine percent of the private sector workforce, and 20 million employees worldwide. Approximately two-thirds of the Association's members are federal contractors, including those operating within the defense industry.

CHROs are responsible for workforce strategy, long-term talent investment, and the stability of the employment ecosystem that supports national security missions. Section 815 would create significant uncertainty for employers and employees alike by penalizing routine, lawful capital allocation practices that many public companies use to manage their cost of capital, support pension obligations, and attract the private investment needed to expand capacity. The predictable result will be to discourage some firms—particularly publicly traded, innovation-driven businesses—from competing for defense work, reducing competition and resilience in DoD supply chains.

Section 815 would be harmful for three principal reasons:

1. **It would deter participation in defense procurement.** Conditioning awards on restrictions on share repurchases and dividends is an unprecedented procurement lever that will cause some contractors and potential entrants to reassess whether they can bid on DoD work at all—especially where they have existing commitments to shareholders, lenders, or broad-based employee owners.

2. **It risks unintended consequences for employees and retirement security.** Many defense contractors' employees participate in retirement plans invested in diversified public markets. A policy designed to restrict capital returns at individual firms can ripple into equity valuation, access to capital, and ultimately workforce decisions—hiring, training budgets, facility investments, and compensation planning. While Section 815 includes "workforce training programs and facilities" as a potential qualifying investment, the coercive structure of the provision would still push companies toward compliance exercises rather than the right long-term investments driven by operational need.

3. **It turns federal contracting into a tool for policing corporate governance.** Section 815 would invite federal intrusion into lawful corporate governance decisions that boards make pursuant to fiduciary duties. Federal procurement has long assessed contractors on their capacity and performance—not on whether Congress approves of lawful financial decisions unrelated to executing a DoD contract. By prohibiting dividends, share repurchases, and other capital distributions unless the government grants a waiver, Section 815 would effectively transfer routine capital allocation decisions from corporate leadership to policymakers.

   More broadly, Section 815 would set a troubling precedent by using procurement policy to steer lawful corporate conduct unrelated to contractor performance. Conditioning a contractor's ability to return capital to shareholders on government approval departs from the core principle that contracting should turn on a company's ability to meet mission requirements. Once procurement is used to regulate corporate behavior beyond performance, future Congresses or administrations could deploy similar restrictions to advance unrelated policy objectives—at the expense of efficient contracting and the defense industrial base.

For these reasons, we urge you to oppose inclusion of Section 815 in the final NDAA for FY2027 and to work with the Armed Services Committee to remove this provision during floor consideration and conference.

Sincerely,

Chatrane Birbal

Chatrane Birbal
Senior Vice President, Public Policy & Government Relations
CHRO Association

cc: **U.S. Senate**
U.S. House of Representatives