

119TH CONGRESS
2D SESSION

S. 4212

To require contractors of the Department of Defense to prioritize meeting warfighter needs over the purchase of their own securities and executive compensation, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MARCH 25, 2026

Ms. WARREN (for herself and Mr. HAWLEY) introduced the following bill;
which was read twice and referred to the Committee on Armed Services

A BILL

To require contractors of the Department of Defense to
prioritize meeting warfighter needs over the purchase
of their own securities and executive compensation, and
for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as “Prioritizing the Warfighter
5 in Defense Contracting Act of 2026”.

6 **SEC. 2. DEFINITIONS.**

7 In this Act:

1 (1) APPROPRIATE CONGRESSIONAL COMMIT-
2 TEES.—The term “appropriate congressional com-
3 mittees” means—

4 (A) the Committee on Armed Services and
5 the Committee on Homeland Security and Gov-
6 ernmental Affairs of the Senate; and

7 (B) the Committee on Armed Services and
8 the Committee on Oversight and Government
9 Reform of the House of Representatives.

10 (2) COVERED EMPLOYEE.—The term “covered
11 employee” means an employee, executive, or officer.

12 (3) EQUITY SECURITY.—The term “equity secu-
13 rity” has the meaning given such term in section
14 3(a) of the Securities Exchange Act of 1934 (15
15 U.S.C. 78c(a)).

16 (4) COVERED COMPENSATION.—The term “cov-
17 ered compensation”—

18 (A) means—

19 (i) salary;

20 (ii) bonuses;

21 (iii) any compensation that is granted,
22 earned, or vested based wholly or in part
23 upon the attainment of any financial re-
24 porting measure or other performance met-
25 ric;

- 1 (iv) equity-based compensation;
- 2 (v) time- or service-based awards;
- 3 (vi) awards based on nonfinancial
- 4 metrics; and
- 5 (vii) any profits realized from the buy-
- 6 ing or selling of securities; and
- 7 (B) does not include—
- 8 (i) routine employee 401(k) plans; or
- 9 (ii) employee stock ownership plans.

10 (5) LARGE CONTRACTOR.—The term “large
 11 contractor” means a contractor that received more
 12 than \$250,000,000 in annual revenue from contracts
 13 or licenses from the Department of Defense in any
 14 of the previous 3 years.

15 (6) NATIONAL SECURITIES EXCHANGE.—The
 16 term “national securities exchange” means an ex-
 17 change registered as a national securities exchange
 18 in accordance with section 6 of the Securities Ex-
 19 change Act of 1934 (15 U.S.C. 78f).

20 (7) SHORT-TERM FINANCIAL METRICS.—The
 21 term “short-term financial metrics” means—

- 22 (A) free cash flow;
- 23 (B) operating cash flow; and
- 24 (C) earnings per share driven by stock
- 25 buy-backs.

1 **SEC. 3. LIMITATIONS ON CONTRACTORS OF DEPARTMENT**
2 **OF DEFENSE.**

3 (a) IN GENERAL.—The Secretary of Defense may not
4 enter into a contract with a large contractor for the pro-
5 curement of goods or services unless such contractor
6 agrees in writing that—

7 (1) the entity shall not—

8 (A) purchase an equity security of such en-
9 tity, or any parent entity of such entity, that is
10 listed on a national securities exchange; or

11 (B) pay dividends or make any other cap-
12 ital distribution with respect to the equity secu-
13 rities of the entity; and

14 (2) the covered compensation of a covered em-
15 ployee of such entity shall—

16 (A) comply with the requirements of sec-
17 tion 3744 of title 10, United States Code;

18 (B) not be linked to short-term financial
19 metrics; and

20 (C) not exceed \$5,000,000 per calendar
21 year.

22 (b) COMPLIANCE PLAN AND PROCEDURES.—

23 (1) IN GENERAL.—Any contractor subject to
24 the requirements of subsection (a) shall develop and
25 implement a plan to prevent the activities prohibited
26 under that subsection.

1 (2) CERTIFICATION.—Prior to entering into a
2 contract with the Department of Defense, and annu-
3 ally thereafter for the duration of the contract, a
4 contractor shall submit to the contracting officer of
5 the Department a certification that to the best of
6 the knowledge of the contractor, neither the con-
7 tractor nor any covered employee of the contractor
8 is engaged in any of the activities prohibited under
9 subsection (a).

10 (c) WAIVER AUTHORITY.—

11 (1) IDENTIFICATION OF CONTRACTORS ELIGI-
12 BLE FOR WAIVER.—Beginning on the date of the en-
13 actment of this Act, and on a rolling basis there-
14 after, the Secretary of Defense—

15 (A) shall review and determine whether a
16 large contractor meets the contractor metrics
17 described in paragraph (4); and

18 (B) for any large contractor assessed by
19 the Secretary to meet such metrics, may grant
20 the contractor a waiver of the requirements of
21 subsection (a).

22 (2) NOTICE.—For any waiver granted under
23 paragraph (1), the Secretary shall submit to the ap-
24 propriate congressional committees notification of
25 the waiver that includes justification for the waiver.

1 (3) ANNUAL REVIEW.—

2 (A) IN GENERAL.—For any contractor
3 granted a waiver under paragraph (1), the Sec-
4 retary shall conduct, not later than 1 year after
5 the date on which the contractor was granted a
6 waiver under such paragraph and not less fre-
7 quently than once a year thereafter, a review to
8 determine whether the contractor continues to
9 meet the metrics described in paragraph (4).

10 (B) AUTHORITY TO REVOKE WAIVER.—
11 The Secretary may revoke a waiver issued to
12 any contractor that the Secretary determines,
13 during a review conducted pursuant to subpara-
14 graph (A), no longer meets the metrics de-
15 scribed in paragraph (4).

16 (4) CONTRACTOR METRICS.—The contractor
17 metrics described in this paragraph are as follows:

18 (A) Not less than 80 percent of the time
19 during the preceding fiscal year, the contractor
20 met contract requirements regarding delivery
21 dates with demonstrated, fieldable capability or
22 associated technical achievement.

23 (B) Not less than 80 percent of the time
24 during the preceding fiscal year, the contractor
25 met contract readiness requirements.

1 (C) Not less than 80 percent of the time
2 during the preceding fiscal year, the contractor
3 demonstrated technical performance metrics
4 and regular value assessments with the user
5 community.

6 (D) Not less than 80 percent of the time
7 during the preceding fiscal year, the contractor
8 responded to requests for certified or
9 uncertified cost or pricing data by the due date
10 stated in the request for submissions.

11 (5) RULE OF CONSTRUCTION.—Nothing in this
12 subsection may be construed to supersede existing
13 limitations that restrict Federal funds from being
14 used for contractor employee compensation.

15 (d) REVIEW AND ENFORCEMENT.—

16 (1) ESTABLISHMENT OF FORMAL REVIEW
17 PROCESS.—Not later than 30 days after the date of
18 the enactment of this Act, the Secretary of Defense
19 shall establish a formal review mechanism for identi-
20 fying, on a continuing basis, Defense contractors
21 that are in violation of the requirements of sub-
22 section (a).

23 (2) RENEGOTIATION OF EXISTING CON-
24 TRACTS.—

1 (A) REVIEW AND IDENTIFICATION.—The
 2 Secretary shall review all contracts in existence
 3 on the day before the date of the enactment of
 4 this Act and identify any contract to be modi-
 5 fied in the interest of the Department.

6 (B) RENEGOTIATION.—For each contract
 7 identified by the Secretary pursuant to sub-
 8 paragraph (A), the Secretary shall renegotiate
 9 such contract in accordance with the require-
 10 ments of this section.

11 (3) EVIDENCE AND NOTIFICATION OF VIOLA-
 12 TION.—

13 (A) IN GENERAL.—If a contracting officer
 14 of the Department finds, or receives and sub-
 15 stantiates, an allegation described in subpara-
 16 graph (B), the Secretary shall—

17 (i) immediately notify the contractor
 18 of the violation in writing; and

19 (ii) track and continually update the
 20 allegation in the Contractor Performance
 21 Assessment Reporting System and the Sys-
 22 tem for Award Management of the General
 23 Services Administration, for shared use
 24 across contracting officers.

(B) ALLEGATION DESCRIBED.—An allegation described in this subparagraph is any allegation relating to—

(i) a contractor of the Department or any covered employee of such contractor engaging in an activity prohibited under subsection (a), if the requirements of such subsection have not been waived under subsection (c)(1); or

(ii) a contractor who received a waiver under subsection (c)(1) that is underperforming with respect to prioritization, investment, or production such that the contractor no longer meets the contractor metrics described in subsection (c)(4).

(C) CONTENTS OF NOTICE.—The notice issued under subparagraph (A)(i) shall include, depending on the basis of the violation, a description of—

(i) the conduct of the contractor or the covered employee of the contractor that is prohibited under subsection (a); or

(ii) the nature of the underperformance or insufficient prioritization, investment, or production speed of the con-

1 tractor that fails to meet the contractor
2 metrics described in subsection (c)(4).

3 (4) REMEDIATION.—

4 (A) IN GENERAL.—Not later than 15 days
5 after the date on which the contractor receives
6 the notice of a violation under paragraph
7 (3)(A)(i), the contractor may submit to the Sec-
8 retary a remediation plan, approved by the
9 board of directors of the contractor, for review
10 by the Secretary.

11 (B) CONTENT OF PLAN.—The remediation
12 plan submitted under subparagraph (A) shall
13 include a description of the manner by which
14 the contractor shall remedy the violation, in-
15 cluding, if applicable, a strategy for meeting the
16 contractor metrics described in subsection
17 (c)(4).

18 (C) IDENTIFICATION OF DEFICIENCIES.—
19 If the Secretary identifies deficiencies in the re-
20 mediation plan submitted under subparagraph
21 (A), the Secretary shall engage with the con-
22 tractor as needed to resolve such deficiencies.

23 (5) PENALTIES.—If a contractor engages in an
24 activity prohibited under subsection (a) and was not
25 granted a waiver under subsection (c)(1) or if the

1 contractor was granted a waiver under subsection
2 (c)(1) but no longer meets the contractor metrics de-
3 scribed in subsection (c)(4), the contracting officer
4 of the Department may take one or more of the fol-
5 lowing actions against the contractor:

6 (A) Suspend payment under one or more
7 contracts, at the discretion of the Department.

8 (B) Revoke the waiver issued under sub-
9 section (c)(1).

10 (C) Terminate the eligibility of the con-
11 tractor to receive progress payments under sec-
12 tion 3804 of title 10, United States Code.

13 (D) Terminate the contract for default or
14 cause in accordance with the termination clause
15 for the contract.

16 (E) Refer the matter to the Secretary to
17 claw back all or part of the covered compensa-
18 tion given to a covered employee.

19 (F) Refer the matter to the relevant sus-
20 pension and debarment official.

21 (G) Refer the matter to the Secretary for
22 other administrative actions.

23 (H) Refer the matter to the Attorney Gen-
24 eral for prosecution under any applicable law.

1 (I) Cease advocacy for the contractor for
2 foreign military sales and direct commercial
3 sales.

4 (J) Prohibit the Department from entering
5 into a new contract with the contractor.

6 (e) REPORTS TO CONGRESS.—

7 (1) ANNUAL REPORT.—

8 (A) IN GENERAL.—Not later than one year
9 after the date of the enactment of this Act, and
10 annually thereafter, the Secretary of Defense
11 shall submit to the appropriate congressional
12 committees a report that includes, for the one-
13 year period preceding submission of the re-
14 port—

15 (i) a list of all contractors subject to
16 the requirements of subsection (a);

17 (ii) for each contractor, a copy of the
18 certification submitted under subsection
19 (b)(2);

20 (iii) a list of all contractors granted a
21 waiver under subsection (c)(1) and the jus-
22 tification for each waiver; and

23 (iv) a list of all entities that have vio-
24 lated the certification submitted under sub-
25 section (b)(2) or diverged from the prac-

1 tices that justified the granting of a waiver
2 under subsection (c)(1).

3 (B) PUBLICATION.—Not later than 30
4 days after the date of submission of the report
5 under subparagraph (A), the Secretary shall
6 make the report publicly available.

7 (2) QUARTERLY REPORT.—Not later than 90
8 days after the date of the enactment of this Act, and
9 not less frequently than once every 90 days there-
10 after, the Secretary shall submit to the appropriate
11 congressional committees a report that includes, for
12 the period covered by the report—

13 (A) a list of all of the contractors that sub-
14 mitted a request for a waiver under subsection
15 (c)(1); and

16 (B) the unclassified summaries of the ma-
17 terials submitted by such contractors to the De-
18 partment in support of the requests for a waiv-
19 er.

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