



**CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE**

June 26, 2014

H.R. 4809
**A bill to reauthorize the Defense Production Act, to improve the Defense
 Production Act Committee, and for other purposes**

As ordered reported by the House Committee on Financial Services on June 11, 2014

SUMMARY

H.R. 4809 would authorize the appropriation, through fiscal year 2019, of such sums as may be necessary to carry out the provisions of the Defense Production Act of 1950 (DPA). CBO estimates that implementing the act would cost \$390 million over the 2015-2019 period, assuming appropriation of the necessary amounts.

Pay-as-you-go procedures do not apply to this legislation because it would not affect direct spending or revenues.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 4809 is shown in the following table. The costs of this legislation fall within budget functions 050 (national defense) and 450 (community and regional development).

	By Fiscal Year, in Millions of Dollars					2015- 2019
	2015	2016	2017	2018	2019	
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Estimated Authorization Level	135	135	135	135	135	675
Estimated Outlays	20	55	90	105	120	390

BASIS OF ESTIMATE

For this estimate, CBO assumes that the estimated authorizations will be appropriated near the start of each fiscal year beginning with 2015 and that outlays will follow historical patterns for existing programs.

H.R. 4809 would reauthorize many expiring provisions of the Defense Production Act of 1950. To ensure or enable production of materials, resources, equipment, and technologies that are essential to the national defense, the DPA authorizes the President to:

- Require that top priority be given to contracts and orders to meet national defense requirements (title I);
- Allocate materials, services, and facilities among the public and private sectors as necessary to promote the national defense in an emergency (title I);
- Make loan guarantees, direct loans, and direct purchases, and to provide purchase guarantees and production subsidies (title III); and
- Void international mergers that would adversely affect national security, and enable cooperative agreements between companies that might otherwise violate antitrust laws (title VII).

Section 711 of the DPA, which expires at the end of fiscal year 2014, authorizes the appropriation of such sums as may be necessary for those purposes. Section 1 of H.R. 4809 would extend that authorization for the 2015-2019 period.

In addition, several sections of H.R. 4809 would modify other provisions of the DPA; CBO estimates that those modifications would not significantly affect spending.

Over the past five years, annual appropriations to the DPA Purchases account have averaged \$133 million. In recent years, the account has been used to support development of the biofuel industry and companies that produce specialized components for U.S. space systems. Many of those purchases are part of ongoing efforts to develop and support those industries. CBO estimates that implementing the authority in the DPA would cost \$390 million over the 2015-2019 period, assuming appropriation of the necessary amounts.

PAY-AS-YOU-GO CONSIDERATIONS: None.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

CBO has not reviewed H.R. 4809 for intergovernmental or private-sector mandates. Section 4 of the Unfunded Mandates Reform Act excludes from the application of that act any legislative provisions that are necessary for the national security. CBO has determined that the provisions of the Defense Production Act of 1950, as reauthorized by H.R. 4809, would fall under that exclusion.

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