

### At a Glance

## H.R. 6609, Foreign Military Sales Technical, Industrial, and Governmental Engagement for Readiness Act

As ordered reported by the House Committee on Foreign Affairs on February 6, 2024

By Fiscal Year, Millions of Dollars	2024	2024-2029	2024-2034
Direct Spending (Outlays)	<b>92</b>	<b>1,045</b>	<b>1,100</b>
Revenues	<b>0</b>	<b>0</b>	<b>0</b>
Increase or Decrease (-) in the Deficit	<b>92</b>	<b>1,045</b>	<b>1,100</b>

Spending Subject to Appropriation (Outlays)	*	*	*
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Increases <i>net direct spending</i> in any of the four consecutive 10-year periods beginning in 2035?	No	Statutory pay-as-you-go procedures apply?	Yes
<b>Mandate Effects</b>			
Increases <i>on-budget deficits</i> in any of the four consecutive 10-year periods beginning in 2035?	No	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	No

\* = between zero and \$500,000.

#### The bill would

- Authorize the Department of Defense to transfer funding to the Special Defense Acquisition Fund from its other accounts
- Authorize the Administration to fulfill military sales to Taiwan using items in U.S. inventory if sales take longer than three years to deliver the newly manufactured items under contract
- Amend Congressional notification and reporting thresholds set by the Arms Export Control Act

#### Estimated budgetary effects would mainly stem from

- Transfer authority for the Department of Defense

#### Areas of significant uncertainty include

- Anticipating the amount of funds the Department of Defense would transfer into the Special Defense Acquisition Fund

**Detailed estimate begins on the next page.**

## Bill Summary

H.R. 6609 would authorize the Department of Defense (DoD) to transfer funds from its other accounts to the Special Defense Acquisition Fund (SDAF). The bill also would authorize the Administration to fulfill military sales to Taiwan using items in U.S. inventory if sales take longer than three years to deliver the newly manufactured items under contract. Finally, the bill would amend certain notification and reporting thresholds for foreign military sales.

## Estimated Federal Cost

The estimated budgetary effects of H.R. 6609 are shown in Table 1. The costs of the legislation fall within budget functions 050 (national defense) and 150 (international affairs).

<b>Table 1. Estimated Budgetary Effects of H.R. 6609</b>													
	<b>By Fiscal Year, Millions of Dollars</b>											<b>2024- 2029</b>	<b>2024- 2034</b>
	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>	<b>2032</b>	<b>2033</b>	<b>2034</b>		
	<b>Increases in Direct Spending</b>												
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	92	329	351	185	88	55	0	0	0	0	0	1,045	1,100

In addition to the amounts shown here, implementing the bill would increase spending subject to appropriation by less than \$500,000 over the 2024-2034 period.

## Basis of Estimate

For this estimate, CBO assumes that H.R. 6609 will be enacted during 2024 and that spending for procurement using the SDAF will be similar to DoD spending rates for procurement of the same defense articles.

## Direct Spending

The SDAF is a revolving fund used to procure defense articles in anticipation of their future sale. Current law limits the sum of cash balances in the fund and the acquisition cost of defense articles currently in the SDAF stock to \$3.5 billion. The current value of the fund is \$1.3 billion.

The SDAF receives funding from payments for sales of defense articles available in the fund’s inventory; payments for the sales of defense articles from DoD’s inventory that the department will not replace; collections from foreign military sales for asset-use charges and nonrecurring costs for research, development, and production; and any amounts appropriated to the fund. In addition to those cash flows, H.R. 6609 would authorize the department to transfer amounts from other DoD accounts to the SDAF.



The transfer authority provided by H.R. 6609 does not limit the transfer of funds from specific acts or fiscal years, and therefore would allow DoD to transfer funds from amounts authorized and appropriated under previously enacted laws. Changes in outlays from appropriations available under current law are classified as direct spending. The SDAF is authorized under current law to obligate up to \$2.5 billion should amounts be available. CBO expects that the SDAF would obligate any funds transferred from DoD within the original period of availability. CBO anticipates that the DoD would transfer \$1.1 billion from currently available balances that would not otherwise be spent, increasing outlays by that amount over the 2024-2034 period (see Table 2).

**Table 2.**  
**Estimated Increases in Direct Spending Under H.R. 6609**

	By Fiscal Year, Millions of Dollars											2024-2029	2024-2034
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034		
Transfers into SDAF													
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	92	329	351	185	88	55	0	0	0	0	0	1,045	1,100

**Spending Subject to Appropriation**

H.R. 6609 would authorize the Administration to fulfill certain arms sales to Taiwan with defense articles from DoD inventory. The bill also would amend Congressional notification and reporting requirements relating to foreign military sales. Implementing those provisions would increase spending subject to appropriation by less than \$500,000 over the 2024-2034 period; such spending would be subject to the availability of appropriated funds.

**Equipment Transfers to Taiwan.** H.R. 6609 would require the Administration to use equipment in DoD’s inventory to fulfill any transfer or sale of equipment to Taiwan that has not been completed within three years of the date on which it notifies the Congress of the potential sale. The Administration would be authorized to waive the requirement, after notifying the Congress, if it determines it is in the national interest of the United States to do so.

Under current law, the Administration can transfer \$1 billion in equipment to Taiwan each year; that limitation would apply to the transfer requirement under H.R. 6609. The bill would not provide authority to receive reimbursements from Taiwan for the transferred defense articles or allow the Administration to take receipt of defense articles produced under an existing foreign military sale as payment for articles provided through drawdown authority.

Given the existing transfer authority and the ability to waive the related requirements of H.R. 6609, CBO expects that the Administration would not transfer any defense articles

pursuant to H.R. 6609 that it would not otherwise transfer under current law. Notifying the Congress of its intent to waive the transfer requirement would cost less than \$500,000 over the 2024-2034 period.

**Notifications and Reports.** Under the Arms Export Control Act, foreign military sales meeting certain dollar value thresholds are subject to Congressional notification and review. H.R. 6609 would raise the thresholds at which the Administration must notify the Congress of those sales. The bill also would require the Secretary of State to provide annual updates to the Congress on countries that purchase more than \$1 billion in cumulative sales during the preceding three-year period. A higher notification threshold of \$5 billion would apply for sales to members of the North Atlantic Treaty Organization, Australia, Israel, Japan, New Zealand, and the Republic of Korea. The Secretary of State would also be required to submit an annual report to the Congress on the progress of any individual transfers or sales valued at more than \$1 billion.

Based on the cost of satisfying notification requirements under current law, CBO estimates that implementing the bill's notification and reporting requirements would cost less than \$500,000 over the 2024-2034 period.

### **Uncertainty**

CBO's estimates of the budgetary effects of the bill are subject to uncertainty about the amount of currently available balances that would be transferred to the SDAF. The Administration could transfer as much as \$2.2 billion to the SDAF under the bill—the difference between the current balance and the cap. CBO estimates that half that amount would be transferred under the bill. If DoD transfers more (up to the limit in current law) or less than that amount, then the increase in direct spending would be more or less than CBO estimates.

### **Pay-As-You-Go Considerations**

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays that are subject to those pay-as-you-go procedures are shown in Table 1.

### **Increase in Long-Term Net Direct Spending and Deficits**

CBO estimates that enacting H.R. 6609 would not increase net direct spending or deficits in any of the four consecutive 10-year periods beginning in 2035.

### **Mandates**

The bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act.



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A handwritten signature in black ink, appearing to read 'Phillip L. Swagel'.

Phillip L. Swagel

Director, Congressional Budget Office