

APRIL  
2020

# POLICY POINTS: The Defense Production Act of 1950

## What is the Defense Production Act?

The Defense Production Act of 1950 empowers the President to direct private industrial activity in support of national defense. President Harry Truman signed the Act into law just after the start of the Korean War.

The primary goal of the Act is to support military readiness and emergency preparedness by ensuring the domestic availability of critical goods, services, and materials.

## What are the key authorities?

The Defense Production Act's provisions are organized in three bundles:

### Title I: Priorities and Allocations

- **Priority Performance (Section 101)** - Allows the President to require businesses to accept and/or prioritize federal contracts for goods, services, and materials necessary for national defense.

### Title III: Expansion of Productive Capacity and Supply

- **Loan Guarantees and Direct Loans (Sections 301 & 302)** - Allows the President to issue loan guarantees or direct loans to private businesses to incentivize them to produce or deliver critical products where shortfalls are known or anticipated.
- **Purchase Commitments (Section 303)** - Allows the President to incentivize companies to produce critical products through direct purchasing agreements, subsidy payments, or capital equipment transfers.

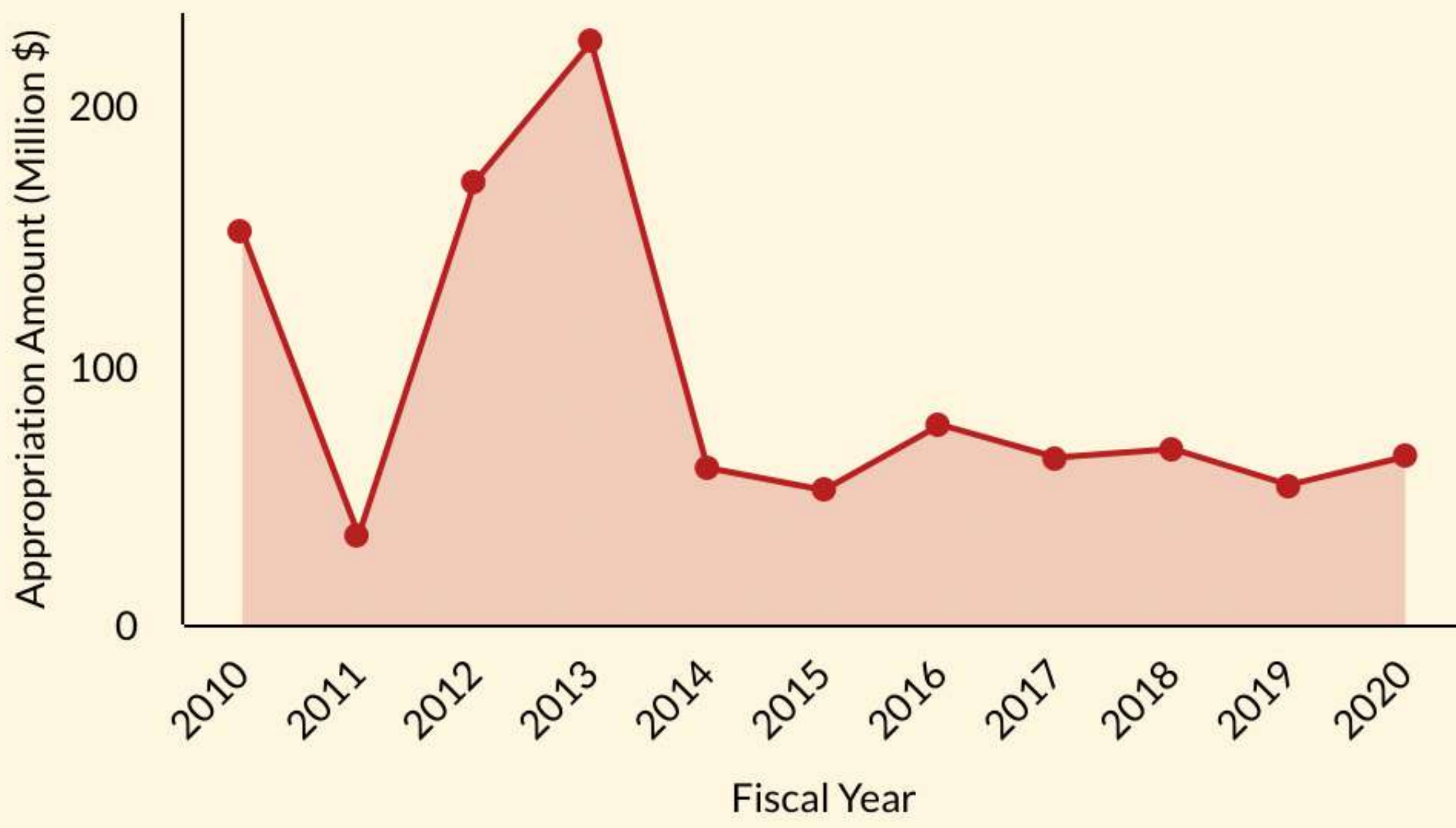
### Title VII: General Provisions

- **Small Business Preference (Section 701)** - Establishes a strong preference for small business subcontractors and suppliers in awarding contracts under DPA authorities.
- **Industrial Base Assessments (Section 705)** - Allows the President discretion to obtain information about domestic industrial base capabilities from any person or company.
- **Voluntary Agreements (Section 708)** - Allows the President to authorize private companies to enter into voluntary cooperative agreements and plans to support national defense.
- **National Defense Executive Reserve (Section 710)** - Allows executive agencies to establish and train units of public and private sector experts who would assume executive government positions during a national emergency
- **Committee on Foreign Investment in the United States (Section 721)** - Establishes an executive interagency committee to review foreign investments in or mergers & acquisitions of U.S. companies for national security threats.

## How Much Is In the DPA Fund?

- The Defense Production Act Fund is a U.S. Treasury account which receives appropriations funds for executive agencies to carry out Title III programs and activities.
- Appropriations into the fund have declined by more than 57% between FY 2010 and FY 2020.

DPA Fund Appropriations, 2010-2020, in Millions



Source: Congressional Research Service

## What have been notable uses of the DPA?

- In the past, Title I was used to support projects including the Integrated Ballistic Missile System, the B-2 Bomber, and Mine Resistant Ambush Protected vehicles.
- In 2001, the Department of Energy used Title I authority to provide natural gas to California utilities to avoid imminent blackouts.
- In 2011, the Department of Commerce used Title VII authority to require telecommunications companies to disclose usage of foreign-made equipment on their networks
- In FY 2014, Title III was used to fund a Missile Defense Agency project to revitalize an integrated circuit manufacturing facility.
- In 2019, the President invoked Title III to strengthen domestic reserves of rare earth elements.
- The current federal response to the COVID-19 pandemic crisis has featured use of Title I authorities to increase manufacturing of critical medical devices and protective equipment.