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STATEMENT OF

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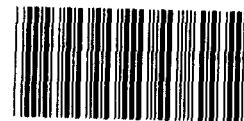
BEFORE THE
SENATE COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS

ON
THE DEFENSE PRODUCTION ACT

Mr. Chairman and Members of the Committee:

We appreciate this opportunity to comment on extending titles I and III of the Defense Production Act beyond the current September 30, 1983, expiration date and on the nine projects considered by the Department of Defense (DOD) to be high priority for title III funding in fiscal years 1983 and 1984. We have, on March 21, 1983, testified before this committee on an August 1982 Federal Emergency Management Agency (FEMA) proposal for using title III to help meet the National Defense Stockpile cobalt goal.

My testimony today will address the reasons why we believe that titles I and III should be extended. I will also address why we believe that the Congress should consider amending title III to ensure that the national security benefits as well as the economic costs of each title III proposal are adequately justified. Our conclusions are based on our evaluation of DOD's



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nine high priority projects and FEMA's cobalt proposal. Our assessment of each DOD project has been provided to this committee under separate cover because the information contained therein has been classified by DOD. I will comment further on these issues after briefly summarizing why we believe that the act's titles I and III should be extended.

EXTENDING THE DEFENSE
PRODUCTION ACT

The Defense Production Act of 1950, originally intended to terminate in 1952, has been extended by a series of amendments ranging from 30 days to 2 years and has never lapsed for longer than a day or two. The act's title I priorities and allocations ensure that DOD contracts receive preferential treatment, when necessary, to meet delivery schedules. In a March 11, 1983, letter to the Chairman of the Subcommittee on Economic Stabilization, House Committee on Banking, Finance and Urban Affairs (PLRD/GP-139), we stated that a lapse of title I could result in (1) difficulty in acquiring desired products, (2) schedule or delivery delays, (3) cost growth, (4) problems in administering and enforcing the act's authorities and regulations, and (5) contractual problems.

In situations where the available supply is not sufficient to meet total national security demand, title III loans, loan guarantees, purchases, commitments to purchase, and floor price guarantees (price supports) are available to provide financial and other assistance to private industry to expand or establish domestic productive capacity and supply. Based on our current evaluation, we believe that the loss of title III would not have an immediate impact on existing DOD programs. It would, however, eliminate future options for expediting production and deliveries or services to aid in carrying out Federal contracts for procuring materials or the performance of services for the national defense, especially during periods of national emergency.

Thus, we believe that the loss of titles I and III could have a widespread impact on the way DOD satisfies its procurement and readiness responsibilities, and, therefore, we suggest extending the expiration date. We believe that the 5-year extension being considered by this committee appears reasonable in that it provides the time necessary for both the administration and the Congress to determine the best uses of title III.

RENEWED FEDERAL INTEREST
IN TITLE III

Recently there has been a renewed interest in using title III. The Congress authorized DOD to reprogram up to \$50 million in fiscal year 1983, and DOD has requested a \$200 million fiscal year 1984 appropriation for title III purchase commitments of metals, minerals, and materials. According to a February 22, 1983, memorandum from the Under Secretary of Defense for Research and Engineering, DOD plans to request an additional \$300 million authorization in fiscal year 1985 and reach a program-sustaining level of \$500 million annually beginning in fiscal year 1986.

DOD plans to use these funds to expand or establish domestic productive capacity and supply of "critical national security products." These products are defined as "individual combinations of industrial commodities from the basic form to the completed material, item, assembly, or system including the industrial process and machinery required for manufacturing and production process." In other words, DOD proposes to use title III anywhere weaknesses or bottlenecks are found in the defense industrial base. This planned use differs from the primary past use of title III in that it reaches beyond raw materials production to include intermediate and processed materials. DOD has also agreed with the Office of Management and Budget (OMB) to

limit the projects to purchase commitments only rather than to employ the full range of Federal subsidies available under title III.

THE NATIONAL SECURITY BENEFITS
AS WELL AS THE ECONOMIC COSTS
OF EACH TITLE III PROJECT SHOULD
BE ADEQUATELY JUSTIFIED

While we foresee instances where the use of title III may be needed to stimulate domestic production, we testified in March 1983 before this committee that our work indicated that title III may not always be the most cost-effective alternative for promoting long-term national security when compared to other alternatives, including stockpiling and the development of substitutes. For example, during the arms buildup that followed the Korean conflict (1954 through 1960), title III was used to improve the capability of our defense industrial base. Title III projects funded during this era, however, often did not achieve this objective beyond the period of Federal subsidy. Similarly, our recent assessment of FEMA's cobalt proposal found that, if domestic capacity is to be maintained, Federal price guarantees may have to be continued far beyond the 5-year period envisioned by FEMA and may have to be increased as the grade or quality of cobalt ore decreases. Our assessment of the nine projects considered by DOD to be high priority for title III funding in fiscal years 1983 and 1984 also supports our position.

DOD's projects do not
meet self-imposed criteria

To implement a title III program, DOD and OMB developed criteria for selecting title III projects. (See attachment I.) We reviewed these criteria and find them reasonable.

The criteria can be divided into two broad objectives-- national security benefits and economic costs. First, under the criteria, DOD must clearly show that the free market cannot be reasonably expected to provide a required national security capability in a timely manner. (This objective was expressly set forth in the President's July 22, 1982, National Security Decision Directive Number 47.) That is, DOD should provide an in-depth analysis to justify that a weakness exists within the defense industrial base such as the need to increase domestic capacity to reduce lead times or shortfalls, stabilize system acquisition costs, eliminate production bottlenecks, and/or reduce import vulnerability thereby eliminating unacceptable existing or projected supply shortages or disruptions.

Second, the criteria require DOD to weigh the economic benefits and costs of using title III to mitigate an identified weakness in the defense industrial base against other alternatives to show that it is the most expedient and practical procedure for resolving the problem. DOD is also required to show that the needed capacity is not likely to be met under other funding programs.

DOD has provided the criteria as well as 20 title III projects to the Congress. DOD considers nine of the projects to be high priority for title III funding in fiscal years 1983 and 1984. In reviewing these nine projects, we evaluated the project justifications and available supporting documentation. We also discussed the projects with responsible DOD, Army, Navy, Air Force, and National Aeronautics and Space Administration officials as well as industry representatives.

In general, we found that DOD's projects do not adequately justify the national security benefits to be derived and/or the economic costs associated with the Federal subsidy. For six of

the projects, a weakness in the defense industrial base had not been identified. Moreover, the cost-effectiveness of title III compared to other alternatives was not adequately justified for any of the nine projects.

DOD HAS MOVED TO ESTABLISH
A MORE STRUCTURED PROCESS
TO DEVELOP FUTURE TITLE III
PROJECTS

Army, Navy, and Air Force officials we contacted believed that they were not provided the time necessary to ensure that the projects they proposed met the criteria developed by DOD and OMB. These Services and the Defense Logistics Agency were given only 3 days to submit proposed projects. Furthermore, the projects submitted by the Services were not rigorously reviewed within DOD, and DOD's fiscal year 1984 title III budget request was not subjected to OMB's normal budget hearing process. DOD did not have to provide OMB with projects justifying the amount requested and was given full discretion to select the projects to be funded. OMB officials informed us that this occurred because the decision to fund title III was made late in 1982 to provide an alternative to the Defense Industrial Base Revitalization Act (H.R. 5540, now H.R. 2782), which earmarked \$5 billion in Federal subsidies for industrial modernization and strategic and critical materials.

We believe that the short period of time provided the Services to submit proposed projects, coupled with the lack of review within the executive branch, contributed to DOD's inability to meet its own justification criteria for the nine projects considered to be high priority for title III funding. If the Services had been given adequate time to develop the projects and if the projects proposed had been subjected to a more thorough

review process to ensure that the justification criteria were adhered to, viable candidates for title III funding might have been identified.

Since the nine projects were developed, DOD has established a title III steering committee chaired by the Office of the Secretary of Defense and composed of representatives from the Defense Logistics Agency and the Services. This committee is to review title III project justifications beginning with those proposed for funding in fiscal year 1985 to determine compliance with the criteria developed. According to OMB officials, the projects will also be subjected to scrutiny through OMB's normal budget hearing process. We believe that these reviews coupled with adequate lead time for the Services to take advantage of available information and to develop and submit proposed projects, should improve the quality of future DOD title III proposals. DOD has also agreed to provide the Congress with an annual list of industry problem areas for which candidate title III projects will be developed, as well as a list of potential projects.

Before leaving this issue, I would like to point out that the question of how best to use title III reaches beyond DOD. Other Federal agencies such as the Departments of the Interior, the Treasury, and Agriculture as well as the General Services Administration, have used title III in the past. Still other Federal agencies are proposing to use title III. For example, FEMA has proposed to use title III to stimulate domestic cobalt production.

Other Federal agencies do not have a process similar to DOD's title III steering committee to ensure that their title III projects are justified. We deem this process important since our recent assessment of FEMA's cobalt proposal concluded that

FEMA's analysis did not provide the information necessary to (1) identify the most economical investment alternative to meet the stated stockpile goal and (2) understand national security considerations relating to depleting our limited domestic cobalt reserves.

MATTERS FOR CONSIDERATION
BY THE CONGRESS

We support the actions being taken by DOD and believe that they will provide a more structured and thorough review of future title III projects. We believe, however, that the Congress may wish to consider amending title III to ensure that the national security benefits and economic costs of all title III projects proposed by Federal agencies are adequately justified by including criteria similar to those attached to this statement. (See attachment II.)

In our March testimony before this committee, we also suggested that title III be amended to give the Congress ample opportunity to review each title III proposal prior to entering into any commitment to provide financial or other assistance. We have, at the request of this committee, attached to this statement a range of options for amending title III to improve congressional oversight. (See attachment III.) These range from a simple notification requirement to a legislative requirement that no obligation may be entered into unless each obligation has been specifically authorized or appropriated by law. Each alternative includes a provision to waive such requirements during a national emergency declared by the Congress or by the President.

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Let me conclude by recapping the most essential points in my testimony.

--First, we support extending the Defense Production Act's titles I and III for 5 years.

--Second, while instances may exist where the use of title III is needed to expand or establish domestic productive capacity and supply, our work indicates that title III may not always be the most cost-effective alternative for promoting long-term national security. As such, we support DOD's efforts to establish a steering committee to review title III project justifications. We believe, however, that a similar process should be established to review all title III project proposals, thereby requiring other Federal agencies to justify the national security benefits as well as the economic costs of each title III proposal.

--Third, development of a viable title III program should receive close congressional attention.

Mr. Chairman, that concludes my statement. I welcome any questions the committee may have.

CRITERIA FOR SELECTING TITLE III
PROJECTS DEVELOPED BY DOD AND OMB

- "1. The project must increase the national security capability of the U.S.
- "2. The free market cannot be reasonably expected, under existing Administration policy and procurement regulations, to provide the needed capability in a timely manner without Title III incentives.
- "3. Evaluation must demonstrate that Title III is the most cost effective procedure under existing budget and procurement guidance/regulations. (Analysis should compare the cost/benefits of Title III, stockpiling or other alternatives under existing procurement regulations; the value of surge, mobilization should be considered along with the cost/benefits of an active industrial base.)
- "4. Evaluations should demonstrate that Title III is the most expedient and practical procedure for resolving the problem under existing procurement/budget procedures.
- "5. The U.S. national security demand must be equal to or greater than the output of the industrial capacity which will be established through the Title III project.
- "6. The Title III project must establish or expand domestic production capacity for peacetime, surge or mobilization for national security products.

- "7. The Title III project must be accomplished through purchase commitments only.¹
- "8. The product of the Title III project must be identified in a specification agreed to by the U.S. Government and the contractor before contract award and deliverables under the contract must be to specification."

¹According to DOD's fiscal year 1984 budget justification submitted to the Congress, a "purchase commitment" is a supply contract which is designed to assure the government a secure source of industrial capacity and products critical to national security. Under these contracts, DOD "will agree to purchase a specified quantity of materials over a particular period of time at a negotiated price." However, several of the projects considered by DOD to be high priority for title III funding in fiscal years 1983 and 1984 do not meet this criterion. Since the act provides for other subsidies under title III, we believe that this criterion should be deleted.

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PROPOSED AMENDMENTS TO TITLE III
OF THE DEFENSE PRODUCTION ACT TO
INCLUDE PROJECT PROPOSAL JUSTIFICATION CRITERIA

To assure that the national defense benefits and economic costs of each title III proposal are adequately justified, the loan guarantee, loan, and purchase sections of title III (secs. 301-303) can be amended as follows:

Sec. 301. Loan guarantees. (50 U.S.C. App. § 2091)

Add the following at the end of subsection (a):

"(3) Guarantees may be entered into under this section only if the President makes the following determinations:

"(A) The guaranteed contract or operation is for a material, or the performance of a service, that is essential to the national defense;

"(B) Without the guarantee, United States industry cannot reasonably be expected to provide the capability for the needed material or service in a timely manner;

"(C) The guarantee is the most cost-effective, expedient, and practical alternative for meeting the need;

"(D) The United States national defense demand is equal to or greater than the output of domestic industrial capability, including the output to be established through the guarantee; and,

"(E) The material or service of the guaranteed contract has been identified in a specification agreed to by the United States and the contractor."

Sec. 302. Loans. (50 U.S.C. App. § 2092)

At the end of the second sentence of section 302, add the following:

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"and, (3) no such loan may be entered into unless the President makes the following determinations:

"(A) The loan is for the expansion of capacity, the development of a technological process, or the production of materials essential to the national defense;

"(B) Without the loan, United States industry cannot reasonably be expected to provide the needed capacity, technological processes or materials in a timely manner;

"(C) The loan is the most cost-effective, expedient, and practical alternative method for meeting the need;

"(D) The United States national defense demand is equal to or greater than domestic industrial capability, including the output to be established through the loan; and,

"(E) The material or service has been identified in a specification agreed to by the United States and the borrower."

Sec. 303. Purchases. (50 U.S.C. App. § 2093)

At the end of subsection (a), add the following:

"And Provided further, however, That the President shall take no action under this subsection unless he makes the following determinations:

"(1) The mineral, metal or material is essential to the national defense;

"(2) Without Presidential action under authority of this section, United States industry cannot reasonably be expected to provide the capability for the needed mineral, metal or material in a timely manner;

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"(3) Purchases, purchase commitments or other action pursuant to this section are the most cost-effective, expedient, and practical alternative method for meeting the need;

"(4) The United States national defense demand for the mineral, metal or material is equal to or greater than the output of domestic industrial capability, including the output to be established through the purchase, purchase commitment, or other action; and,

"(5) The mineral, metal or material has been identified in a specification agreed to by the United States and the contractor."

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PROPOSED ALTERNATIVE AMENDMENTS TO
TITLE III OF THE DEFENSE PRODUCTION ACT
TO PROVIDE FOR INCREASED CONGRESSIONAL OVERSIGHT

We have identified six ways to amend the loan guarantee, loan, and purchase sections (secs. 301-303) of title III to provide the Congress with the opportunity to review each title III proposal and its associated benefits and costs before any obligation is entered into. Two alternatives are simply notification requirements. The other alternatives provide the Congress the opportunity to take action to either approve or disapprove specific obligations.

1. Require the President to notify the appropriate congressional committees of each proposed obligation;
2. Require the President to notify the Congress of proposed action by identifying each proposed obligation in his fiscal year budget submission;
3. Provide that the Congress, by joint resolution, must approve each proposed obligation;
4. Require that the President notify the appropriate congressional committees and provide the Congress the opportunity to disapprove, by joint resolution, those proposed obligations to which it objects;
5. Require the President to obtain legislative authorization for each proposed obligation;
or,
6. Require the President to obtain specific appropriation for each proposed obligation.

Suggested language for each alternative follows. Each alternative assumes that the act is amended as suggested in Appendix I.

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I.

Suggested language to require the President to notify appropriate congressional committees of each proposed obligation

A.

Loan guarantees

Section 301 of the Defense Production Act, 50 U.S.C. App. § 2091, can be amended by deleting subparagraph (e)(1) in its entirety and inserting the following:

"(e)(1) Except during periods of national emergency declared by the Congress or the President, guarantees may be made under this section only if the Committees on Armed Services of the Senate and the House of Representatives and the Committee on Banking, Housing and Urban Affairs of the Senate and the Committee on Banking, Finance and Urban Affairs of the House of Representatives have been notified in writing, accompanied by a statement from the President explaining the determinations required by subsection (a)(3) of this section, of each such proposed guarantee, and ___ days have expired following the date on which such notice was transmitted to such committees."

B.

Loans

Section 302 of the Defense Production Act, 50 U.S.C. App. § 2092, can be amended by deleting item (2) of the second sentence and inserting the following:

"(2) no such loans may be made under this section, except during periods of national emergency declared by the Congress or the President, unless the Committees on Armed Services of the Senate and the House of Representatives and the Committee on Banking, Housing and Urban Affairs of the

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Senate and the Committee on Banking, Finance and Urban Affairs of the House of Representatives have been notified in writing, accompanied by a statement from the President explaining the determinations required by subsection (3) of this section, of each such proposed loan and ___ days have expired following the date on which such notice was transmitted to such committees."

C.

Purchases

Section 303 of the Defense Production Act, 50 U.S.C. App. § 2093, can be amended by adding the following sentence at the end of subsection (a):

"And Provided further, however, That, except during periods of national emergency declared by the Congress or the President, the President shall take no action under authority of this section until the Committees on Armed Services of the Senate and the House of Representatives and the Committee on Banking, Housing and Urban Affairs of the Senate and the Committee on Banking, Finance and Urban Affairs of the House of Representatives have been notified in writing, accompanied by a statement from the President explaining the determinations required by this subsection, of each such proposed obligation, and ___ days have expired following the date on which such notice was transmitted to such committees."

II.

Suggested language to require the President to notify the Congress of each proposed action by identifying each proposed obligation in his fiscal year budget submission

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A.

Loan guarantees

Section 301 of the Defense Production Act, 50 U.S.C. App. § 2091, can be amended by deleting subparagraph (e)(1) in its entirety and inserting the following:

"(e)(1) Except during periods of national emergency declared by the Congress or the President, guarantees may be made under this section only if each such obligation has been identified in the fiscal year budget, or amendments thereto, submitted to the Congress, accompanied by a statement from the President explaining the determinations required by subsection (a)(3) of this section and if ___ days have expired following the date on which the budget, or amendments to the budget, was transmitted to the Congress."

B.

Loans

Section 302 of the Defense Production Act, 50 U.S.C. App. § 2092, can be amended by deleting item (2) of the second sentence and inserting the following:

"(2) no such loan may be made under this section, except during periods of national emergency declared by the Congress or the President, unless each such loan has been identified in the fiscal year budget, or amendments thereto, submitted to the Congress, accompanied by a statement from the President explaining the determinations required by subsection (3) of this section and unless ___ days have expired following the date on which the budget, or amendments to the budget, was transmitted to the Congress."

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C.

Purchases

Section 303 of the Defense Production Act, 50 U.S.C. App. § 2093, can be amended by adding the following sentence at the end of subsection (a):

"And Provided further, however, That, except during periods of national emergency declared by the President or the Congress, the President shall take no action under authority of this section unless each such action has been identified in the fiscal year budget, or amendments thereto, submitted to the Congress, accompanied by a statement from the President explaining the determinations required by this subsection and unless _____ days have expired following the date on which the budget, or amendments to the budget, was transmitted to the Congress."

III.

Suggested language to provide that the Congress, by joint resolution, must approve each proposed obligation

A.

Loan guarantees

Section 301 of the Defense Production Act, 50 U.S.C. App. § 2091, can be amended by deleting subparagraph (e)(1) in its entirety and inserting the following:

"(e)(1) Except during periods of national emergency declared by the Congress or the President, guarantees may be made under this section only if the Committees on Armed Services of the Senate and the House of Representatives and the Committee on Banking, Housing and Urban Affairs of the Senate and the Committee on Banking, Finance and Urban Affairs of the House of Representatives have been notified in writing, accompanied by a statement from

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the President explaining the determinations required by subsection (a)(3) of this section, of each such proposed guarantee, and ___ days have expired following the date on which such notice was transmitted to such committees, and a joint resolution has been enacted, within such ___-day period, approving such guarantee."

B.

Loans

Section 302 of the Defense Production Act, 50 U.S.C. App. § 2092, can be amended by deleting item (2) of the second sentence and inserting the following:

"(2) no such loan may be made under this section, except during periods of national emergency declared by the Congress or the President, unless the Committees on Armed Services of the Senate and the House of Representatives and the Committee on Banking, Housing and Urban Affairs of the Senate and the Committee on Banking, Finance and Urban Affairs of the House of Representatives have been notified in writing, accompanied by a statement from the President explaining the determination required by subsection (3) of this section, of each such proposed loan, and ___ days have expired following the date on which such notice was transmitted to such committees, and a joint resolution has been enacted, within such ___-day period, approving such loan."

C.

Purchases

Section 303 of the Defense Production Act, 50 U.S.C. App. § 2093, can be amended by adding the following sentence at the end of subsection (a):

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"And Provided further, however, That, except during periods of national emergency declared by the Congress or the President, the President shall take no action under authority of this section until the Committees on Armed Services of the Senate and the House of Representatives and the Committee on Banking, Housing and Urban Affairs of the Senate and the Committee on Banking, Finance and Urban Affairs of the House of Representatives have been notified in writing, accompanied by a statement from the President explaining the determinations required by this subsection, of each such proposed obligation, and ___ days have expired following the date on which such notice was transmitted to such committees, and a joint resolution has been enacted within such ___-day period, approving such obligation."

IV.

Suggested language to require that the President notify appropriate congressional committees and to provide the Congress the opportunity to disapprove, by joint resolution, those proposed obligations to which it objects

A.

Loan guarantees

Section 301 of the Defense Production Act, 50 U.S.C. App. § 2091, can be amended by deleting subparagraph (e)(1) in its entirety and inserting the following:

"(e)(1) Except during periods of national emergency declared by the Congress or the President, guarantees may be made under this section only if the Committees on Armed Services of the Senate and the House of Representatives and the Committee on Banking, Housing and Urban Affairs of the Senate and the Committee on Banking, Finance and Urban Affairs of the House of Representatives have been notified in

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writing, accompanied by a statement from the President explaining the determinations required by subsection (a)(3) of this section, of each such proposed guarantee, and ___ days have expired following the date on which such notice was transmitted to such committees, and a joint resolution has not been enacted, within such ___-day period, disapproving such guarantee."

B.

Loans

Section 302 of the Defense Production Act, 50 U.S.C. App. § 2092, can be amended by deleting item (2) of the second sentence and inserting the following:

"(2) no such loan may be made under this section, except during periods of national emergency declared by the Congress or the President, unless the Committees on Armed Services of the Senate and the House of Representatives and the Committee on Banking, Housing and Urban Affairs of the Senate and the Committee on Banking, Finance and Urban Affairs of the House of Representatives have been notified in writing, accompanied by a statement from the President explaining the determinations required by subsection (3) of this section, of each such proposed loan and ___ days have expired following the date on which such notice was transmitted to such committees, and a joint resolution has not been enacted, within such ___-day period, disapproving such loan."

C.

Purchases

Section 303 of the Defense Production Act, 50 U.S.C. App. § 2093, can be amended by adding the following sentence at the end of subsection (a):

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"And Provided further, however, That, except during periods of national emergency declared by the Congress or the President, the President shall take no action under authority of this section unless the Committees on Armed Services of the Senate and the House of Representatives and the Committee on Banking, Housing and Urban Affairs of the Senate and the Committee on Banking, Finance and Urban Affairs of the House of Representatives have been notified in writing, accompanied by a statement from the President explaining the determinations required by this subsection, of each such proposed obligation, and ___ days have expired following the date on which such notice was transmitted to such committees, and a joint resolution has not been enacted, within such ___-day period, disapproving such obligation."

V.

Suggested language to require the President to obtain legislative authorization for each proposed obligation

A.

Loan guarantees

Section 301 of the Defense Production Act, 50 U.S.C. App. § 2091, can be amended by deleting subparagraph (e)(1) in its entirety and inserting the following:

"(e)(1) Except during periods of national emergency declared by the Congress or the President, guarantees may be made under this section only if each such guarantee has been identified in the fiscal year budget, or amendments thereto, submitted to the Congress, accompanied by a statement from the President explaining the determinations required by subsection (a)(3) of this section, and if each such guarantee has been authorized by Congress

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within ___ days following the submission of the budget, or amendments to the budget, to the Congress."

B.

Loans

Section 302 of the Defense Production Act, 50 U.S.C. App. § 2092, can be amended by deleting item (2) of the second sentence and inserting the following:

"(2) no such loan may be made under this section, except during periods of national emergency declared by the Congress or the President, unless each such loan has been identified in the fiscal year budget, or amendments thereto, submitted to the Congress, accompanied by a statement from the President explaining the determinations required by subsection (3) of this section, and unless each such loan has been authorized by act of Congress within ___ days following the submission of the budget, or amendments to the budget, to the Congress."

C.

Purchases

Section 303 of the Defense Production Act, 50 U.S.C. App. § 2093 can be amended by adding the following sentence at the end of subsection (a):

"And Provided further, however, That, except during periods of national emergency declared by the President or the Congress, the President shall take no action under authority of this section unless each such action has been identified in the fiscal year budget, or amendments thereto, submitted to the Congress, accompanied by a statement from the President explaining the determinations required by this subsection, and unless

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each such action has been authorized by act of Congress within ___ days following submission of the budget, or amendments to the budget, to the Congress."

VI.

Suggested language to require the President to obtain specific appropriation for each proposed obligation

A.

Loans

Section 302 of the Defense Production Act, 50 U.S.C. App. § 2092, can be amended by deleting item (2) of the second sentence and inserting the following:

"(2) no such loan may be entered into under this section, except during periods of national emergency declared by the Congress or the President, unless each such loan has been identified in the fiscal year budget, or amendments hereto, submitted to the Congress, accompanied by a statement from the President explaining the determinations required by subsection (3) of this section, and unless each such loan has been individually funded by an appropriations act."

B.

Purchases

Section 303 of the Defense Production Act, 50 U.S.C. App. § 2093, can be amended by adding the following sentence at the end of the section:

"And Provided further, however, That, except during periods of national emergency declared by the President or the Congress, the President shall take no action under authority of this section unless each such action has been identified in the fiscal year budget, or

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amendments thereto, submitted to the Congress, accompanied by a statement from the President explaining the determinations required by this subsection, and unless each such action has been individually funded by an appropriations act."