

dent may provide appropriate incentives to develop, maintain, modernize, restore, and expand the productive capacities of domestic sources for critical components, critical technology items, materials, and industrial resources essential for the execution of the national security strategy of the United States.

**(b) Critical components and critical technology items**

**(1) Maintenance of reliable sources of supply**

The President shall take appropriate actions to assure that critical components, critical technology items, essential materials, and industrial resources are available from reliable sources when needed to meet defense requirements during peacetime, graduated mobilization, and national emergency.

**(2) Appropriate action**

For purposes of this subsection, appropriate action may include—

- (A) restricting contract solicitations to reliable sources;
- (B) restricting contract solicitations to domestic sources pursuant to—
  - (i) section 2304(b)(1)(B) or section 2304(c)(3) of title 10;
  - (ii) section 3303(a)(1)(B) of title 41 or section 3304(a)(3) of title 41; or
  - (iii) other statutory authority;
- (C) stockpiling critical components; and
- (D) developing substitutes for a critical component or a critical technology item.

(Sept. 8, 1950, ch. 932, title I, §107, as added Pub. L. 102-558, title I, §111, Oct. 28, 1992, 106 Stat. 4201; amended Pub. L. 111-67, §6, Sept. 30, 2009, 123 Stat. 2009.)

TERMINATION OF SECTION

*For termination of section, see section 4564(a) of this title.*

CODIFICATION

Section was formerly classified to section 2077 of the former Appendix to this title prior to editorial reclassification and renumbering as this section.

In subsec. (b)(2)(B)(ii), “section 3303(a)(1)(B) of title 41 or section 3304(a)(3) of title 41” substituted for “section 303(b)(1)(B) or section 303(c)(3) of the Federal Property and Administrative Services Act of 1949” on authority of Pub. L. 111-350, §6(c), Jan. 4, 2011, 124 Stat. 3854, which Act enacted Title 41, Public Contracts.

AMENDMENTS

2009—Subsec. (a). Pub. L. 111-67, §6(1), inserted “restore,” after “modernize,” and “materials,” after “items.”

Subsec. (b). Pub. L. 111-67, §6(2)(A), (B), redesignated pars. (2) and (3) as (1) and (2), respectively, and struck out former par. (1). Prior to amendment, text of par. (1) read as follows:

“(A) IN GENERAL.—The President, acting through the Secretary of Defense, shall identify critical components and critical technology items for each item on the Critical Items List of the Commanders-in-Chief of the Unified and Specified Commands and other items within the inventory of weapon systems and defense equipment.

“(B) DEFINITION.—Any component identified as critical by a National Security Assessment conducted pursuant to section 113(i) of title 10 or by a Presidential determination as a result of a petition filed under section 1862 of title 19 shall be designated as a critical

component for purposes of this chapter, unless the President determines that the designation is unwarranted.”

Subsec. (b)(1). Pub. L. 111-67, §6(2)(C), substituted “critical technology items, essential materials, and industrial resources” for “or critical technology items”.

EFFECTIVE DATE

Section deemed to have become effective Mar. 1, 1992, see section 304 of Pub. L. 102-558, set out as an Effective Date of 1992 Amendment note under section 4502 of this title.

DELEGATION OF FUNCTIONS

Functions of the President under this chapter relating to the production, conservation, use, control, distribution, and allocation of energy, delegated to the Secretary of Energy, see section 4 of Ex. Ord. No. 11790, eff. June 25, 1974, 39 F.R. 23185, set out as a note under section 761 of Title 15, Commerce and Trade.

For delegation of authority of President under subsecs. (a) and (b)(1) of this section, see sections 310 and 311 of Ex. Ord. No. 13603, Mar. 16, 2012, 77 F.R. 16655, set out as a note under section 4553 of this title.

**§ 4518. Modernization of small business suppliers**

**(a) In general**

In providing any assistance under this chapter, the President shall accord a strong preference for small business concerns which are subcontractors or suppliers, and, to the maximum extent practicable, to such small business concerns located in areas of high unemployment or areas that have demonstrated a continuing pattern of economic decline, as identified by the Secretary of Labor.

**(b) Modernization of equipment**

**(1) In general**

Funds authorized under subchapter II may be used to guarantee the purchase or lease of advance manufacturing equipment, and any related services with respect to any such equipment for purposes of this chapter.

**(2) Small business suppliers**

In considering proposals for subchapter II projects under paragraph (1), the President shall provide a strong preference for proposals submitted by a small business supplier or subcontractor whose proposal—

- (A) has the support of the department or agency which will provide the guarantee;
- (B) reflects that the small business concern has made arrangements to obtain qualified outside assistance to support the effective utilization of the advanced manufacturing equipment being proposed for installation; and
- (C) meets the requirements of section 4531, 4532, or 4533 of this title.

(Sept. 8, 1950, ch. 932, title I, §108, as added Pub. L. 102-558, title I, §111, Oct. 28, 1992, 106 Stat. 4202.)

TERMINATION OF SECTION

*For termination of section, see section 4564(a) of this title.*

REFERENCES IN TEXT

This chapter, referred to in subsecs. (a) and (b)(1), was in the original “this Act”, meaning act Sept. 8, 1950,

ch. 932, 64 Stat. 798, known as the Defense Production Act of 1950, which is classified principally to this chapter. For complete classification of this Act to the Code, see section 4501 of this title and Tables.

#### CODIFICATION

Section was formerly classified to section 2078 of the former Appendix to this title prior to editorial reclassification and renumbering as this section.

#### EFFECTIVE DATE

Section deemed to have become effective Mar. 1, 1992, see section 304 of Pub. L. 102-558, set out as an Effective Date of 1992 Amendment note under section 4502 of this title.

#### DELEGATION OF FUNCTIONS

Functions of the President under this chapter relating to the production, conservation, use, control, distribution, and allocation of energy, delegated to the Secretary of Energy, see section 4 of Ex. Ord. No. 11790, eff. June 25, 1974, 39 F.R. 23185, set out as a note under section 761 of Title 15, Commerce and Trade.

### SUBCHAPTER II—EXPANSION OF PRODUCTIVE CAPACITY AND SUPPLY

#### CODIFICATION

Title III of the Defense Production Act of 1950, comprising this subchapter, was originally enacted as part of act Sept. 8, 1950, ch. 932, 64 Stat. 798, and amended by acts June 2, 1951, ch. 121, 65 Stat. 52; July 31, 1951, ch. 275, 65 Stat. 131; June 30, 1952, ch. 530, 66 Stat. 296; June 30, 1953, ch. 171, 67 Stat. 129; Aug. 9, 1955, ch. 655, 69 Stat. 580; June 29, 1956, ch. 474, 70 Stat. 408; Pub. L. 86-560, June 30, 1960, 74 Stat. 282; Pub. L. 88-343, June 30, 1964, 78 Stat. 235; Pub. L. 91-379, Aug. 15, 1970, 84 Stat. 796; Pub. L. 92-325, June 30, 1972, 86 Stat. 390; Pub. L. 93-155, Nov. 16, 1973, 87 Stat. 605; Pub. L. 93-426, Sept. 30, 1974, 88 Stat. 1166; Pub. L. 94-273, Apr. 21, 1976, 90 Stat. 375; Pub. L. 96-41, July 30, 1979, 93 Stat. 319; Pub. L. 96-294, June 30, 1980, 94 Stat. 611; Pub. L. 98-265, Apr. 17, 1984, 98 Stat. 149; Pub. L. 99-441, Oct. 3, 1986, 100 Stat. 1117; Pub. L. 102-558, Oct. 28, 1992, 106 Stat. 4198; Pub. L. 107-47, Oct. 5, 2001, 115 Stat. 260; Pub. L. 107-314, Dec. 2, 2002, 116 Stat. 2458. Title III is shown here, however, as having been added by Pub. L. 111-67, §7, Sept. 30, 2009, 123 Stat. 2010, without reference to the intervening amendments because of the extensive revision of the title's provisions by Pub. L. 111-67.

#### § 4531. Presidential authorization for the national defense

##### (a) Expediting production and deliveries or services

###### (1) Authorized activities

To reduce current or projected shortfalls of industrial resources, critical technology items, or essential materials needed for national defense purposes, subject to such regulations as the President may prescribe, the President may authorize a guaranteeing agency to provide guarantees of loans by private institutions for the purpose of financing any contractor, subcontractor, provider of critical infrastructure, or other person in support of production capabilities or supplies that are deemed by the guaranteeing agency to be necessary to create, maintain, expedite, expand, protect, or restore production and deliveries or services essential to the national defense.

###### (2) Presidential determinations required

Except during a period of national emergency declared by Congress or the President, a

loan guarantee may be entered into under this section only if the President determines that—

(A) the loan guarantee is for an activity that supports the production or supply of an industrial resource, critical technology item, or material that is essential for national defense purposes;

(B) without a loan guarantee, credit is not available to the loan applicant under reasonable terms or conditions sufficient to finance the activity;

(C) the loan guarantee is the most cost effective, expedient, and practical alternative for meeting the needs of the Federal Government;

(D) the prospective earning power of the loan applicant and the character and value of the security pledged provide a reasonable assurance of repayment of the loan to be guaranteed;

(E) the loan to be guaranteed bears interest at a rate determined by the Secretary of the Treasury to be reasonable, taking into account the then-current average yield on outstanding obligations of the United States with remaining periods of maturity comparable to the maturity of the loan;

(F) the loan agreement for the loan to be guaranteed provides that no provision of the loan agreement may be amended or waived without the consent of the fiscal agent of the United States for the guarantee; and

(G) the loan applicant has provided or will provide—

(i) an assurance of repayment, as determined by the President; and

(ii) security—

(I) in the form of a performance bond, insurance, collateral, or other means acceptable to the fiscal agent of the United States; and

(II) in an amount equal to not less than 20 percent of the amount of the loan.

##### (3) Limitations on loans

Loans under this section may be—

(A) made or guaranteed under the authority of this section only to the extent that an appropriations Act—

(i) provides, in advance, budget authority for the cost of such guarantees, as defined in section 661a of title 2; and

(ii) establishes a limitation on the total loan principal that may be guaranteed; and

(B) made without regard to the limitations of existing law, other than section 1341 of title 31.

##### (b) Fiscal agents of the United States

###### (1) In general

Any Federal agency or any Federal reserve bank, when designated by the President, is hereby authorized to act, on behalf of any guaranteeing agency, as fiscal agent of the United States in the making of such contracts of guarantee and in otherwise carrying out the purposes of this section.

###### (2) Funds

All such funds as may be necessary to enable any fiscal agent described in paragraph (1) to