SEC. 814. DEFENSE COALITION REPAIR FUND.

(a) ESTABLISHMENT.—There is established in the Treasury of the United States the Defense Coalition Repair Fund (in this section referred to as the "Fund"), consisting of amounts credited to the Fund pursuant to subsection (e).

(b) ADMINISTRATION.—The Fund shall be administered by the Secretary of Defense.

(c) OBJECTIVE.—The objective of the Fund shall be to support the sale, transfer, or distribution of defense articles to coalition partners and allied or friendly nations.

(d) USE OF AMOUNTS.—

(1) AUTHORITY.—In pursuit of the objective stated in subsection (c), the Secretary of Defense may authorize the Secretaries of the military departments to expend amounts from the Fund to repair, overhaul, or refurbish in-stock defense articles before distribution of those articles to coalition partners, or allied and friendly nations, in accordance with—

(A) the Arms Export Control Act (22 U.S.C. 2751 et seq.);

(B) the Foreign Assistance Act of 1961 (22 U.S.C. 2151 et seq.); or

(C) any other provision of law authorizing such distributions.

(2) SECRETARY OF STATE CONCURRENCE REQUIRED FOR DISTRIBUTION TO FOREIGN COUNTRIES.—In addition to any otherwise applicable requirements of law, in the case of any distribution of such repaired, overhauled, or refurbished articles under a provision of law referred to in paragraph (1)(C) that does not otherwise require the concurrence of the Secretary of State for such a distribution, the distribution may be made only with the concurrence of the Secretary of State.

(e) CREDITS TO THE FUND.—The following shall be credited to the Fund:

(1) At the discretion of the Secretary of Defense, up to $50,000,000 per year of operation and maintenance funds made available to the Department of Defense in annual defense appropriations Acts. Amounts transferred under this paragraph shall be merged with funds otherwise made available under this section and remain available until expended.

(2) Notwithstanding section 114(c) of title 10, United States Code, any collection from the sale or transfer of defense articles from Department of Defense stocks repaired, overhauled, or refurbished with amounts from the Fund that are not intended to be replaced and that is made pursuant to section 21(a)(1)(A) of the Arms Export Control Act (22 U.S.C. 2761(a)(1)(A)), the Foreign Assistance Act of 1961, or other law, but not to exceed the actual value thereof.

(3) Amounts authorized and appropriated, or otherwise made available, to the Fund.

(f) EXCESS PROCEEDS CREDITED TO THE SPECIAL DEFENSE ACQUISITION FUND.—

(1) Amounts credited to the Fund pursuant to subsection (e)(2) shall be limited to the amount of the cost incurred to repair, overhaul, or refurbish such defense articles under subsection (d)(1).

(2) Amounts from sales or transfers of defense articles described in subsection (e)(2) that exceed the amounts described in paragraph (1) shall be credited to the Special Defense Acquisition Fund established pursuant to chapter 5 of the Arms Export Control Act (22 U.S.C. 2795 et seq.).

(g) TRANSFERS TO OTHER ACCOUNTS.—Amounts in the Fund may be transferred to any Department of Defense appropriation used to carry out activities that will further the objective

stated in subsection (c). Any amount so transferred shall be merged with the appropriation to which transferred and shall be available for the same purposes and the same time period as the appropriation to which transferred.

(h) TRANSFERS FROM OTHER ACCOUNTS.—Upon a determination by the Secretary of Defense with respect to an amount transferred under subsection (g) that all or part of such transfer is not necessary for the purposes provided, such amount may be transferred back to the Fund and remain available for the objective stated in subsection (c) notwithstanding the expiration of the period of obligation.

(i) DEFINITIONS.—In this section:

(1) The term "coalition partner" means a foreign country or international organization designated by the Secretary of Defense.

(2) The term "defense article" has the meaning given that term in paragraph (3) of section 47 of the Arms Export Control Act (22 U.S.C. 2794).

(j) EXPIRATION OF AUTHORITY.—The authority to use amounts in the Fund to repair, overhaul, or refurbish defense articles under this section shall expire on September 30, 2015.

(k) EVALUATION.—Not later than February 1, 2015, the Secretary of Defense shall submit to the congressional defense committees a report on the operation of this section. The report shall include an evaluation of the effectiveness of the authority provided by this section in meeting the objectives stated in subsection (c).

Section-by-Section Analysis

This legislative proposal would establish a Defense Coalition Repair Fund that will allow the Military Departments to repair, overhaul, and refurbish in-stock defense articles prior to sale to coalition partners and allied or friendly nations under the Foreign Military Sales (FMS) program. Proceeds from these sales would be credited back to the repair fund. Subsection (d)(1)(C) provides a broad measure of flexibility to transfer items under laws in addition to the Arms Export Control Act (AECA) or Foreign Assistance Act (FAA), in cases in which the

Secretary of State concurs under such other laws (e.g., the Iraq Security Forces Fund (ISFF), the Afghanistan Security Forces Fund (ASFF), the Pakistan Counterinsurgency Fund (PCF), etc.) or otherwise with the concurrence of the Secretary of State in the proposed distribution.

Currently, language in the AECA prohibits expenditure of appropriated funds for materiel or services in anticipation of foreign military sales. As a result, any repairs needed to bring items into serviceable condition must be made after the sale of the end item, resulting in delays in delivery. This, in turn, causes a delay in meeting partner's urgent operational requirements and potential cancellation of the sale if repair lead times are excessive, forcing the Army to incur further storage costs.

The language of the legislation does not limit the type of item that can be repaired, however, due to limited funding, equipment availability, and the intended objective of delivering military capability quickly, it is envisioned that the primary types of items to be repaired include High Mobility Multi-purpose wheeled Vehicles (HMMWV), towed howitzers, and other tactical carriers and vehicles. The Defense Coalition Repair Fund will complement, but not substitute for or replace the Special Defense Acquisition Fund (SDAF). SDAF is designed to obtain from new procurement, high demand, medium lead-time, items for delivery from production. The DCRF refurbishes existing items already in the military service's inventory for sale in serviceable condition.

By allowing for the refurbishment, overhaul, and repair of defense articles prior to sale, this proposal should reduce military departments' storage costs and improves the ability of the military departments to meet coalition partners' urgent operational requirements.

Budget Implications: This proposal only requests authority to establish a coalition repair fund and transfer funding within available appropriations. It does not request new appropriation or establish a funding mandate. Subject to OMB approval, and depending on the availability of appropriate equipment in long supply and the cost of repair, this section could require an annual transfer of up to $50,000,000, to be funded from the military departments' operation and maintenance (O&M) accounts. Any such transfers would be subject to military departments' priorities and the availability of O&M funds for transfer and would be accomplished through reprogramming actions once specific items and repair costs are identified. Recoupment of the cost of repair through FMS sales would be credited back to the fund; proceeds beyond the cost of repair would be credited to the Special Defense Acquisition Fund. Transfers from the O&M accounts would be required only until the fund received sufficient transfers from FMS proceeds to become self-sustaining. Based on current estimated demand, we anticipate that this level could be reached in the first year of the fund and that no further transfer of O&M funds would be required after the first year. We do not anticipate any effects to personnel, since the proposal only affects funding and sequencing of equipment repair and sale, not the overall level.

RESOURCE REQUIREMENTS ($MILLIONS)								
	FY 2013	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**Appropriation From**	**Budget Activity**	**Dash-1 Line Item**
Army	50.00	0.00	0.00	0.00	0.00	O&M	01	140 – Additional

								Activities (SAG 135)
Total	50.00	0.00	0.00	0.00	0.00			

Changes to Existing Law: This proposal would make no changes to the text of existing law.