SEC. 1217. LIQUIDATION OF UNPAID CREDITS ACCRUED AS A RESULT OF TRANSACTIONS UNDER A CROSS-SERVICING AGREEMENT.

(a) LIQUIDATION OF UNPAID CREDITS.—Section 2345 of title 10, United States Code, is amended by adding at the end the following new subsection:

"(c)(1) Any credits of the United States accrued as a result of the provision of logistic support, supplies, and services under the authority of this subchapter that remain unliquidated more than 18 months after the date of delivery of the logistic support, supplies, or services may, at the option of the Secretary of Defense in coordination with the Secretary of State, be liquidated by offsetting the credits against any amount owed by the Department of Defense, pursuant to a transaction or transactions concluded under the authority of this subchapter, to the government or international organization to which the logistic support, supplies, or services were provided by the United States.

"(2) The amount of any credits offset pursuant to paragraph (1) shall be credited as specified in section 2346 of this title as if it were a receipt of the United States.".

(b) EFFECTIVE DATE.—Subsection (c) of section 2345 of title 10, United States Code, as added by subsection (a), shall apply with respect to credits accrued by the United States which (1) were accrued prior to, and remain unpaid as of, the date of the enactment of this Act, or (2) are accrued after the date of the enactment of this Act.

[Please note: The "Changes to Existing Law" section below sets out in red-line format how the legislative text would amend existing law.]

Section-by-Section Analysis

This proposal would amend section 2345 of title 10, United States Code, to provide the Secretary of Defense the discretionary authority to liquidate unpaid debts owed to the United States by a foreign government or international organization as a result of the Department of Defense providing logistic support, supplies, and services to that foreign government or

international organization. Liquidation would occur by offsetting the debt against any amounts owed by the Department of Defense to that foreign government or international organization for logistic support, supplies, or services obtained by the Department pursuant to a transaction or transactions concluded under the authority of subchapter I of Chapter 138, of title 10, United States Code.

At present, no statutory authority exists which specifically addresses situations in which a foreign government or international organization fails to pay a debt owed to the United States pursuant to an agreement concluded under the authority of subchapter I of chapter 138, title 10, United States Code.

This proposal would provide a means by which the United States may recover the overdue amounts owed, and credit the value of any debt offset in the same manner as specified for other receipts received from a foreign government or international organization pursuant to an agreement concluded under the authority of subchapter I of chapter 138, title 10, United States Code. This authority would apply to debts that remain unpaid more than 18 months after the Department of Defense has delivered the logistic support, supplies, and services to the foreign government or international organization. The discretionary nature of this authority would permit the Secretary of Defense to consider factors such as the amount involved, relations with the foreign government or international organization concerned, the prognosis for payment of the debt without resort to involuntary means, and similar factors before using this authority. This proposal would apply to overdue debts accrued before and after enactment of the proposal.

Budgetary Implications: If enacted this proposal would not increase the budgetary requirements of the Department of Defense.

RESOURCE REQUIREMENTS ($MILLIONS)									
	FY 2016	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**	**Appropriation To**	**Budget Activity**	**Dash-1 Line Item**	**Program Element**
Army	+0	+0	+0	+0	+0	Operation and Maintenance, Army			
Navy	+0	+0	+0	+0	+0	Operation and Maintenance, Navy			
Marine Corps	+0	+0	+0	+0	+0	Operation and Maintenance, Marine Corps			
Coast Guard	+0	+0	+0	+0	+0	Operation and Maintenance, Coast Guard			

Air Force	+0	+0	+0	+0	+0	Operation and Maintenance, Air Force			
DOD	+0	+0	+0	+0	+0	Transportation Working Capital Funds – 97X4930	02	21A	

NUMBER OF PERSONNEL AFFECTED							
	FY 2016	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**	**Appropriation To**	**Personnel Type (Officer, Enlisted, or Civilian)**
Army	0	0	0	0	0	N/A	N/A
Navy	0	0	0	0	0	N/A	N/A
*Marine Corps	0	0	0	0	0	N/A	N/A
Air Force	0	0	0	0	0	N/A	N/A
Total	0	0	0	0	0		

Changes to Existing Law: This proposal would make the following changes in provisions of existing law:

TITLE 10, UNITED STATES CODE

§ 2345. Liquidation of accrued credits and liabilities

(a) Credits and liabilities of the United States accrued as a result of acquisitions and transfers of logistic support, supplies, and services under the authority of this subchapter shall be liquidated not less often than once every 12 months by direct payment to the entity supplying such support, supplies, or services by the entity receiving such support, supplies, or services.

(b) Payment-in-kind or exchange entitlements accrued as a result of acquisitions and transfers of logistic support, supplies, and services under authority of this subchapter shall be satisfied within 12 months after the date of delivery of the logistic support, supplies, or services.

(c)(1) Any credits of the United States accrued as a result of the provision of logistic support, supplies, and services under the authority of this subchapter that remain unliquidated more than 18 months after the date of delivery of the logistic support, supplies, or services may, at the option of the Secretary of Defense in coordination with the Secretary of State, be

liquidated by offsetting the credits against any amounts owed by the Department of Defense, pursuant to a transaction or transactions concluded under the authority of this subchapter, to the government or international organization to which the logistic support, supplies, or services were provided by the United States.

(2) The amount of any credits offset pursuant to paragraph (1) shall be credited as specified in section 2346 of this title as if it were a receipt of the United States.