SEC. ___. DEPOSIT OF REIMBURSED FUNDS TO COVER ADMINISTRATIVE EXPENSES RELATING TO CERTAIN REAL PROPERTY TRANSACTIONS.

(a) AUTHORITY TO CREDIT REIMBURSED FUNDS TO ACCOUNTS CURRENTLY AVAILABLE.—The first sentence of section 2695(c) of title 10, United States Code, is amended—

(1) by striking "shall be credited to" and inserting "shall be credited, at the option of the Secretary concerned, to (1)" ; and

(2) by inserting before the period at the end the following: ", or (2) an appropriation, fund, or account currently available to the Secretary for the purposes for which the expenses were paid".

(b) PROSPECTIVE APPLICABILITY.—The amendments made by subsection (a) shall not apply with respect to expenses incurred with appropriations provided to the Secretary of a military department before the date of the enactment of this Act.

Section-by-Section Analysis

Section 2695(c) of title 10, United States Code, requires that reimbursements paid by non-Federal persons or entities for administrative expenses incurred by the military departments for certain real property transactions be "credited to the appropriation, fund, or account from which the expenses were paid." Such credited funds "shall be available for the same purposes and subject to the same limitations as the funds with which merged." By operation of this language, reimbursements take on the fiscal duration of the funds that were originally expended.

The real property transactions to which section 2695(c) applies include exchange of real property; the grant of easements in, on, or across military real property; the lease or license of military real property; and the disposal of military real property for which the Secretary of the military department will be the disposal agent. Many of these transactions, especially enhanced use leases, property exchanges, and disposal of real property, require substantial amounts of effort and time to study, plan, competitively select the non-Federal person or entities ("partner"), and negotiate and execute the necessary deal-related documents. These actions frequently take more than one year to complete, and the military departments incur administrative expenses, which are usually paid with annual Operations & Maintenance ("O&M") funds, during the transaction process. The partners involved in the transactions usually will not reimburse the

administrative expenses until the final documents are signed, at which time any reimbursement payments will likely be credited to expired fiscal year accounts under the current language of section 2695(c).

This proposed amendment to section 2695(c) would provide flexibility to ensure that reimbursements eventually received by the military departments are not expired at the time of reimbursement. The revised language would provide for the merger of the reimbursed funds with those in the current appropriation, fund, or account used by the military departments for payment of administrative transaction-related expenses. This will allow the military departments to use all of the limited O&M funds available to them to pay for administrative expenses needed to complete other real property transactions. The revised language is modeled on the language in 10 U.S.C. 2346.

Budget Implications: This proposal will not change any prospective budgetary figures and seeks only to clarify and improve legislative language that already exists in order to better meet the intent behind the reimbursement language in section 2695(c). The Air Force expects significant variation from year to year in the amount of money that will be provided to the military departments by non-Federal entities as reimbursement for administrative expenses that were obligated and funded in a previous fiscal year and would otherwise have to be deposited into expired accounts. Based on an estimate of $10,000 of administrative expenses for each minor real property transaction qualifying for reimbursement under section 2695(b) and $200,000 for each major real property transaction, such as an enhanced use lease or real property exchange, the Air Force expects that about $1,500,000 in reimbursements per fiscal year, beginning in FY 2015 (assuming the 2015 NDAA is passed prior to the enactment of FY 2015 appropriations), would be beneficially affected by the legislative proposal and available for Air Force administrative expenses for other real property transactions. The Navy, based on FY 2013 data, estimates the future year reimbursements for administrative expenses are $1,300,000 annually.
The Army's estimate is based on actual FY 2013 non-Federal entities real estate transactions as projected future year administrative expense reimbursements for FY2015 – FY2019.

RESOURCE REQUIREMENTS ($MILLIONS)									
	FY 2015	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**Appropriation From**	**Budget Activity**	**Dash-1 Line Item**	**Program Element**
Est. Non-Federal Reimbursements, Air Force	1.500	1.500	1.500	1.500	1.500	O&M, Air Force	04	41Z (Base Support)	91212F
Navy	1.300	1.300	1.300	1.300	1.300	O&M, Navy	01	290 (Base Operating Support)	0206079N
Army	1.500	1.500	1.500	1.500	1.500	O&M, Army	04	437 (Real Estate Management)	0708018A

Changes to Existing Law: The proposal would amend section 2695(c) of title 10, United States Code, as follows:

§ 2695. Acceptance of funds to cover administrative expenses relating to certain real property transactions

(a) AUTHORITY TO ACCEPT.—In connection with a real property transaction referred to in subsection (b) with a non-Federal person or entity, the Secretary of a military department may accept amounts provided by the person or entity to cover administrative expenses incurred by the Secretary in entering into the transaction.

(b) COVERED TRANSACTIONS.—Subsection (a) applies to the following transactions involving real property under the control of the Secretary of a military department:

(1) The exchange of real property.

(2) The grant of an easement over, in, or upon real property of the United States.

(3) The lease or license of real property of the United States.

(4) The disposal of real property of the United States for which the Secretary will be the disposal agent.

(5) The conveyance of real property under section 2694a of this title.

(c) USE OF AMOUNTS COLLECTED.—Amounts collected under subsection (a) for administrative expenses shall be credited**, at the option of the Secretary concerned,** to **(1)** the appropriation, fund, or account from which the expenses were paid**, or (2) an appropriation, fund, or account currently available to the Secretary for the purposes for which the expenses were paid**. Amounts so credited shall be merged with funds in such appropriation, fund, or account and shall be available for the same purposes and subject to the same limitations as the funds with which merged.