SEC. ___. SPECIAL AUTHORITY FOR THE DEPARTMENT OF DEFENSE TO REINVEST TRAVEL REFUNDS.

(a) REFUNDS FOR OFFICIAL TRAVEL.—Subchapter I of chapter 8 of title 37, United States Code, is amended by adding at the end the following new section:

"**§ 456. Managed travel program refunds**

"(a) CREDIT OF REFUNDS.—The Secretary of Defense may credit refunds attributable to Department of Defense managed travel programs as a direct result of official travel to such operation and maintenance or research, development, test, and evaluation accounts of the Department of Defense as designated by the Secretary that are available for obligation for the fiscal year in which the refund or amount is collected.

"(b) USE OF REFUNDS.—Refunds credited under subsection (a) may only be used for official travel or operations and efficiency improvements for improved financial management of official travel.

"(c) DEFINITIONS.—In this section:

"(1) MANAGED TRAVEL PROGRAM.—The term 'managed travel program' includes air, rental car, train, bus, dining, lodging, and travel management, but does not include rebates or refunds attributable to the use of the Government travel card, the Government Purchase Card, or Government travel arranged by Government Contracted Travel Management Centers.

"(2) REFUND.—The term 'refund' includes miscellaneous receipts credited to the Department identified as a refund, rebate, repayment, or other similar amounts collected.".

(b) CLERICAL AMENDMENT—The table of sections at the beginning of such chapter is amended by inserting after the item relating to section 455 the following new item:

"456. Managed travel program refunds.".

(c) CLARIFICATION ON RETENTION OF TRAVEL PROMOTIONAL ITEMS.—Section 1116(a) of the National Defense Authorization Act for Fiscal Year 2002 (5 U.S.C. 5702 note) is amended—

(1) by striking "DEFINITION.—In this section, the term" and inserting the following: "DEFINITIONS.—In this section:

"(1) The term"; and

(2) by adding at the end the following new paragraph:

"(2) The term 'general public' includes the Federal Government or an agency.".

[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 provide the Department of Defense (DoD) with the specific statutory authority required to receive and effectively reinvest "miscellaneous receipts" obtained through a travel rebate or refund program commonly used in the private sector, a repayment of inaccurate charges, or a collection of an unused travel segment (e.g., airline ticket). Currently, no other authority exists today similar to that which allows refunds for the Government Travel Charge Card (GTCC) to be effectively used. This proposal will enable repayment and collections to be accomplished efficiently at the DoD-enterprise level based on data analysis versus working through individual travel claims which is an unworkable and inefficient process. Recouping refunds on a per transaction basis is very costly if at all achievable. Such refunds could then be credited to Operations and Maintenance (O&M) funds and Research, Development, Test and Evaluation (RDT&E) funds available for current expenditure (versus refunding them to the original appropriation, which may no longer be available for current expenditure) just like the GTCC refunds.

This proposal would save the Department money and adhere to the Office of Management and Budget's (OMB's) directive to reduce spending related to official travel and to generate travel efficiencies. This proposal would assist DoD in following the guidance set forth in OMB Memorandum M-12-12, which directed all Federal agencies to spend at least 30% less

on travel expenses covered by the memorandum than they spent in fiscal year (FY) 2010. This language also complements DoD efforts to pursue cost savings through programs like the Campaign to Cut Waste (CCW), which strives to make travel more efficient. Furthermore, generating refunds from managed travel programs enables DoD to create reinvestment efficiencies like the GTCC program. DoD already has similar authority under section 8067 of the Department of Defense Appropriations Act, 2008 (10 U.S.C. 2784 note) for refunds received through the GTCC program. Such programs incentivize DoD to engage the private sector to generate travel efficiencies where opportunities exist.

This proposal would benefit DoD by allowing the Department to credit refunds to current O&M and RDT&E funds rather than the original appropriations as is the case for the GTCC. Normally, refunds must be credited back to the original appropriation from which the expenditure being refunded was made. To credit a refund to a different appropriation absent specific statutory authority effectively augments the other appropriation, violating the Anti-Deficiency Act (31 U.S.C. 1341). This proposal would grant the Department legal authority to re-allocate or re-use those funds, allowing DoD to operate with funds derived from another source (e.g., refunds) authorized by this specific statutory authority.

The definition of a refund (i.e., rebate, reward, repayment, collection) is narrowly limited in this proposal to four categories of miscellaneous receipts all of which are, in fact, a return of funds the effect of which for accounting purposes are balancing debits and credits. In terms of obligation authority, a simplistic view of the flow of funds is that obligation authority is received (i.e., TOA), then funds are committed thus decreasing remaining authority, then a portion of those same commitments are returned to the Department raising the authority slightly, and then those same funds are re-obligated. This has a zerosum effect with no new funds (i.e., obligation authority) entering the accounting cycle. Understanding the definition of these terms reinforces the zero-sum effect refunds have on the TOA, as follows:

A rebate or reward is a deduction from an amount paid by way of reduction or return on what has already been paid. From a financial transaction perspective, it is a backend negotiated discount. Logically, there is no new money entering the process, but a recycle of already existing money.

A repayment or collection is an amount being reclaimed as a result of an overcharge (e.g., exceeds negotiated rate), service not used (e.g., unused ticket), duplicate charge (e.g., charged twice), etc. This transaction is a return of a portion or all of the payment. Again, logically, there is no new money entering the process, but a recycle of already existing money. Currently, very few collections are processed because they are done inefficiently through individual travel claims. Therefore, only limited recoveries are made and there has been no incentive for the government to take action.

This proposal, unlike the GTCC statute, defines the boundaries and limits authority in terms of what constitutes a refund to prevent this authority from being misused. The refund must originate from official travel, defined further as managed travel programs. The proposal additionally requires refunds to be reinvested in just two ways: either travel or travel program efficiencies. Refunds reinvested in support of travel efficiencies will be outlined in financial

management improvement program similar to that required for use of Improvement Payments Elimination and Recovery Act (IPERA) funds. This plan will be approved by one of the Department's travel governance boards (i.e., Defense Travel Improvement Board). DoD has not met the improper payment threshold (i.e., IPERA) the past several years and no funds are specifically allocated to take corrective action. Furthermore, this proposal limits what constitutes a refund and what is included in a managed travel program.

Travel refund programs in the private sector frequently include incentive programs for the traveler to encourage voluntary utilization, resulting in higher adoption rates and refunds. To avoid any possible narrow interpretation of what constitutes the "general public" under section 1116 of the NDAA for FY 2002 (5 U.S.C. 5702 note), the proposal makes clear that the Federal Government as a whole or an agency of the Federal Government is a large enough class to be considered the "general public". At present, the Federal Government has been determined to be a broad enough class to qualify as the "general public" and DoD comprises approximately 64% of all Federal travel spending.

Budget Implications: As this proposal enables refunds (i.e., refunds, rebates, repayment, collections, etc.) from travel programs to be credited to appropriations and re-obligated, it would result in significant cost savings (or cost avoidance) to the Department. As one example, rebates could be generated from a managed dining program. Using below assumptions, the following constructed example of savings is provided:

1) DoD spends over $1 billion in meal per diem per year.

2) If 15% (i.e., $150 million) of this meal per diem is spent through a managed dining program,

3) And if a rebate of 2% is received, the total DoD rebate would be $3 million.

4) Rebates are credited proportionally to the components based upon their percentage of participation in the program (for example, 20.5% Air Force, 37% Army, 5.5% Marines, 27.4% Navy, and 9.6% DoD). The distribution would be as displayed in the table below.

Program costs would be mostly absorbed by the third-party contractor, to include such costs as coordinating with restaurants, collecting and distributing rebates, program administrative costs, etc. The Defense Travel Management Office (DTMO) would perform tasks associated with contract management and distribution of funds through existing staff. This approach is similar to how the GTCC agreement works. In this process, Citibank operates the program for DoD, collects a rebate from merchants at no additional cost of goods/services, and then pays DoD a share of the rebate on a quarterly basis. DoD's governance boards (e.g., Defense Travel Improvement Board) and senior leaders briefed to date have all been supportive of this initiative.

Effect of Amendment to title 37, United States Code (specific authority for DoD to reinvest travel refunds): The proposed legislation would save the Department approximately $904,000 annually.

RESOURCE REQUIREMENTS – COST SAVINGS ($MILLIONS)									
	FY 2017	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**Appropriation From**	**Budget Activity**	**Dash-1 Line Item**	**Program Element**
Air	$0	($.154)	($.154)	($.154)	($.154)	Operation and	01	011D	27603F

Force						Maintenance, Air Force			
Air Force	$0	($.154)	($.154)	($.154)	($.154)	Operation and Maintenance, Air Force	03	032C	84751F
Air Force	$0	($.154)	($.154)	($.154)	($.154)	Research, Development, Test and Evaluation, Air Force	01	01	61102F
Air Force	$0	($.154)	($.154)	($.154)	($.154)	Research, Development, Test and Evaluation, Air Force	05	069	64800F
DoD	$0	($.288)	($.288)	($.288)	($.288)	Operation and Maintenance, Defense-Wide	04	300	0908388D8Z
Army does not intend to use this authority, which would have been funded in the following accounts: Operation and Maintenance, Army and Research, Development, Test and Evaluation, Army.									
Navy does not intend to use this authority, which would have been funded in the following accounts: Operation and Maintenance, Navy and Research, Development, Test and Evaluation, Navy.									
Marine Corps does not intend to use this authority, which would have been funded in the following account: Research, Development, Test and Evaluation, Navy.									
Total	$0	($.904)	($.904)	($.904)	($.904)				

NUMBER OF PERSONNEL AFFECTED					
	FY 2017	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**
Air Force	0	203,172	203,172	203,172	203,172
DoD	0	52,716	52,716	52,716	52,716
Army does not intend to use this authority, which would have been funded in the following accounts: Operation and Maintenance, Army and Research, Development, Test and Evaluation, Army.					
Navy does not intend to use this authority, which would have been funded in the following accounts: Operation and Maintenance, Navy and Research, Development, Test and Evaluation, Navy.					
Marine Corps does not intend to use this authority, which would have been funded in the following account: Research, Development, Test and Evaluation, Navy					
Total	0	255,888	255,888	255,888	255,888

Changes to Existing Law: This proposal would add a new section to title 37, United States Code, set out in full in the legislative text above and would amend section 1116 of the National Defense Authorization Act for Fiscal Year 2002 (5 U.S.C. 5702 note) as follows:

SEC. 1116. RETENTION OF TRAVEL PROMOTIONAL ITEMS.

(a) ~~DEFINITION~~ DEFINITIONS.—In this section~~,~~:

(1) ~~the~~ The term ''agency'' has the meaning given that term under section 5701 of title 5, United States Code.

(2) The term "general public" includes the Federal Government or an agency.

(b) RETENTION OF TRAVEL PROMOTIONAL ITEMS.—To the extent provided under subsection (c), a Federal employee, member of the Foreign Service, member of a uniformed service, any family member or dependent of such an employee or member, or other individual who receives a promotional item (including frequent flyer miles, upgrade, or access to carrier clubs or facilities) as a result of using travel or transportation services obtained at Federal Government expense or accepted under section 1353 of title 31, United States Code, may retain the promotional item for personal use if the promotional item is obtained under the same terms as those offered to the general public and at no additional cost to the Federal Government.

(c) LIMITATION.—Subsection (b)—

(1) applies only to travel that—

(A) is at the expense of an agency; or

(B) is accepted by an agency under section 1353 of title 31, United States Code; and

(2) does not apply to travel by any officer, employee, or other official of the Government who is not in or under any agency.

(d) REGULATORY AUTHORITY.—Any agency with authority to prescribe regulations governing the acquisition, acceptance, use, or disposal of any travel or transportation services obtained at Government expense or accepted under section 1353 of title 31, United States Code, may prescribe regulations to carry out subsection (b) with respect to those travel or transportation services.

(e) REPEAL OF SUPERSEDED LAW.—Section 6008 of the Federal Acquisition Streamlining Act of 1994 (5 U.S.C. 5702 note; Public Law 103–355) is repealed.

(f) APPLICABILITY.—This section shall apply with respect to promotional items received before, on, or after the date of enactment of this Act.