SEC. ___. INCREASE TO THE SIZE OF THE SPECIAL DEFENSE ACQUISITION FUND.

Section 114(c)(1) of title 10, United States Code, is amended by striking "$1,070,000,000" and inserting "$3,000,000,000"

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

Section-by-Section Analysis

As provided in section 51 of the Arms Export Control Act (AECA), the Special Defense Acquisition Fund (SDAF) is a revolving fund that is used by the Secretary of Defense, in consultation with the Secretary of State, to finance the acquisition of defense articles and defense services in anticipation of their future transfer to foreign governments and international organizations in accordance with the AECA, the Foreign Assistance Act of 1961 (FAA), or as otherwise authorized by law. When the articles and services are transferred, the proceeds from the transfer are returned to the SDAF and used to finance subsequent purchases.

This proposal would increase the allowable size of the SDAF by $1,930 million, permitting the Department of Defense (DoD) to procure and stockpile defense articles and defense services in greater quantity and variety to facilitate rapid transfer of defense articles to meet the urgent requirements of friendly foreign countries. This proposal would provide the U.S. Government with sufficient authority to procure defense articles and services to meet for anticipated demands, especially those demands to satisfy the urgent military requirements of friendly foreign countries engaged in counterterrorism and counter-insurgency operations, such as counter-Islamic State in Iraq and the Levant (ISIL) operations, and addressing emerging border security challenges. This proposal would allow the Secretary of Defense, in consultation with the Secretary of State, to meet rapidly increasing demand for defense articles to support time-sensitive military requirements of friendly foreign countries.

Over the past decade, the U.S. Government has been asked on a regular basis to provide defense articles to friendly foreign countries, particularly those engaged in counterterrorism operations, on short notice. Prior to recapitalizing the SDAF in 2012, the Department was not funded to purchase defense articles for friendly foreign countries before a Letter of Offer and Acceptance was executed since payment are required in advance of purchase under the laws authorizing foreign military sales. Consequently, when a friendly foreign country needed to procure defense articles immediately, the only option was to withdraw the equipment and material from U.S. Military Department inventories or divert the production of equipment intended for U.S. forces or other foreign customers. Although the Department was able to meet many of these urgent requirements, it has not always been able to do so in a timely manner.

The SDAF was recapitalized in 2012 to address this issue. Over the past four years, the Department has used the Fund to purchase more than $200 million worth of defense articles and

services that have been transferred to more than 30 countries worldwide, including the Governments of Afghanistan, Egypt, Lebanon, Iraq, Italy, Kenya, Mauritania, Tunisia, and Ukraine, among others. Although the Department has been able to use the Fund successfully to support friendly foreign countries, it has not been able to make a measurable impact on urgent partner operational requirements. The primary reason is that the size of the Fund is not large enough to purchase the quantities of equipment and material that are most often requested by friendly foreign countries.

This proposal would provide the Department with a higher ceiling to procure greater quantities and varieties of the types of defense articles that are urgently needed by friendly foreign countries, particularly those engaged in counterterrorism operations, on short notice.

Budget Implications: This proposal would not affect the budget of the Department of Defense.

The SDAF consists of collections from sales of defense articles from the Fund as authorized in the AECA; collections of asset use charges; charges for the proportionate recoupment of nonrecurring research, development, and production costs; and collections from sales of defense articles authorized by the FAA, as amended, together with funds authorized and appropriated or otherwise made available for the purposes of the Fund.

RESOURCE REQUIREMENTS ($MILLIONS)									
	FY 2017	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**Appropriation From**	**Budget Activity**	**Dash-1 Line Item**	**Program Element**
	NA	NA	NA	NA	NA	NA	NA	NA	NA

Changes to Existing Law: This proposal would make the following changes to section 114 of title 10, United States Code:

TITLE 10, UNITED STATES CODE

§114. Annual Authorization of Appropriations

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(c)

(1) The size of the Special Defense Acquisition Fund established pursuant to chapter 5 of the Arms Export control Act (22 U.S.C. 2795 et seq.) may not exceed ~~$1,070,000,000~~ $3,000,000,000.

(2) Notwithstanding section 37(a) of the Arms Export Control Act, amounts received by the United States pursuant to subparagraph (A) of section 21(a)(1) of the Act—

(A) shall be credited to the Special Defense Acquisition Fund established pursuant to chapter 5 of that Act, as authorized by section 51(b)(1) of that Act, but subject to the limitation in paragraph (1) and other applicable law; and

(B) to the extent not so credited, shall be deposited in the Treasury as miscellaneous receipts as provided in section 3302(b) of title 31.

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