SEC. 304. AUTHORITY TO PAY FOR CONTRACT FEES AND PROGRAM COSTS OF THE DEPARTMENT OF DEFENSE OVERSEAS MILITARY BANKING PROGRAM FROM OPERATING AND RETAINED REVENUE OF THE PROGRAM.

(a) USE OF GENERATED REVENUE.— The Secretary of Defense, in carrying out the Overseas Military Banking Program of the Department of Defense (in this section referred to as the "Program"), may use the operating and retained revenue generated by the Program to pay for the following:

(1) Contract fees related to any contract entered into for the purpose of carrying out the Program.

(2) Costs incurred under the Program for providing (A) contract formation and administration services relating to the Program contract, and (B) financial services to the military services and military personnel.

(b) COLLECTION OF AMOUNTS OWED.—

(1) AUTHORITY TO COLLECT AMOUNTS OWED BY DEDUCTIONS FROM PAY.—Under regulations prescribed by the Secretary of Defense, at the request of the head of the Program, a disbursing official of the United States may, on behalf of the Program, collect by deduction from the amount of pay owed to a member or an employee any amount of funds the member or employee owes to the Program as a result of delinquencies or a default on loans or fees not disputed by the member or employee. The amount deducted from the pay owed to a member or an employee with respect to a pay period may not exceed 15 percent of the disposable pay of the member or employee for that pay period,

1 except that a greater percentage may be deducted with the written consent of the member

2 or employee.

3 (2) DUE PROCESS PROTECTIONS.—Collections under this subsection shall be

4 carried out in accordance with procedures substantially equivalent to the procedures

5 required under section 3716(a) of title 31, United States Code.

Section-by-Section Analysis

This proposal would allow the Department of Defense to use either the operating or retained revenue, or both, generated by the Overseas Military Banking Program (OMBP) contract to pay for contract fees and program expenses. Under existing law, the operating costs of the OMBP cannot legally be used to pay for contract fees or program expenses. Operating costs of the OMBP contract are currently funded by revenues generated by the contract. The revenues are generated by transaction fees, currency exchange fees, and interest on investments and deposits. If current revenues are insufficient to pay contract costs, the costs are paid out of retained revenue (the amount of "cumulative profit for past periods"). If both current revenues and retained revenues are insufficient to cover expenses, appropriated funds would have to be used to cover the shortfall.

The OMBP contract is funded from a mixture of current revenues, retained revenues, and appropriated funds. Current revenues have varied but in recent history they have fallen below zero only once. The program operates like a business, except that because it has a quality of life dimension, the goal is not to maximize net income but to find the optimal balance between revenue, costs, and delivery of services. This proposal would allow the Department of Defense to optimize decision-making because cost, fees, and program expenses could all be charged to the same funding source (program operations). If revenue and costs of the program are positive, the Services could be relieved of the burden of funding fees, bad debt expenses, and program expenses from appropriated funds.

The proposal would allow bad debts of the program to be collected by setoff from government payments without first being purchased by appropriated funds.

Budget Implications: The proposal will not require an increase in any appropriation or account. The proposal gives the Department of Defense the ability to potentially reduce demands upon future appropriations and accounts. The amount of the yearly reduction is unknown. The table below details resource requirements and proposed offsets associated with this proposal.

RESOURCE REQUIREMENTS ($MILLIONS)								
	FY 2013	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**Appropriation From**	**Budget Activity**	**Dash-1 Line Item**
DFAS	0.0	0.0	0.0	0.0	0.0	None	None	None
Total	0.0	0.0	0.0	0.0	0.0	None	None	None

Changes to Existing Law: There is no change to the text of existing law.