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JUN 12 2002

The Honorable Richard B. Cheney
President of the Senate
Washington, D.C. 20510

Dear Mr. President:

The Department of Defense proposes the enclosed legislation relating to the management and operations of the Department of Defense. These proposals are part of the departmental legislative program for the Second Session of the 107th Congress, and we urge their enactment. The purpose of each proposal is stated more fully in its accompanying section-by-section analysis.

The Department proposes legislation to enhance the authority to provide essential support to certain civilian sporting competitions; to repeal the requirement for the Center for the Study of Chinese Military Affairs; to enter into international agreements for standardization of flying training and tactical leadership programs with the Air Forces of friendly foreign countries; to correct the industrial resource shortfall for radiation-hardened electronics; to extend the pilot program for revitalizing defense laboratories; to clarify the applicability of the statutory limitation on the allowability of compensation for certain contractor personnel; to authorize the provision of space and services to the Navy-Marine Corps Relief Society; to authorize the release of certain taxpayer information regarding military personnel; to authorize the Secretary to pay rewards to combat terrorism; and to include foreign military personnel serving with our forces among those eligible to receive check cashing and currency exchange transactions from our disbursing officials.

The Office of Management and Budget advises that there is no objection, from the standpoint of the Administration's program, to the presentation of these initiatives for your consideration and the consideration of the Congress.

Sincerely,

A handwritten signature in black ink, appearing to read "WJ Haynes II".

William J. Haynes II

Enclosures
As Stated





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The Honorable J. Dennis Hastert
Speaker of the House of Representatives
Washington, D.C. 20515

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**SEC. ____ . DEPARTMENT OF DEFENSE SUPPORT FOR SECURITY OPERATIONS
AT MAJOR EVENTS.**

1 (a) AUTHORITY TO SUPPORT MAJOR EVENTS.—Section 2564 of title 10, United States
2 Code, is amended to read as follows:

3 **"§ 2564. Provision of support for certain major events**

4 "(a) SECURITY AND SAFETY ASSISTANCE.—The Secretary of Defense may provide
5 assistance in support of essential security and safety at major events to government agencies
6 responsible for providing law enforcement services, security services, or safety services at such
7 events, but only if the Attorney General certifies that such assistance is necessary to meet
8 essential security and safety needs. This certification requirement does not apply to events the
9 President has determined to be special events of national significance for which he has
10 authorized the United States Secret Service to participate in the planning, coordination, and
11 implementation of security operations under subsection 3056(e)(1) of title 18.

12 "(b) OTHER ASSISTANCE.—The Secretary of Defense may provide assistance in support
13 of needs other than those described in subsection (a) at events referred to in that subsection, but
14 only—

15 "(1) to the extent that such needs cannot reasonably be met by a source other than
16 the Department;

17 "(2) to the extent that the provision of such assistance does not adversely affect
18 the military preparedness of the armed forces; and

19 "(3) if the organization requesting such assistance agrees to reimburse the
20 Department for amounts expended by the Department in providing the assistance in
21 accordance with the provisions of section 377 of this title and other applicable provisions
22 of law.

1 "(c) EXEMPTION OF CERTAIN EVENTS.—Notwithstanding subsections (a) and (b), the
2 Secretary of Defense may provide, with or without reimbursement, assistance in support of
3 security, safety, and logistical needs to the following events:

4 "(1) The Special Olympics.

5 "(2) The Paralympics.

6 "(d) SPECIAL ACCOUNT.—(1) There is on the books of the Treasury an account presently
7 identified as 'Support for International Sporting Competitions, Defense,' which name shall be
8 changed to 'Support for Major Events, Defense'. The account shall be used to provide assistance
9 to events referred to in subsections (a) and (c).

10 "(2)(A) Funds in the account shall not be available for pay and non-travel
11 allowances of members of the armed forces, except for members of the reserve
12 components called to or ordered to active duty in connection with providing such
13 assistance or as described in subparagraph (B).

14 "(B) Such funds shall be available, upon the approval of the Secretary or
15 the Secretary's designee, for pay and allowances of members of the National
16 Guard while performing such assistance in a full-time National Guard duty or a
17 state active duty status.

18 "(3) There shall be deposited into the account—

19 "(A) any reimbursements received under this section; and

20 "(B) any amounts specifically appropriated to the account.

21 "(4) All funds in the account at any time shall remain available until expended.

22 "(e) TERMS AND CONDITIONS.—The Secretary of Defense may require such terms and
23 conditions in connection with the provision of assistance under this section as the Secretary
24 considers necessary and appropriate to protect the interests of the United States.

1 "(f) RELATIONSHIP TO OTHER LAWS.—Assistance provided under this section shall be
2 subject to the provisions of sections 375 and 376 of this title."

3 (b) CLERICAL AMENDMENT.—The table of sections at the beginning of chapter 152 of
4 such title is amended with regard to the item that refers to section 2564 by striking "sporting" and
5 inserting "major".

6 (c) REPEAL OF EARLIER AUTHORITY.—Section 5802 of the Department of Defense
7 Appropriations Act, 1997 (Public Law 104-208; 110 Stat. 3009-522) is repealed. Funds in the
8 account of the Treasury established by such section on the date of enactment of this Act shall
9 remain in the account after the repeal of such section and the account shall continue under the
10 authority of section 2564(d) of title 10, as amended by subsection (a). Any funds received by the
11 Department of Defense as reimbursement for assistance to or support for a major event prior to
12 enactment of this Act, but not deposited into the account at the time of enactment, shall be
13 deposited into the account.

Section-by-Section Analysis

This section would amend section 2564 of title 10, United States Code, to enhance the authority of the Department of Defense to provide essential security, safety, and logistical support to federal, state, and local public safety agencies in connection with civilian sporting competitions such as the Olympics, the Goodwill Games, the World Cup Soccer Games, and other major events. Specifically, this proposal would authorize the Department of Defense to support major sporting and non-sporting events; recognize that under subsection 3056(e)(1) of title 18, United States Code, the United States Secret Service, rather than the Department of Justice, is the lead agency for operational security for events the President has determined to be special events of national significance; codify the separate Department of Defense appropriations account that enables the funding of such support without undermining military operational requirements; authorize the Department of Defense to deposit into the account reimbursements it receives for providing specified logistical support; and grant the Department of Defense express authority to support the Special Olympics and Paralympics by providing assistance in support of the security, safety, and logistical needs of those special competitions.

Currently, section 2564(a) authorizes the Secretary of Defense to provide assistance in support of essential security and safety at civilian sporting events when the Attorney General

certifies that such assistance is necessary to meet essential security and safety needs. This proposal would authorize support to major events other than sporting events and require Attorney General certification only for events where the United States Secret Service does not have the federal lead for operational security. Section 2564(b) currently authorizes the Secretary of Defense to provide assistance to a civilian sporting event in support of other needs relating to the event (1) to the extent that such needs cannot reasonably be met by a source other than the Department of Defense; (2) to the extent the provision of such assistance does not adversely affect the military preparedness of the armed forces; and (3) if the organization requesting assistance agrees to reimburse the Department for amounts expended in providing the assistance. This provision would not change.

Section 2564(c) currently provides that subsections (a) and (b) do not apply to the Special Olympics and the Paralympics. The legislative history for section 2564 indicates these events were excluded so that services could be provided to the events without a requirement for reimbursement. This proposal would amend section 2564(c) to include the Special Olympics and Paralympics under section 2564, but specifically authorize the Department of Defense to provide security and safety services, as well as logistical services, to these events on a reimbursable or nonreimbursable basis.

As noted above, this proposal also would codify the authority for a special account to support major events. Section 5802 of the Department of Defense Appropriations Act for Fiscal Year 1997 established an account in the Treasury, "Support for International Sporting Competitions, Defense," to be available until expended for logistical and security support for international sporting competitions. Reimbursements received by the Department for providing such support are deposited into the account, along with amounts specifically appropriated to the account. This proposal would repeal section 5802 and require that the account continue under the authority in a new subsection (d) of section 2564. Thus, the authority to provide support services to civilian sporting events and other major events and the authority for the account would be codified in the same section of title 10. This proposal would authorize the use of the funds in the account to reimburse a state or the appropriate federal military pay account for pay and allowances paid to a member of the Army National Guard or Air National Guard while performing state active duty or full-time National Guard duty in an essential security augmentation role that could not be accomplished by civilian law enforcement agencies and would otherwise be inappropriate for active duty personnel in Federal status. Except in the case of events the President has determined to be special events of national significance for which he has authorized the United States Secret Service to participate in the planning, coordination, and implementation of security operations under subsection 3056(e)(1) of title 18, United States Code, the Attorney General would be required to certify that such assistance is necessary and the Secretary of Defense, or the Secretary's designee, would be required to approve the use of funds for such reimbursement.

**SEC. ____ . REPEAL OF THE AUTHORIZATION FOR THE ESTABLISHMENT OF
THE CENTER FOR THE STUDY OF CHINESE MILITARY AFFAIRS.**

1 Section 914 of the National Defense Authorization Act for Fiscal Year 2000 (Public Law
2 106-65; 113 Stat. 721), a provision which authorized the establishment of the Center for the
3 Study of Chinese Military Affairs, is repealed.

Section-by-Section Analysis

The Secretary of Defense has reviewed the legislation establishing the Center for the Study of Chinese Military Affairs at the National Defense University and strongly urges repeal. While supportive of the concept of enhancing analysis of China's security policies and practices, the Secretary believes there are more efficient means of accomplishing this goal.

**SEC. ____ . PARTICIPATION IN STANDARDIZATION FLYING TRAINING AND
TACTICAL LEADERSHIP PROGRAMS WITH FRIENDLY FOREIGN
COUNTRIES.**

1 (a) FLYING TRAINING AND TACTICAL LEADERSHIP PROGRAMS.—Chapter 138 of title 10,
2 United States Code, is amended by adding at the end the following new section:

3 **"§2350l. Participation in standardization flying training and tactical leadership programs**
4 **with friendly foreign countries**

5 "For the purpose of satisfying common requirements, the Secretary of Defense may enter
6 into bilateral or multilateral agreements with friendly foreign countries in Southwest Asia for the
7 cooperative furnishing of post-undergraduate flying and tactical leadership training on a non-
8 reimbursable basis at facilities in a foreign country, if the principles of such agreements are based
9 on the equitable provision of support and services from each participating country. The Secretary
10 of Defense may waive the requirement for an equitable contribution from a particular foreign
11 country in Southwest Asia if he determines that participation of that foreign country is
12 fundamental to the achievement of national security objectives of the United States."

13 (b) CLERICAL AMENDMENT.—The table of sections at the beginning of such chapter is
14 amended by adding at the end the following new item:

"2350l. Participation in standardization flying training and tactical leadership programs with friendly foreign
countries."

Section-by-Section Analysis

This proposal would authorize the Secretary of Defense to enter into international agreements with friendly foreign countries to establish programs for the cooperative furnishing of foreign-based post-undergraduate flying training and tactical leadership on a bilateral or multilateral basis. In general, the financial principles of the agreements should be equitable. In some cases, however, a country may be unable to provide equitable support. Nevertheless, it may still be in the best interests of the United States to ensure that United States aircrews

participating in coalition warfare with foreign aircrews have confidence that the foreign aircrews are proficient in operational flying and in executing tactics. In such cases the Secretary of Defense may waive the requirement for equitable support and provide defense articles and defense services under the agreement without the need for reimbursement.

The United States has the preeminent flying fighting force in the world. United States policy is to engage in combat in coalition operations with friendly foreign countries. Due to circumstances in certain foreign areas the combat skills of U.S. fliers have begun to atrophy. Establishment of programs for the cooperative furnishing of foreign-based post-undergraduate flying training and/or tactical leadership programs will provide invaluable continuation training for our forces deployed in support of contingencies and operations. These programs will also establish goodwill and solidify regional commitment to United States goals and values. Integration and interoperability are absolute requirements for successful coalition warfare. They reduce risk and increase effectiveness. Many foreign air forces with whom the United States may engage in coalition operations do not have the operational and tactical flying skills possessed by United States Forces. Increasing the skill levels of coalition forces may alleviate some of the burden on our forces. Engaging in coalition operations with foreign air forces that do not have significant operational and tactical flying training skills may put United States Forces at increased risk of harm.

**SEC. ____ . AUTHORIZATION TO TAKE ACTIONS TO CORRECT THE
INDUSTRIAL RESOURCE SHORTFALL FOR RADIATION-HARDENED
ELECTRONICS.**

1 Notwithstanding the limitation in section 303(a)(6)(C) of the Defense Production Act of
2 1950 (50 U.S.C. App. 2093(a)(6)(C)), action or actions may be taken under section 303 of the
3 Defense Production Act of 1950 to correct the industrial resource shortfall for radiation-hardened
4 electronics, provided that such actions do not cause the aggregate outstanding amount of all such
5 actions to exceed \$200,000,000.

Section-by-Section Analysis

This proposal would authorize action or actions to be taken to correct the industrial resource shortfall for radiation-hardened electronics in amounts not to exceed \$200,000,000. Subsection 303(a)(6)(C) of the Defense Production Act of 1950 requires a specific authorization for any action or actions taken under section 303, to correct an industrial resource shortfall, that would cause the aggregate outstanding amount of all such actions to exceed \$50,000,000.

The current estimate to correct the industrial resource shortfall for radiation hardened electronics is \$167 million. However, authority to take action up to \$200 million is being requested to provide additional authorization in the event of an unexpected increase in the cost of the project.

This is not a request for additional funds. The requested legislation will simply authorize use of funds in excess of \$50 million if and when such funds are appropriated.

**SEC. ____ . EXTENDING PILOT PROGRAM FOR REVITALIZING DEPARTMENT OF
DEFENSE LABORATORIES.**

1 Section 245(a)(4) of the National Defense Authorization Act for Fiscal Year 2000 (Public
2 106-65, 113 Stat. 553) is amended by striking "three" and inserting "five".

Section-by-Section Analysis

This proposal would extend the pilot program from the initially established three years to five years in order to demonstrate improved efficiency in the performance of research, development, test, and evaluation functions of the Department of Defense (DoD). There is a real need for the DoD to obtain timely access to the specialized technical knowledge and expertise that is vital to the Department's mission. In the aftermath of September 11, 2001, new technical initiatives must be created or existing areas of technical expertise must be augmented with very narrowly focused scientific expertise not readily available in the general labor market. Through this authority, personnel management processes for hiring professional positions have been streamlined. Additionally, the authority enabled waiver of DoD's requirements in DoD Directive 1402.1, "Employment of Retired Members of the Armed Forces" for the hiring of retired members of the armed forces. These changes have improved the efficiency and effectiveness of the research, development, test, and evaluation community. With the authority, the Services are in a better position to compete equally for the specialized skills that are required. A lapse in authority in this area, therefore, would be damaging.

**SEC. ____ . CLARIFICATION OF APPLICABILITY OF STATUTORY LIMITATION
ON THE ALLOWABILITY OF COMPENSATION FOR CERTAIN
CONTRACTOR PERSONNEL.**

1 Section 808 of the National Defense Authorization Act for Fiscal Year 1998 (Public Law
2 105-85; 111 Stat. 1836) is amended—

3 (1) by amending subsection (e) to read as follows:

4 "(e) EFFECTIVE DATE.—The amendments made by this section shall—

5 "(1) take effect on the date that is 90 days after the date of the enactment of this
6 Act; and

7 "(2) apply with respect to costs of compensation incurred after January 1, 1998,
8 under covered contracts that (i) were entered into before or on the date of the enactment
9 of this Act, and were subject to a pre-existing statutory limitation on the allowability of
10 compensation for certain contractor personnel as of the date of enactment, or (ii) were
11 entered into after the date of enactment of this Act."; and

12 (2) by amending subsection (f) to read as follows:

13 "(f) EXCLUSIVE APPLICABILITY.—Notwithstanding any other provision of law, no other
14 limitation in law on the allowability of costs of compensation of senior executives under covered
15 contracts subject to a statutory limitation on such cost shall apply to such costs of compensation
16 after January 1, 1998."

Section-by-Section Analysis

The change in this section would limit the application of the statutory limitation on the allowability of the costs of the compensation for certain contractor senior executives to contracts that were already subject to a pre-existing statutory limitation on such costs as of the date of the enactment of Public Law 105-85, the National Defense Authorization Act for Fiscal Year 1998,

and to contracts entered into after the date of enactment of Public Law 105-85.

As enacted, Section 808 of Public Law 105-85 imposed the sole statutory limitation on the allowability of the costs of the compensation for certain contractor senior executives with respect to compensation costs incurred after January 1, 1998 under contracts entered into before, on, or after the date of enactment. Some contracts entered into before the date of enactment of Public Law 105-85 were not subject to any statutory limitation on such compensation. However, with the passage of Public Law 105-85, existing contracts that were not previously subject to a statutory limitation on such compensation became subject to such a statutory limitation.

The change would modify Section 808 of Public Law 105-85 so that it would be applied in a manner consistent with the holding in *General Dynamics Corporation v. United States*, 47 Fed. Cl. 514 (2000). That case held that the Government breached its contract with General Dynamics (which preexisted any statutory executive compensation caps) through the enactment of a statute capping allowable senior executive compensation costs as of January 1, 1998. The modified statute would apply only to contracts that were already subject to a pre-existing statutory limitation on the allowability of the costs of compensation of senior executives as of the date of the original enactment, and to contracts executed after the date of the original enactment; it would not apply to contracts that were not already subject to a pre-existing statutory senior executive compensation cap.

In the absence of the change, the plain language of the statute would require the contracting officer to apply it to all contracts, including those that were not already subject to a senior executive compensation cap in the absence of the statute, thereby ignoring the holding in the *General Dynamics* case and subjecting the Government to further litigation.

**SEC. ____ . PROVISION OF SPACE AND SERVICES TO THE NAVY - MARINE
CORPS RELIEF SOCIETY.**

1 (a) PROVISION OF SPACE AND SERVICES.—Chapter 649 of title 10, United States Code, is
2 amended by adding at the end the following new section:

3 **“§7583. Navy - Marine Corps Relief Society: provision of space and services**

4 (a) The Secretary of the Navy may provide to the Navy - Marine Corps Relief Society
5 allotments of space and services under the control of the Department of the Navy without charge
6 for rent or services.

7 (b) For purposes of this section, the term 'services' includes, but is not limited to, the
8 providing of lighting, heating, cooling, electricity, office furniture, office machines and
9 equipment, telephone and other information technology services (including installation of lines
10 and equipment, connectivity, and other associated expenses) and security systems (including
11 installation of and other expenses associated with security systems).”.

12 (b) CLERICAL AMENDMENT.—The table of sections at the beginning of such chapter is
13 amended by adding at the end the following new item:

14 "7583. Navy - Marine Corps Relief Society: provision of space and services.”.

Section-by-Section Analysis

The proposal would provide statutory authority for the Secretary of the Navy to provide government owned or controlled space and support services to the Navy & Marine Corps Relief Society. Due to its historic and continuing role in aiding Sailors and Marines through numerous individual support programs and disaster relief, the Society supports the mission of the Department of the Navy through its most important asset - people. The space and services provided under this authority will be of minimal cost to the Navy and are nearly identical to the support provided by all federal agencies to another individual service organization - federal credit unions - under 12 U.S.C. 1770.

**SEC. ____ . RELEASE OF TAXPAYER ADDRESS INFORMATION HELD BY THE
INTERNAL REVENUE SERVICE ON MEMBERS OF THE ARMED
FORCES.**

1 (a) AUTHORITY.—Section 6103(m) of the Internal Revenue Code of 1986 (26 U.S.C.
2 6103(m)) is amended by adding at the end the following new paragraph:

3 "(8) MEMBERS OF THE ARMED FORCES.—(A) IN GENERAL.—Upon written request by the
4 Secretary of Defense, the Secretary of a military department, or the Secretary of Transportation
5 with respect to the Coast Guard when it is not operating as a service in the Navy, the Secretary
6 may disclose the mailing address of taxpayers to officers or employees of the Department of
7 Defense or Department of Transportation for use by such officers or employees or their agents
8 for the purpose of locating individuals who are serving in a reserve component of the armed
9 forces of the United States.

10 "(B) PRIOR ATTEMPTS TO OBTAIN ADDRESS INFORMATION FROM OTHER
11 SOURCES.—Such requests shall only be made after the Secretary of Defense, the
12 Secretary of a military department or the Secretary of Transportation, as the case may be,
13 has made every reasonable effort to locate the individual through other government and
14 commercial sources.

15 "(C) EXCEPTION DURING NATIONAL EMERGENCY OR WAR.—During a national
16 emergency declared by the President or war declared by Congress, the Secretary of
17 Defense, the Secretary of a military department or the Secretary of Transportation may
18 request the address of an individual, notwithstanding subparagraph (B), if the individual
19 possesses a critical skill and is needed for immediate mobilization under section 12304,
20 12302, or 12301(a) of title 10.

1 "(D) EXPIRATION OF AUTHORITY.—No information shall be released under this
2 section after September 30, 2006."

3 (b) DISCLOSURE TO CONTRACTORS.—Subsection (p) of such section is amended by
4 adding at the end the following new paragraph:

5 "(9) DISCLOSURE TO CONTRACTORS.—(A) IN GENERAL.—Notwithstanding any other
6 provision of this section, no return or return information shall be disclosed to a contractor or
7 other agent of a Federal, State, or local agency unless such agency, to the satisfaction of the
8 Secretary—

9 "(i) has requirements in effect which require each contractor of such
10 agency which would have access to returns or return information to provide
11 safeguards (within the meaning of paragraph (4)) to protect the confidentiality of
12 such returns or return information;

13 "(ii) agrees to conduct a regular, on-site review (mid-point review in the
14 case of contracts of less than 1 year in duration) of each contractor to determine
15 compliance with such requirements;

16 "(iii) submits the findings of the most recent review conducted under
17 clause (ii) to the Secretary as part of the report required by paragraph (4)(E); and

18 "(iv) certifies to the Secretary for the most recent annual period that all
19 contractors are in compliance with all such requirements.

20 "The certification required by clause (iv) shall include the name and address of each
21 contractor, a description of the contract of the contractor with the agency and the duration
22 of such contract.

23 "(B) RELATIONSHIP TO PROVISION GOVERNING DISCLOSURE FOR PURPOSES OF TAX

1 ADMINISTRATION.—The requirements of this paragraph shall not apply to disclosures
2 pursuant to subsection (n) for purposes of Federal tax administration.".

3 (c) CONFORMING AND TECHNICAL AMENDMENTS.—(1) Such section is further
4 amended—

5 (A) in subsection (a)(3), by striking "(2) or (4)(B)" and inserting "(2),
6 (4)(B), (5), (7), or (8)"; and

7 (B) in subsection (p)(4), by striking "under paragraph (2), (4), (6), or (7)
8 of subsection (m)" and inserting "under paragraph (2), (4), (5), (6), (7), or (8) of
9 subsection (m)".

10 (2) Section 7213(a)(2) of such Code (26 U.S.C. 7213(a)(2)) is amended by
11 striking "or (7) of section 6103" and inserting "(7), or (8) of section 6103".

Section-by-Section Analysis

This proposal would authorize the Internal Revenue Service (IRS) to release the mailing address of taxpayers to the Department of Defense and the Department of Transportation to help locate individuals who have an obligation to serve in the Armed Forces.

Service members incur an initial eight-year service obligation when they enter the military. Generally, a portion of this service obligation is served on active duty with the remainder served in the Ready Reserve. Many members separating from active duty are assigned to the Individual Ready Reserve, which is a manpower pool available for mobilization. Individual Ready Reserve members generally do not participate in regular military training and are not in routine contact with military authorities. Moreover, Reserve component members frequently move while settling into their new civilian careers. As such, they may fail to notify the Secretary concerned of any change in address, marital status, number of dependents, civilian employment or physical condition as required under section 10205 of title 10, United States Code.

Section 10204 of title 10 requires the Secretary concerned to maintain adequate and current personnel records of each member of the Reserve components under the Secretary's jurisdiction. The Services expend considerable time, effort and financial resources to maintain current personnel data on their Reserve component members. They use commercial sources such as credit reporting agencies as well as Department of Defense, Department of Transportation and other government data sources, including the United States Postal Service

National Change of Address database, in their efforts to maintain personnel data.

The purpose of the Reserve components always has been to augment the active force in time of war or national emergency. The drawdown of the active forces over the past decade has resulted in a greater reliance on the Reserve components to meet national security requirements. As we execute the global war on terrorism, we need to have all members of the Armed Forces available for mobilization. There are members in the Individual Ready Reserve who possess critical skills that are needed to support this war effort. While current events clearly demonstrate the need for current, accurate information, this is an ongoing requirement when at peace or at war. We never know when events such as the terrorist attacks of September 11th will take place. When these types of events occur, the country needs to be able to respond forcefully using all available manpower—regardless of component—to meet our national security objectives. These service members have made a commitment to service and we need to be able to contact them when the Department requires their service.

This proposal will provide the Departments with another source to help locate service members who have relocated. This proposal is narrowly focused to minimize intrusion on taxpayer privacy. Only address information on military members will be released to the Department of Defense or Department of Transportation. Moreover, to safeguard taxpayer privacy to the maximum extent possible, the Department of Defense and the Department of Transportation will first attempt to obtain address information from other sources generally available to the public. If these attempts do not result in contact with the service member, the Secretary of Defense, Secretary of a military department or Secretary of Transportation would be permitted to request address information from the Internal Revenue Service.

However, if the President has declared a national emergency or the Congress has declared war, this proposal authorizes the Secretary concerned to request address information from the Internal Revenue Service before or simultaneously with other information sources when a service member possesses a critical skill that is needed for immediate mobilization.

The disclosures under this proposal will be subject to the requirements of the Computer Matching Act. The Departments of Defense and Transportation will initiate the necessary agreements and Federal Register notifications as required under section 552a of the Privacy Act.

This provision would be enacted as a test of the effectiveness of using Internal Revenue Service information to locate service members. No information will be released after September 30, 2006, unless authorized by Congress. The Departments of Defense and Transportation will document the effectiveness of this test in deciding whether to seek permanent authority. In so doing, the Departments will review their attempts to use other data sources, requests submitted to the IRS, the results of attempts to contact service members using IRS information and the recommendations of the secretaries. The Departments will evaluate this information and determine if this provision should be made permanent, extended or repealed.

The proposal also modifies current safeguard requirements by increasing the responsibility of agencies with respect to the oversight of contractors or other agents authorized to receive return information under section 6103 of title 26. Under the proposal, agencies would

be required to conduct regular onsite reviews of their contractors or other agents, submit the findings of such reviews to the IRS, and certify on an annual basis that their contractors were in compliance with the requirements of section 6103(p)(4).

 Making mailing addresses maintained by the Internal Revenue Service available to the Military Departments and the Department of Transportation in support of military requirements would improve military readiness by ensuring timely, accurate information on service members who have a mobilization obligation.

SEC. ____ . REWARDS TO COMBAT TERRORISM.

1 (a) IN GENERAL.—Chapter 3 of title 10, United States Code, is amended by inserting after
2 section 127a the following new section:

3 **“§ 127b. Rewards to combat terrorism**

4 “(a) POWERS AND FUNCTIONS.—The Secretary of Defense, under policies and procedures
5 promulgated by him and in consonance with this section, may pay a reward for information or
6 assistance in the fight against terrorism.

7 “(b) LIMITATION. — (1) The Secretary of Defense may not delegate authority to pay a
8 reward in excess of \$100,000 under this section.

9 “(2) No award may be paid under this section in excess of \$250,000.

10 “(c) COORDINATION. —(1) To ensure that the payment of a reward under this section does
11 not duplicate or interfere with the payment of informants or for the obtaining of evidence or
12 information, as authorized to the Attorney General, the offering, administration, and payment of
13 rewards under this section, including the procedures for—

14 “(A) identifying individuals, organizations, and offenses with respect to which
15 rewards will be offered;

16 “(B) the publication of rewards;

17 “(C) the offering of joint rewards with foreign governments;

18 “(D) the receipt and analysis of data; and

19 “(E) the payment and approval of payment,

20 shall be governed by procedures developed by the Department of Defense in consultation with
21 the Secretary of State and the Attorney General.

22 “(2) The Secretary of Defense shall coordinate the payment of any reward under this

1 section in excess of \$100,000 with the Secretary of State.

2 “(d) JUDICIAL REVIEW.—The decision of the Secretary of Defense concerning any
3 reward under this section, including the amount authorized, shall be final and conclusive and
4 shall not be subject to judicial review.”.

5 (b) CLERICAL AMENDMENT.—The table of sections for such chapter 3 of title 10 is
6 amended by inserting after the item relating to section 127a the following new item:

“127b. Rewards to combat terrorism.”.

Section-by-Section Analysis

Express statutory reward authority would eliminate the need to rely on emergency and extraordinary expense authority under 10 U.S.C. 127 for the payment of rewards to citizens of foreign countries in exchange for information and other assistance to U.S. military authorities.

The Department’s intention is not to replace existing reward programs of the Department of Justice and the Department of State, but to provide operational flexibility to the Combatant Commanders by making available a range of incentives, implemented by U.S. military officers on the ground, to encourage delivery of the kinds of military information or assistance needed by U.S. military authorities.

**SEC. ____ . ADDITION OF INDIVIDUALS AUTHORIZED TO RECEIVE CHECK
CASHING AND EXCHANGES OF FOREIGN CURRENCY.**

- 1 Section 3342(b) of title 31, United States Code, is amended—
- 2 (1) by striking "or" at the end of paragraph (6);
- 3 (2) by striking the period at the end of paragraph (7) and inserting "; or"; and
- 4 (3) by adding at the end the following new paragraph:
- 5 "(8) a military member of an allied or coalition nation who is part of a joint operation,
- 6 joint exercise, humanitarian or peacekeeping mission with the military forces of the United
- 7 States, provided that such accommodation has been approved by the senior United States military
- 8 commander assigned to the joint operation or mission."

Section-by-Section Analysis

Section 3342 of title 31, United States Code, authorizes Federal disbursing officials to conduct various financial transactions for military personnel, government employees, hospitalized veterans, government contractors, Federal credit unions, and certain sponsored dependents. These transactions include, among other things, cashing checks and certain negotiable instruments and exchanging foreign currency.

This proposal would extend these services to military personnel from allied nations who are participating in certain military or training activities with United States military forces. This would be subject to the approval of the senior U.S. mission commander.

This authority is necessary to support the foreign personnel of such foreign forces. Otherwise, foreign personnel may have difficulty in cashing checks and often pay high exchange rates to exchange their home country money into money acceptable in the area of operations or training. U.S. forces currently serve in allied or coalition missions in Bosnia, Kosovo, Afghanistan, the Philippines, Korea, and the Sinai Peninsula – as well as many other locations. In many cases, they do so with allied personnel assigned or attached to their command. In these cases they are dependent on U.S. administrative support. This proposal would enable U.S. commanders to support the allied personnel who work with them by providing these important services.

Subsection (c) of the current law requires regulations to be issued by the Secretary of the Treasury and the agency head with jurisdiction over the particular disbursing officials. Current regulations would be amended to cover the proposed extension of check cashing and exchange transaction privileges.