

103<sup>D</sup> CONGRESS  
1<sup>ST</sup> SESSION

# H. R. 1776

To facilitate and assist in the economic adjustment and industrial diversification of defense industries, defense-dependent communities, and defense workers that are adversely affected by the termination or reduction of defense spending or defense-related contracts.

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## IN THE HOUSE OF REPRESENTATIVES

APRIL 21, 1993

Ms. DELAURO introduced the following bill; which was referred jointly to the Committees on Armed Services, Ways and Means, Small Business, Education and Labor, Public Works and Transportation, and Banking, Finance and Urban Affairs

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## A BILL

To facilitate and assist in the economic adjustment and industrial diversification of defense industries, defense-dependent communities, and defense workers that are adversely affected by the termination or reduction of defense spending or defense-related contracts.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Defense Industrial  
5 Diversification and Community Assistance Act of 1993”.

1 **SEC. 2. FINDINGS AND PURPOSE.**

2 (a) FINDINGS.—Congress finds the following:

3 (1) As a result of the recent democratization of  
4 Eastern Europe and collapse of the Soviet Union,  
5 the United States is likely to reevaluate its national  
6 defense needs and reorder its national spending pri-  
7 orities.

8 (2) A decrease in defense spending and the re-  
9 duction or elimination of expenditures for some de-  
10 fense or defense-related procurement are likely con-  
11 sequences of such actions.

12 (3) Reductions in such expenditures are likely  
13 to result in terminations or reductions of defense-re-  
14 lated procurement contracts.

15 (4) Such terminations and reductions have an  
16 adverse impact upon industries and small businesses  
17 that are economically dependent on defense-related  
18 procurement, the workers of such industries and  
19 businesses, and the economies of the regions in  
20 which such industries and businesses are located.

21 (5) In 1986, defense spending accounted for 6.5  
22 percent of the Gross National Product of the United  
23 States (GNP), an increase from 4.8 percent of GNP  
24 attributable to such spending in 1979.

25 (6) Adjusted for inflation, the percentage of the  
26 GNP spent attributable to defense spending in 1986

1 was roughly equal to the percentage of the GNP at-  
2 tributable to such spending in 1953, at the height  
3 of the Korean War, and in 1968, at the height of  
4 the Vietnam War.

5 (7) Since 1986, the rise in defense spending has  
6 slowed, with the percentage of the GNP attributable  
7 to such spending in 1989 falling to 5.9 percent.

8 (8) It is likely that the portion of the Federal  
9 budget that is allocated for defense spending will  
10 continue to fall throughout the 1990's.

11 (9) The Department of Defense requires unique  
12 specifications for nearly all the parts and equipment  
13 procured by the Department.

14 (10) These specifications compel companies  
15 that manufacture products pursuant to defense and  
16 defense-related contracts and subcontracts to manu-  
17 facture products that have applications only in the  
18 defense sector, although many such products could  
19 have applications in the civilian sector.

20 (11) Defense industries represent an important  
21 segment of the United States industrial and tech-  
22 nology base and cutbacks in defense spending should  
23 be undertaken so as to enhance, rather than to af-  
24 fect adversely, this industrial and technology base.

1           (12) The existence of a large military installa-  
2           tion or defense or defense-related industrial facility  
3           in a particular geographic area often results in the  
4           existence of a network of smaller defense or defense-  
5           related facilities in the same area.

6           (13) The existence of such a network in a geo-  
7           graphic area often magnifies the disruption in the  
8           economy and workforce of that area that results  
9           from the impact of a reduction in defense spending  
10          with respect to a large military installation or de-  
11          fense or defense-related industrial facility.

12          (14) A lack of sufficient financial capital is one  
13          of the most significant barriers that defense or de-  
14          fense-related companies face in carrying out the di-  
15          versification of such companies' products into the ci-  
16          vilian sector.

17          (15) The Federal Government has a compelling  
18          obligation to mitigate economic distress for workers,  
19          local economies, small businesses, and industries  
20          that, by reason of their contributions to the national  
21          security of the United States, have become economi-  
22          cally dependent on defense spending by the Federal  
23          Government.

24          (16) Predictions about reductions in defense  
25          spending suggest that such reductions will occur at

1 a relatively rapid pace over the next several years,  
2 making it prudent to begin promptly the process of  
3 planning for the diversification of industries, busi-  
4 nesses, and area economies that have become eco-  
5 nomically dependent on defense and defense-related  
6 spending by the Federal Government.

7 (b) PURPOSE.—It is the purpose of this Act—

8 (1) to facilitate and assist the economic adjust-  
9 ment and industrial diversification of industries,  
10 communities, and workers that are adversely af-  
11 fected by the termination or reduction by the Fed-  
12 eral Government of defense spending or defense or  
13 defense-related contracts;

14 (2) to provide for a unified and comprehensive  
15 response by the Federal Government to reductions  
16 in levels of defense spending; and

17 (3) to minimize job and economic loss due to  
18 reduced levels of defense spending by providing ad-  
19 justment assistance to workers, communities, and  
20 small businesses that are largely dependent on de-  
21 fense spending.

22 **SEC. 3. DEFINITIONS.**

23 (a) DEFENSE AGENCY.—The term “defense agency”  
24 means the Department of Defense, the nuclear weapons  
25 division of the Department of Energy, the National Aero-

1 nautics and Space Administration, the Coast Guard, and  
2 any other agency of the Government to the extent such  
3 agency conducts military or other defense related oper-  
4 ations.

5 (b) DEFENSE CONTRACT.—The term “defense con-  
6 tract” means any contract or subcontract entered into be-  
7 tween a person or nonprofit organization, including sub-  
8 contractors, components manufacturers, suppliers and  
9 service contractors, and a defense agency to provide mate-  
10 rial or defense related operations.

11 (c) DEFENSE CONTRACTOR.—The term “defense  
12 contractor” means any facility engaged in the furnishing  
13 of defense material pursuant to the terms of a defense  
14 contract.

15 (d) DEFENSE FACILITY.—The term “defense facil-  
16 ity” means any private plant or other establishment, or  
17 part thereof, used under a defense contract or engaged  
18 in the production, repair, modification, storage, or han-  
19 dling of defense material, or any Government-owned or  
20 Government-leased facility, including bases, forts, ship-  
21 yards, and depots.

22 (e) QUALIFIED DEFENSE FACILITY.—The term  
23 “qualified defense facility” means any defense facility at  
24 least 35 percent of the average annual gross revenues of

1 which for the preceding 3 years are attributable to defense  
2 contracts.

3 (f) SUBSTANTIALLY AND SERIOUSLY AFFECTED  
4 COMMUNITY.—The term “substantially and seriously af-  
5 fected community” means any community—

6 (A) which has, within its administrative and po-  
7 litical jurisdiction, 1 or more defense facilities; and

8 (B) in which the curtailment, completion, elimi-  
9 nation, or realignment of a defense contract or pro-  
10 gram or the realignment or closure of any defense  
11 facility results in a workforce reduction, over a 12-  
12 month period, of 250 or more employees (including  
13 part time employees) who in the aggregate work at  
14 least 10,000 hours per week, exclusive of hours of  
15 overtime.

16 (g) QUALIFIED SMALL MANUFACTURING FIRM.—  
17 The term “qualified small manufacturing firm” means  
18 any facility which—

19 (1) employs less than 500 employees;

20 (2) is independently owned and operated;

21 (3) is not dominant in its field of operation;

22 (4) has gross revenues consisting of at least 50  
23 percent value-added manufacturing activity;

24 (5) has gross revenues consisting of at least 35  
25 percent defense contracts; and

1           (6) can demonstrate that such facility has ei-  
2           ther recently experienced or will experience the can-  
3           cellation of a defense contract causing the significant  
4           reduction in the volume of defense work in relation  
5           to the total defense work in such facility.

6                           **TITLE I—INDUSTRIAL**  
7                           **DIVERSIFICATION STUDY**

8   **SEC. 101. STUDY AND REPORT REQUIRED.**

9           (a) **STUDY.**—The Secretary of Commerce, in con-  
10          sultation with the Administrator of the Small Business  
11          Administration, the Secretary of Defense, and the Direc-  
12          tor of the Advanced Research Projects Agency (ARPA)  
13          shall study the extent to which diversification of defense  
14          industries to non-defense production can be effectuated.

15          (b) **CONTENTS OF STUDY.**—The study shall in-  
16          clude—

17               (1) an inventory of the number and type of  
18               manufacturing firms in the United States that indi-  
19               vidually receive annual defense contracts totaling  
20               over \$2,000,000;

21               (2) an historical analysis of the percentage of  
22               the Nation's Gross National Product directly related  
23               to defense spending and the role of such defense  
24               spending in the economy;

1           (3) a geographic inventory of the regions of the  
2 United States most dependent on defense spending,  
3 including an analysis of the effect that potential cuts  
4 in defense spending will have on the economies of  
5 these regions;

6           (4) an analysis of the potential effect that de-  
7 fense cutbacks will have on both the Nation's tech-  
8 nological base and industrial base, including—

9           (A) the amount of the defense budget  
10 allocated for basic and applied research and de-  
11 velopment purposes and the effect of defense re-  
12 ductions on such research and development, in-  
13 cluding the effect on civilian and strategic de-  
14 fense basic and applied research and develop-  
15 ment; and

16           (B) an inventory of the extent of and na-  
17 ture of the civilian-use advanced technologies  
18 that have developed as a result of defense-spon-  
19 sored research in the last 10 years and the ef-  
20 fects of potential defense cutbacks on the future  
21 of such civilian technologies; and

22           (5) an evaluation and recommendations, on a  
23 defense industry sector-by-sector basis, on how di-  
24 versification to nondefense production can be carried  
25 out, including a review of which sectors can under-

1 take such diversification, which sectors should be  
2 particularly encouraged to undertake diversification  
3 for reasons of protecting the Nation's technological  
4 and industrial base and meeting civilian research  
5 and development needs, and recommendations for  
6 the government's role in assisting such diversifica-  
7 tion.

8 (c) REPORT.—The Secretary of Commerce shall re-  
9 port the results of the study required under subsection (a)  
10 to the President pro tempore of the Senate and the Speak-  
11 er of the House of Representatives not later than the date  
12 which is 12 months after the date of the enactment of  
13 this Act.

14 (d) AUTHORIZATION OF APPROPRIATIONS.—There is  
15 hereby authorized to be appropriated such sums as may  
16 be necessary to carry out the study and report required  
17 under this section.

18 **TITLE II—PRESIDENTIAL COUN-**  
19 **CIL ON ECONOMIC DIVER-**  
20 **SIFICATION AND ADJUST-**  
21 **MENT**

22 **SEC. 201. ESTABLISHMENT.**

23 (a) IN GENERAL.—There is hereby established in the  
24 Executive Office of the President the Council on Economic

1 Diversification and Adjustment (hereafter in this Act re-  
2 ferred to as the “Council”) which shall be composed of—

3 (1) the Secretary of Labor;

4 (2) the Secretary of Commerce;

5 (3) the Secretary of Defense;

6 (4) the Secretary of Housing and Urban Devel-  
7 opment;

8 (5) the Secretary of Transportation;

9 (6) the Secretary of Energy;

10 (7) the Director of the Office of Management  
11 and Budget;

12 (8) the Administrator of the Small Business  
13 Administration;

14 (9) the Chairman of the Council of Economic  
15 Advisers;

16 (10) 4 representatives of the business-manage-  
17 ment community to be appointed by the President,  
18 2 of whom shall be appointed from defense related  
19 businesses and 2 from nondefense related busi-  
20 nesses; and

21 (11) 4 representatives of labor union organiza-  
22 tions to be appointed by the President.

23 (b) CO-CHAIRPERSONS.—The Secretaries of Com-  
24 merce and Labor shall cochair the Council, shall preside  
25 over meetings of the Council, and shall designate a mem-

1 ber of the Council to preside in the absence of the  
2 cochairpersons.

3 (c) VACANCIES.—Vacancies in the membership of the  
4 Council described in paragraphs (10) and (11) of sub-  
5 section (a) shall be filled in the same manner as original  
6 appointments are made. Vacancies in the membership of  
7 the Council shall not affect the authority of the remaining  
8 members to execute the functions of the Council.

9 (d) COMPENSATION.—Members of the Council de-  
10 scribed in paragraphs (10) and (11) of subsection (a) shall  
11 be reimbursed for travel and per diem in lieu of subsist-  
12 ence expenses during the performance of duties of the  
13 Council in accordance with subchapter I of chapter 57 of  
14 title 5, United States Code.

15 **SEC. 202. OFFICE OF ECONOMIC DIVERSIFICATION AND**  
16 **ADJUSTMENT.**

17 (a) ESTABLISHMENT.—(1) There is hereby estab-  
18 lished an Office of Economic Diversification and Adjust-  
19 ment (hereafter in this title referred to as the “Office”)  
20 within the Executive Office of the President to provide  
21 necessary staff support for the Council.

22 (2) The Office shall be headed by a Director who  
23 shall be appointed by the President and be compensated  
24 at the rate provided for level V of the Executive Schedule  
25 under section 5316 of title 5, United States Code.

1       (3) The Director may appoint and fix the compensa-  
2 tion of such personnel as the Director deems advisable.  
3 The Director may procure temporary and intermittent  
4 services to the same extent authorized by section 3109 of  
5 title 5, United States Code.

6       (4) The Director may secure directly from any execu-  
7 tive department, agency or other instrumentality of the  
8 Government, information, suggestions, estimates, and sta-  
9 tistics to carry out this Act, and each such entity shall  
10 furnish information directly to the Office upon request  
11 made by the Director.

12 **SEC. 203. DUTIES.**

13       (a) IN GENERAL.—The Council shall—

14           (1) carry out the programs provided for in this  
15 Act;

16           (2) identify defense related impact problems of  
17 States, metropolitan areas, or communities that re-  
18 quire assistance;

19           (3) disseminate information furnished by the  
20 Secretary of Defense under subsection (b) to the ap-  
21 propriate Federal, State, and local agencies or au-  
22 thorities as soon as the proposed or pending change  
23 described in such notice is known;

24           (4) notify areas that are eligible for community  
25 or worker economic adjustment assistance;

1           (5) prepare development strategies and action  
2 plans to coordinate Federal, State, and local eco-  
3 nomic adjustment efforts;

4           (6) encourage the preparation of concrete plans  
5 for civilian related, private enterprise, and public  
6 projects which address vital areas of national con-  
7 cern such as transportation, housing, education, en-  
8 vironment, and health care;

9           (7) develop means to strengthen and make uni-  
10 form the methods for conducting and reporting the  
11 economic impact analyses of community require-  
12 ments for Federal economic adjustment resources  
13 before contract cancellation or termination, or de-  
14 fense facility closing;

15          (8) develop and coordinate information on  
16 federally funded projects, agency programs, and  
17 funding possibilities, including loans and loan guar-  
18 antees, pertaining to economic diversification and  
19 adjustment;

20          (9) establish priorities for the distribution of  
21 funds available for economic diversification and ad-  
22 justment based on an assessment of the needs of  
23 substantially and seriously affected communities and  
24 workers;

1           (10) establish and maintain a clearinghouse to  
2           facilitate the exchange of information among Fed-  
3           eral, State, and local officials involved in the resolu-  
4           tion of business, worker, and community adjustment  
5           problems, including the results of studies, technical  
6           information, and sources of public and private fi-  
7           nancing;

8           (11) prepare and distribute an economic diver-  
9           sification and adjustment handbook which shall in-  
10          clude—

11                   (A) a detailed directory and discussion of  
12                   currently available Federal programs that pro-  
13                   mote economic development and help to mini-  
14                   mize the dislocation of workers, communities,  
15                   and industries;

16                   (B) an explanation of the basic issues in-  
17                   volved in the diversification process for workers,  
18                   communities, and businesses;

19                   (C) an outline of the basic requirements  
20                   for a program of professional retraining of tech-  
21                   nical personnel in order to effectively reorient  
22                   such personnel to the prevailing conditions of  
23                   research, product design, and production oper-  
24                   ations within nondefense related facilities;

1 (D) an outline of the basic requirements  
2 for the length and nature of occupational re-  
3 training for production workers and junior level  
4 administrative employees;

5 (E) illustrative case studies of successful  
6 conversion to efficient nondefense related pro-  
7 duction, or references thereto; and

8 (F) directories, by geographic region and  
9 area of specialization, of organizations and indi-  
10 vidual consultants in fields such as marketing,  
11 facilities design, organization, production engi-  
12 neering, and engineering economy whose major  
13 professional experience has been in nondefense  
14 related activity.

15 (b) INFORMATION ON CHANGES IN DEFENSE SPEND-  
16 ING.—(1) The Secretary of Defense shall notify the Coun-  
17 cil 1 year in advance of a pending or proposed change in  
18 defense spending that would affect employment in the de-  
19 fense industry, including—

20 (A) reduction, technical changes, or elimination  
21 of a program by Congress, the Secretary of Defense,  
22 the Office of Management and Budget, or the Presi-  
23 dent;

24 (B) termination or slowdown of a research and  
25 development or procurement contract; and

1 (C) closure of a defense facility.

2 (2) The Secretary of Defense shall furnish the Coun-  
3 cil with projected future defense spending levels and con-  
4 tract progress reports.

5 **SEC. 204. THE PRESIDENT'S ANNUAL ECONOMIC DIVER-**  
6 **SIFICATION AND ADJUSTMENT REPORT.**

7 The Council shall submit an annual report to Con-  
8 gress on economic diversification and adjustment that  
9 shall include the following:

10 (1) A detailed discussion of currently available  
11 Federal programs, including appropriation and staff  
12 levels, that promote economic development and help  
13 to minimize the dislocation of workers, communities,  
14 and industries.

15 (2) An explanation of the basic issues involved  
16 in the retraining, reorientation, and reorganization  
17 of personnel.

18 (3) A detailed discussion of available programs  
19 within the Export-Import Bank of the United States  
20 and the Department of Commerce concerning the  
21 international marketplace, export opportunities, and  
22 financing packages.

23 (4) A description of assistance packages, initi-  
24 ated by the Council, to communities which have suf-

1       ferred economic disruptions and worker dislocation  
2       caused by defense cutbacks.

3 **SEC. 205. AUTHORIZATION OF APPROPRIATIONS.**

4       There is hereby authorized to be appropriated such  
5 sums as may be necessary to carry out the provisions of  
6 this title.

7 **TITLE III—INDUSTRIAL DIVER-**  
8 **SIFICATION ACCOUNTS; AL-**  
9 **TERNATIVE DEFENSE INVEST-**  
10 **MENT TAX CREDIT.**

11 **SEC. 301. INDUSTRIAL DIVERSIFICATION ACCOUNTS.**

12       (a) IN GENERAL.—Chapter 77 of the Internal Reve-  
13 nue Code of 1986 (relating to miscellaneous provisions)  
14 is amended by adding at the end thereof the following new  
15 section:

16 **“SEC. 7524. INDUSTRIAL DIVERSIFICATION ACCOUNTS.**

17       “(a) AGREEMENT RULES.—Any eligible corporation  
18 (as defined in subsection (j)(1)) may enter into an agree-  
19 ment with the Secretary under, and as provided in, this  
20 section to establish an industrial diversification account  
21 (hereafter in this section referred to as the ‘account’). Any  
22 agreement entered into under this section shall be for the  
23 purpose of providing qualified plant and equipment in the  
24 United States or the retraining or skills upgrading of em-  
25 ployees, for the purpose of diversifying qualified defense

1 facilities from predominately relying on defense contracts  
2 to nondefense lines of business, and shall provide for the  
3 deposit in the account of the amounts agreed upon as nec-  
4 essary or appropriate to provide for qualified withdrawals  
5 under subsection (f). The deposits in the account, and all  
6 withdrawals from the account, whether qualified or non-  
7 qualified, shall be subject to such conditions and require-  
8 ments as the Secretary may by regulations prescribe or  
9 as set forth in such agreement.

10 “(b) CEILING ON DEPOSITS.—

11 “(1) LIMIT DURING FIRST 5 YEARS.—The  
12 amount deposited under subsection (a) in the ac-  
13 count for any of the first 5 taxable years following  
14 the taxable year in which an agreement was entered  
15 into shall not exceed the average of the sum of the  
16 following amounts for the 5 taxable years preceding  
17 the taxable year for which the determination is being  
18 made:

19 “(A) The amount allowable as a deduction  
20 under section 167 for such taxable year.

21 “(B) The net proceeds from—

22 “(i) the sale or other disposition of  
23 any property of a character subject to the  
24 allowance for depreciation, or

1                   “(ii) insurance or indemnity attrib-  
2                   utable to any such property.

3                   “(C) The receipts from the investment or  
4                   reinvestment of amounts held in such account.

5                   “(2) LIMIT AFTER 5 YEARS.—The amount de-  
6                   posited under subsection (a) in the account for any  
7                   taxable year after such 5th taxable year shall not ex-  
8                   ceed the amount specified in paragraph (1)(C).

9                   “(c) REQUIREMENTS AS TO INVESTMENTS.—

10                  “(1) IN GENERAL.—Amounts in any account  
11                  established under this section shall be kept in the  
12                  depository or depositories specified in the agreement  
13                  and shall be subject to such trustee and other fidu-  
14                  ciary requirements as may be specified by the Sec-  
15                  retary.

16                  “(2) LIMITATION OF ACCOUNT INVEST-  
17                  MENTS.—Amounts in an account may be invested  
18                  only in interest-bearing securities approved by the  
19                  Secretary; except that, if the Secretary consents  
20                  thereto, an agreed percentage (not in excess of 60  
21                  percent) of the assets of the account may be invested  
22                  in the stock of domestic corporations. Such stock  
23                  must be currently fully listed and registered on an  
24                  exchange registered with the Securities and Ex-  
25                  change Commission or a national securities exchange

1 and must be stock which would be acquired by pru-  
2 dent men of discretion and intelligence in such mat-  
3 ters who are seeking a reasonable income and the  
4 preservation of capital. If at any time the fair mar-  
5 ket value of the stock in the account is more than  
6 the agreed percentage of the assets in the account,  
7 any subsequent investment of withdrawal from the  
8 account, shall be made in such a way as to tend to  
9 restore the account to a situation in which the fair  
10 market value of the stock does not exceed such  
11 agreed percentage.

12 “(3) INVESTMENT IN CERTAIN PREFERRED  
13 STOCK PERMITTED.—For purposes of this sub-  
14 section, if the common stock of a corporation meets  
15 the requirements of this subsection and if the pre-  
16 ferred stock of such corporation would meet such re-  
17 quirements but for the fact that it cannot be listed  
18 and registered as required because it is nonvoting  
19 stock, such preferred stock shall be treated as meet-  
20 ing the requirements of this subsection.

21 “(d) NONTAXABILITY OF DEPOSITS.—

22 “(1) IN GENERAL.—For purposes of this title—

23 “(A) gain from a transaction referred to in  
24 subsection (b)(1)(B) shall not be taken into ac-  
25 count if an amount equal to the net proceeds

1 from such transaction is deposited in the ac-  
2 count,

3 “(B) the earnings (including gains and  
4 losses) from the investment and reinvestment of  
5 amounts held in the account shall not be taken  
6 into account,

7 “(C) the earnings and profits of any cor-  
8 poration (within the meaning of section 316)  
9 shall be determined without regard to this sec-  
10 tion and section 7518, and

11 “(D) in applying the tax imposed by sec-  
12 tion 531 (relating to the accumulated earnings  
13 tax), amounts while held in the account shall  
14 not be taken into account.

15 “(2) ONLY QUALIFIED DEPOSITS ELIGIBLE FOR  
16 TREATMENT.—Paragraph (1) shall apply with re-  
17 spect to any amount only if such amount is depos-  
18 ited in the account pursuant to the agreement and  
19 not later than the time provided in regulations.

20 “(e) ESTABLISHMENT OF SUBACCOUNTS.—

21 “(1) IN GENERAL.—Within the account estab-  
22 lished pursuant to this section 3 subaccounts shall  
23 be maintained—

24 “(A) the capital subaccount,

25 “(B) the capital gain subaccount, and

1           “(C) the ordinary income subaccount.

2           “(2) CAPITAL SUBACCOUNT.—The capital sub-  
3 account shall consist of—

4           “(A) amounts referred to in subsection  
5 (b)(1)(A),

6           “(B) amounts referred to in subsection  
7 (b)(1)(B) other than that portion thereof which  
8 represents gain not taken into account by rea-  
9 son of subsection (d)(1)(A),

10           “(C) the percentage applicable under sec-  
11 tion 243(a)(1) of any dividend received by the  
12 account with respect to which the person main-  
13 taining the account would (but for subsection  
14 (d)(1)(B)) be allowed a deduction under section  
15 243, and

16           “(D) interest income exempt from taxation  
17 under section 103.

18           “(3) CAPITAL GAIN SUBACCOUNT.—The capital  
19 gain subaccount shall consist of—

20           “(A) amounts representing capital gains on  
21 assets held for more than 1 year and referred  
22 to in subsection (b)(1)(B) or (b)(1)(C), reduced  
23 by

1           “(B) amounts representing capital losses  
2           on assets held in the account for more than 1  
3           year.

4           “(4) ORDINARY INCOME SUBACCOUNT.—The  
5           ordinary income subaccount shall consist of—

6           “(A)(i) amounts representing capital gains  
7           on assets held for 1 year or less and referred  
8           to in subsection (b)(1)(B) or (b)(1)(C), reduced  
9           by

10           “(ii) amounts representing capital losses  
11           on assets held in the account for 1 year or less,

12           “(B) interest (not including any tax-ex-  
13           empt interest referred to in paragraph (2)(D))  
14           and other ordinary income (not including any  
15           dividend referred to in subparagraph (D) of this  
16           paragraph) received on assets held in the ac-  
17           count,

18           “(C) ordinary income from a transaction  
19           described in subsection (b)(1)(B), and

20           “(D) the portion of any dividend referred  
21           to in paragraph (2)(C) not taken into account  
22           under such paragraph.

23           “(5) CAPITAL LOSSES ONLY ALLOWED TO OFF-  
24           SET CERTAIN GAINS.—Except on termination of an  
25           account, capital losses referred to in paragraph

1 (3)(B) or in paragraph (4)(A)(ii) shall be allowed  
2 only as an offset to gains referred to in paragraph  
3 (3)(A) or (4)(A)(i), respective.

4 “(f) PURPOSES OF QUALIFIED WITHDRAWALS.—

5 “(1) IN GENERAL.—A qualified withdrawal  
6 from the account is one made in accordance with the  
7 terms of the agreement but only if it is for—

8 “(A) the acquisition, construction, or re-  
9 construction of qualified plant and equipment,

10 “(B) the payment of the principal on in-  
11 debtedness incurred in connection with the ac-  
12 quisition, construction, or reconstruction of  
13 qualified plant and equipment, or

14 “(C) the retraining, skills upgrading, or  
15 continued education of employees.

16 “(2) PENALTY FOR FAILING TO FULFILL ANY  
17 SUBSTANTIAL OBLIGATION.—Under joint regula-  
18 tions, if the Secretary determines that any substan-  
19 tial obligation under any agreement is not being ful-  
20 filled, the Secretary may, after notice and oppor-  
21 tunity for hearing to the person maintaining the ac-  
22 count, treat the entire account or any portion there-  
23 of as an amount withdrawn from the account in a  
24 nonqualified withdrawal.

1       “(g) TAX TREATMENT OF QUALIFIED WITHDRAW-  
2 ALS.—

3           “(1) IN GENERAL.—Any qualified withdrawal  
4 from an account shall be treated—

5               “(A) first as made out of the capital sub-  
6 account,

7               “(B) second as made out of the capital  
8 gain subaccount, and

9               “(C) third as made out of the ordinary in-  
10 come subaccount.

11           “(2) ADJUSTMENT TO BASIS WHERE WITH-  
12 DRAWAL FROM ORDINARY INCOME SUBACCOUNT.—If  
13 any portion of a qualified withdrawal for plant and  
14 equipment is made out of the ordinary income sub-  
15 account, the basis of such plant and equipment shall  
16 be reduced by an amount equal to such portion.

17           “(3) ADJUSTMENT TO BASIS WHERE WITH-  
18 DRAWAL FROM CAPITAL GAIN SUBACCOUNT.—If any  
19 portion of a qualified withdrawal for plant and  
20 equipment is made out of the capital gain sub-  
21 account, the basis of such plant and equipment shall  
22 be reduced by an amount equal to such portion.

23           “(4) ADJUSTMENT TO BASIS WHERE WITH-  
24 DRAWAL PAYS PRINCIPAL ON DEBT.—If any portion  
25 of a qualified withdrawal to pay the principal on any

1 indebtedness is made out of the ordinary income  
2 subaccount or the capital gain subaccount, then an  
3 amount equal to the aggregate reduction which  
4 would be required by paragraphs (2) and (3) if such  
5 withdrawal were a qualified withdrawal for a pur-  
6 pose described in such paragraphs shall be applied,  
7 in the order provided in joint regulations, to reduce  
8 the basis of plant and equipment owned by the per-  
9 son maintaining the account. Any amount of a  
10 withdrawal remaining after the application of the  
11 preceding sentence shall be treated as a nonqualified  
12 withdrawal.

13 “(5) ORDINARY INCOME RECAPTURE OF BASIS  
14 REDUCTION.—If any property the basis of which was  
15 reduced under paragraph (2), (3), or (4) is disposed  
16 of, any gain realized on such disposition, to the ex-  
17 tent it does not exceed the aggregate reduction in  
18 the basis of such property under such paragraphs,  
19 shall be treated as an amount referred to in sub-  
20 section (h)(3)(A) which was withdrawn on the date  
21 of such disposition. Subject to such conditions and  
22 requirements as may be provided in joint regula-  
23 tions, the preceding sentence shall not apply to a  
24 disposition where there is a redeposit in an amount  
25 determined under joint regulations which will, inso-

1 far as practicable, restore the account to the position  
2 such account was in before the withdrawal.

3 “(h) TAX TREATMENT OF NONQUALIFIED WITH-  
4 DRAWALS.—

5 “(1) IN GENERAL.—Except as provided in sub-  
6 section (i), any withdrawal from an account which is  
7 not a qualified withdrawal shall be treated as a non-  
8 qualified withdrawal.

9 “(2) ORDERING RULE.—Any nonqualified with-  
10 drawal from an account shall be treated—

11 “(A) first as made out of the ordinary in-  
12 come subaccount,

13 “(B) second as made out of the capital  
14 gain subaccount, and

15 “(C) third as made out of the capital sub-  
16 account.

17 For purposes of this section, items withdrawn from any  
18 subaccount shall be treated as withdrawn on a first-in-  
19 first-out basis; except that (i) any nonqualified withdrawal  
20 for research, development, and design expenses incident  
21 to new and advanced plant and equipment, and (ii) any  
22 amount treated as a nonqualified withdrawal under the  
23 second sentence of subsection (g)(4), shall be treated as  
24 withdrawn on a last-in-first-out basis.

1           “(3) OPERATING RULES.—For purposes of this  
2 title—

3           “(A) any amount referred to in paragraph  
4 (2)(A) shall be included in income for the tax-  
5 able year in which the withdrawal is made as an  
6 item of ordinary income,

7           “(B) any amount referred to in paragraph  
8 (2)(B) shall be included in income for the tax-  
9 able year in which the withdrawal is made as an  
10 item of gain realized during such year from the  
11 disposition of an asset held for more than 1  
12 year, and

13           “(C) for the period on or before the last  
14 date prescribed for payment of tax for the tax-  
15 able year in which such withdrawal is made—

16           “(i) no interest shall be payable under  
17 section 6601 and no addition to the tax  
18 shall be payable under section 6651,

19           “(ii) interest on the amount of the ad-  
20 ditional tax attributable to any item re-  
21 ferred to in subparagraph (A) or (B) shall  
22 be paid at the applicable rate (as defined  
23 in paragraph (4)) from the last date  
24 prescribed for payment of the tax for the

1 taxable year for which such item was de-  
 2 posited in the account, and

3 “(iii) no interest shall be payable on  
 4 amounts referred to in clauses (i) and (ii)  
 5 of paragraph (2).

6 “(4) APPLICABLE RATE.—For purposes of  
 7 paragraph (3)(C)(ii), the applicable rate of interest  
 8 for any nonqualified withdrawal shall be the rate es-  
 9 tablished in section 6621(a)(2).

10 “(5) AMOUNT NOT WITHDRAWN FROM ACCOUNT  
 11 AFTER 12 YEARS FROM DATE OF AGREEMENT TAXED  
 12 AS NONQUALIFIED WITHDRAWAL.—

13 “(A) IN GENERAL.—The applicable per-  
 14 centage of any amount which remains in an ac-  
 15 count at the close of the 10th, 11th, or 12th  
 16 taxable year following the taxable year in which  
 17 an agreement was entered into shall be treated  
 18 as a nonqualified withdrawal in accordance with  
 19 the following table:

<b>“If the amount remains in the account at the close of the:</b>	<b>The applicable percentage is:</b>
10th taxable year .....	20 percent
11th taxable year .....	60 percent
12th taxable year .....	100 percent

20 “(B) EARNINGS TREATED AS DEPOSITS.—  
 21 The earnings of any account for any taxable  
 22 year (other than net gains) shall be treated for

1 purposes of this paragraph as an amount re-  
2 maining in the account for such taxable year.

3 “(C) AMOUNTS COMMITTED TREATED AS  
4 WITHDRAWN.—For purposes of subparagraph  
5 (A), an amount shall not be treated as remain-  
6 ing in an account at the close of any taxable  
7 year to the extent there is a binding contract at  
8 the close of such year for a qualified withdrawal  
9 of such amount with respect to an identified  
10 item for which such withdrawal may be made.

11 “(D) AUTHORITY TO TREAT EXCESS  
12 FUNDS AS WITHDRAWN.—If the Secretary de-  
13 termines that the balance in any account ex-  
14 ceeds the amount which is appropriate to meet  
15 the account’s program objectives, the amount of  
16 such excess shall be treated as a nonqualified  
17 withdrawal under subparagraph (A) unless the  
18 person maintaining the account develops appro-  
19 priate program objectives within 3 years to dis-  
20 sipate such excess.

21 “(6) NONQUALIFIED WITHDRAWALS TAXED AT  
22 HIGHEST MARGINAL RATE.—

23 “(A) IN GENERAL.—In the case of any  
24 taxable year for which there is a nonqualified  
25 withdrawal (including any amount so treated

1 under paragraph (5)), the tax imposed by chap-  
2 ter 1 shall be determined—

3 “(i) by excluding such withdrawal  
4 from gross income, and

5 “(ii) by increasing the tax imposed by  
6 chapter 1 by the product of the amount of  
7 such withdrawal and the highest rate of  
8 tax specified in section 11.

9 With respect to the portion of any nonqualified  
10 withdrawal made out of the capital gain sub-  
11 account during a taxable year to which section  
12 1201(a) applies, the rate of tax taken into ac-  
13 count under the preceding sentence shall not  
14 exceed 34 percent.

15 “(B) TAX BENEFIT RULE.—If any portion  
16 of a nonqualified withdrawal is properly attrib-  
17 utable to deposits (other than earnings on de-  
18 posits) made by the taxpayer in any taxable  
19 year which did not reduce the taxpayer’s liabil-  
20 ity for tax under chapter 1 for any taxable year  
21 preceding the taxable year in which such with-  
22 drawal occurs—

23 “(i) such portion shall not be taken  
24 into account under subparagraph (A), and

1           “(ii) an amount equal to such portion  
2           shall be treated as allowed as a deduction  
3           under section 172 for the taxable year in  
4           which such withdrawal occurs.

5           “(C) COORDINATION WITH DEDUCTION  
6           FOR NET OPERATING LOSSES.—Any non-  
7           qualified withdrawal excluded from gross in-  
8           come under subparagraph (A) shall be excluded  
9           in determining taxable income under section  
10          172(b)(2).

11          “(i) CERTAIN CORPORATE REORGANIZATIONS.—  
12          Under joint regulations, transfer of an account from one  
13          person to another person in a transaction to which section  
14          381 applies may be treated as if such transaction did not  
15          constitute a nonqualified withdrawal.

16          “(j) DEFINITIONS.—For purposes of this section—

17                  “(1) ELIGIBLE CORPORATION.—The term ‘eligi-  
18                  ble corporation’ means any corporation at least 35  
19                  percent of the average annual gross revenues of  
20                  which for the preceding 3 taxable years are attrib-  
21                  utable to defense contracts (as defined in section  
22                  3(b) of the Defense Industrial Diversification and  
23                  Community Assistance Act of 1993).

24                  “(2) QUALIFIED PLANT AND EQUIPMENT.—The  
25                  term ‘qualified plant and equipment’ means new or

1 modernized plant and equipment which will be used  
2 for the production of parts, goods, or materials other  
3 than under a defense contract (as that term is de-  
4 fined in section 3(b) of such Act).

5 “(3) RETRAINING.—The term ‘retraining’  
6 means any employer-sponsored activity designed to  
7 prepare or further prepare individuals for firm-relat-  
8 ed employment.

9 “(4) JOINT REGULATIONS.—The term ‘joint  
10 regulations’ means the regulations prescribed under  
11 subsection (k).

12 “(k) RECORDS; REPORTS; CHANGES IN REGULA-  
13 TIONS.—Each person maintaining an account under this  
14 section shall keep such records and shall make such re-  
15 ports as the Secretary or the Secretary of Defense shall  
16 require. The Secretary and the Secretary of Defense shall  
17 jointly prescribe all rules and regulations, not inconsistent  
18 with the foregoing provisions of this section, as may be  
19 necessary or appropriate to the determination of tax liabil-  
20 ity under this section. If, after an agreement has been en-  
21 tered into under this section, a change is made either in  
22 the joint regulations or in the regulations prescribed by  
23 the Secretary under this section which could have a sub-  
24 stantial effect on the rights or obligations of any person

1 maintaining an account under this section, such person  
2 may terminate such agreement.

3 “(I) DEPARTMENTAL REPORTS AND CERTIFI-  
4 CATION.—

5 “(1) IN GENERAL.—For each calendar year, the  
6 Secretary shall provide the Secretary of Defense,  
7 within 120 days after the close of such calendar  
8 year, a written report with respect to the accounts  
9 established under this section.

10 “(2) CONTENT OF REPORTS.—Each report shall  
11 set forth the name and taxpayer identification num-  
12 ber of each person—

13 “(A) establishing an account during such  
14 calendar year;

15 “(B) maintaining an account as of the last  
16 day of such calendar year;

17 “(C) terminating an account during such  
18 calendar year;

19 “(D) making any withdrawal from or de-  
20 posit into (and the amounts thereof) an account  
21 during such calendar year; or

22 “(E) with respect to which a determination  
23 has been made during such calendar year that  
24 such person has failed to fulfill a substantial

1 obligation under any account agreement to  
2 which such person is a party.”

3 (b) MINIMUM TAX TREATMENT.—Section 56(c) of  
4 the Internal Revenue Code of 1986 (relating to adjust-  
5 ments applicable to corporations) is amended by adding  
6 at the end thereof the following new paragraph:

7 “(4) INDUSTRIAL DIVERSIFICATION AC-  
8 COUNTS.—In the case of an industrial diversification  
9 account established under section 7524—

10 “(A) subparagraphs (A) and (B) of section  
11 7524(d)(1) shall not apply, and

12 “(B) no reduction in basis shall be made  
13 under subsection (g) with respect to the with-  
14 drawal from the account of any amount to  
15 which subparagraph (A) applies.”

16 (c) CLERICAL AMENDMENT.—The table of sections  
17 for chapter 77 of the Internal Revenue Code of 1986 is  
18 amended by adding at the end thereof the following new  
19 item:

“Sec. 7524. Industrial diversification accounts.”

20 (d) EFFECTIVE DATE.—The amendments made by  
21 this section shall apply to taxable years beginning after  
22 the date of the enactment of this Act.

23 **SEC. 302. ALTERNATIVE INVESTMENT TAX CREDIT.**

24 (a) ALLOWANCE OF CREDIT.—Section 46 of the In-  
25 ternal Revenue Code of 1986 (relating to amount of in-

1 vestment credit) is amended by striking “and” at the end  
2 of paragraph (2), by striking the period at the end of para-  
3 graph (3) and inserting “, and”, and by adding at the  
4 end thereof the following new paragraph:

5           “(4) in the case of an eligible corporation (as  
6           defined in section 7524(j)(1)) which does not have  
7           an industrial diversification account (within the  
8           meaning of section 7524) for the taxable year or any  
9           prior taxable year, the industrial diversification cred-  
10          it.”

11          (b) AMOUNT OF CREDIT.—Section 48 of such Code  
12 is amended by adding at the end thereof the following new  
13 subsection:

14          “(c) INDUSTRIAL DIVERSIFICATION CREDIT.—

15               “(1) GENERAL RULE.—For purposes of section  
16               46, the industrial diversification credit for the tax-  
17               able year is an amount equal to 20 percent of the  
18               amount paid or incurred during such taxable year  
19               for a purpose for which a qualified withdrawal would  
20               be permitted by the taxpayer from an industrial di-  
21               versification account (within the meaning of section  
22               7524) if the taxpayer had such an account. Such  
23               credit shall be in addition to any other credit allow-  
24               able under this subpart.

1           “(2) SPECIAL RULE.—If any credit is deter-  
2           mined under subsection (a) for any amount which is  
3           includible in the basis of any property, such property  
4           shall be treated as investment credit property for  
5           purposes of this subpart.”

6           (c) TECHNICAL AMENDMENTS.—

7           (1) Clause (ii) of section 49(a)(1)(C) of such  
8           Code is amended by inserting “or property with re-  
9           spect to which an industrial diversification credit is  
10          allowed under section 48(c)” after “energy prop-  
11          erty”.

12          (2) Paragraph (5) of section 50(a) of such Code  
13          is amended by adding at the end thereof the follow-  
14          ing new subparagraph:

15                 “(D) SPECIAL RULES FOR CERTAIN PROP-  
16                 PERTY.—In the case of property with respect to  
17                 which an industrial diversification credit is al-  
18                 lowed under section 48(c) and which is 3-year  
19                 property (within the meaning of section  
20                 168(e))—

21                         “(i) the percentage set forth in clause  
22                         (ii) of the table contained in paragraph  
23                         (1)(B) shall be 66 percent,

24                         “(ii) the percentage set forth in clause  
25                         (iii) of such table shall be 33 percent, and

1                   “(iii) clauses (iv) and (v) of such table  
2                   shall not apply.”

3                   (3) The section heading of section 48 of such  
4                   Code is amended by inserting before the period “;  
5                   **INDUSTRIAL DIVERSIFICATION CREDIT**”.

6                   (4) The table of sections for subpart E of part  
7                   IV of subchapter A of chapter 1 of such Code is  
8                   amended by inserting before the period in the item  
9                   relating to section 48 “; industrial diversification  
10                  credit”.

11                  (d) EFFECTIVE DATE.—The amendments made by  
12                  this section shall apply to taxable years beginning after  
13                  the date of the enactment of this Act.

14                  **TITLE IV—SMALL BUSINESS**  
15                  **DIVERSIFICATION**

16                  **SEC. 401. SMALL BUSINESS ADMINISTRATION COMMITTEE**  
17                  **ON DEFENSE AND ECONOMIC DIVERSIFICA-**  
18                  **TION.**

19                  (a) ESTABLISHMENT.—There is established in the  
20                  Small Business Administration a Committee on Defense  
21                  and Economic Diversification (hereafter in this title re-  
22                  ferred to as the “Committee”) which shall be composed  
23                  of—

24                  (1) the Chief Counsel for Advocacy;

1           (2) the Associate Deputy Administrator for Fi-  
2 nance, Investment, and Procurement;

3           (3) the Associate Deputy Administrator for  
4 Management and Administration;

5           (4) the Associate Deputy Administrator for  
6 Special Programs;

7           (5) the Director of the Office of Economic Di-  
8 versification and Adjustment (established under sec-  
9 tion 202 of this Act);

10          (6) 2 representatives of the small business-man-  
11 agement community to be appointed by the Adminis-  
12 trator of the Small Business Administration, 1 of  
13 whom shall be appointed from a defense related  
14 small business and 1 from a nondefense related  
15 small business; and

16          (7) 2 representatives of labor union organiza-  
17 tions to be appointed by the Administrator of the  
18 Small Business Administration.

19          (b) CHAIRPERSON.—The Associate Deputy Adminis-  
20 trator for Finance, Investment, and Procurement shall  
21 chair the Committee, shall preside over meetings, and  
22 shall designate a member of the Committee to preside in  
23 the absence of the Chairperson.

24          (c) VACANCIES.—Vacancies in the membership of the  
25 Committee described in paragraphs (6) and (7) of sub-

1 section (a) shall be filled in the same manner as original  
2 appointments are made. Vacancies in the membership of  
3 the Committee shall not affect the authority of the remain-  
4 ing members to execute the functions of the Committee.

5 (d) COMPENSATION.—Members of the Committee de-  
6 scribed in paragraphs (6) and (7) of subsection (a) shall  
7 be reimbursed for travel and per diem in lieu of subsist-  
8 ence expenses during the performance of duties of the  
9 Committee in accordance with subchapter I of chapter 57  
10 of title 5, United States Code.

11 **SEC. 402. ESTABLISHMENT OF SMALL BUSINESS ADMINIS-**  
12 **TRATION OFFICE OF ECONOMIC DIVER-**  
13 **SIFICATION.**

14 (a) IN GENERAL.—There is established in the Small  
15 Business Administration an Office of Economic Diver-  
16 sification (hereafter in this title referred to as the “Of-  
17 fice”) to provide staff support for the Committee.

18 (b) DIRECTOR.—The Office shall be headed by a Di-  
19 rector who shall be a civilian appointed by the Adminis-  
20 trator of the Small Business Administration and shall re-  
21 port directly to the Associate Deputy Administrator for  
22 Finance, Investment, and Procurement. The Director  
23 shall be compensated at the rate provided for level V of  
24 the Executive Schedule under section 5316 of title 5, Unit-  
25 ed States Code.

1 (c) COMPENSATION.—The Administrator of the  
2 Small Business Administration may appoint and fix the  
3 compensation of such personnel for the Office as the Ad-  
4 ministrator deems necessary and appropriate.

5 **SEC. 403. DUTIES.**

6 (a) IN GENERAL.—The Committee shall—

7 (1) carry out the programs provided for in title  
8 V of this Act;

9 (2) identify defense related problems of small  
10 businesses that require assistance;

11 (3) disseminate information furnished by the  
12 President's Office of Economic Diversification and  
13 Adjustment, the Secretary of Defense, and any other  
14 Federal agency or official that may be useful to  
15 small business concerns;

16 (4) prepare a plan for coordinating the efforts  
17 of the Small Business Administration and the Ad-  
18 ministration's programs for assisting firms adversely  
19 affected by defense cutbacks;

20 (5) collect and disseminate information on—

21 (A) the issues involved with small business  
22 diversification;

23 (B) successful diversification cases of small  
24 business firms;

1 (C) retraining programs available to small  
2 business firms;

3 (D) available venture and seed capital pro-  
4 grams;

5 (E) available management assistance pro-  
6 grams; and

7 (F) available loan and loan guarantee pro-  
8 grams;

9 (6) work with representatives from the Presi-  
10 dent's Office of Economic Diversification and  
11 Adjustment to assist small businesses in finding al-  
12 ternative procurement opportunities with Federal  
13 agencies; and

14 (7) coordinate all efforts with the President's  
15 Office of Economic Diversification and Adjustment.

16 **SEC. 404. AUTHORIZATION OF APPROPRIATIONS.**

17 There is hereby authorized to be appropriated such  
18 sums as may be necessary to carry out the provisions of  
19 this title.

20 **TITLE V—SMALL BUSINESS**  
21 **ASSISTANCE**

22 **SEC. 501. SMALL BUSINESS DIVERSIFICATION LOAN**  
23 **PROGRAM.**

24 (a) IN GENERAL.—The Administrator of the Small  
25 Business Administration (hereafter in this title referred

1 to as the “Administrator”) is empowered to make either  
2 loans or grants, either directly or in cooperation with  
3 banks or other financial institutions through agreements  
4 to participate on an immediate or deferred (guaranteed)  
5 basis, to a qualified small manufacturing firm to assist  
6 such firm to diversify from defense related to nondefense  
7 related business.

8 (b) LOAN AND GRANT LIMITS AND MATCHING CON-  
9 TRIBUTIONS.—Pursuant to subsection (a), the Adminis-  
10 trator is authorized to make loans or grants in an amount  
11 not exceeding the lesser of—

12 (1) \$40,000 for each qualified small manufac-  
13 turing firm, or

14 (2) an amount equal to the sum of—

15 (A) the amount of private capital which  
16 such firm has committed for the purposes de-  
17 scribed in subsection (e), plus

18 (B) the amount of private capital which  
19 such firm can demonstrate it has spent for the  
20 purposes described in subsection (e) during the  
21 6-month period preceding its application for a  
22 loan or grant under subsection (a).

23 (c) PARTICIPATION.—In agreements to participate in  
24 loans on a deferred (guaranteed) basis, such participation

1 by the Administrator shall be not less than 100 percent  
2 of the amount provided for in subsection (b).

3 (d) LIMITATIONS.—(1) No qualified small manufac-  
4 turing firm shall be deemed eligible for any loan or grant  
5 pursuant to this title unless such firm demonstrates to the  
6 satisfaction of the Administrator that not later than five  
7 years after such firm receives such loan or grant, at least  
8 75 percent of such firm’s gross revenues will be derived  
9 from nondefense related business.

10 (2) No financial assistance shall be extended pursu-  
11 ant to this title if the applicant can obtain credit or finan-  
12 cial assistance elsewhere, including other programs of the  
13 Federal Government, and including loan and loan guaran-  
14 tee programs of the Small Business Administration.

15 (3) No qualified small manufacturing firm shall be  
16 eligible for any loan or grant pursuant to this title unless  
17 the Administrator determines that the recipient will use  
18 such loan or grant for the purposes described in subsection  
19 (e).

20 (e) PURPOSES AND USES OF LOAN AND GRANT  
21 FUNDS.—

22 (1) PURPOSES FOR WHICH LOANS AND GRANTS  
23 USED.—Loans and grants made pursuant to this  
24 title shall be used—

1 (A) to assist qualified small manufacturing  
2 firms to diversify from defense related to  
3 nondefense related business, and

4 (B) to put such firms in a position where  
5 such firms can qualify for either private or com-  
6 mercial financing, or for financing under sec-  
7 tion 7(a) of the Small Business Act (15 U.S.C.  
8 636(a)) for nondefense related business.

9 (2) SPECIFIC USES.—Loans or grants made  
10 pursuant to this title may be used to—

11 (A) conduct market research and analysis,

12 (B) develop an alternative use or business  
13 plan,

14 (C) conduct basic or applied research and  
15 development for nondefense lines of business,

16 (D) strategic planning, and

17 (E) prototype development.

18 **SEC. 502. REGULATIONS.**

19 The Administrator shall promulgate regulations to  
20 carry out the purposes of this title.

21 **SEC. 503. AUTHORIZATION OF APPROPRIATIONS.**

22 There is hereby authorized to be appropriated such  
23 sums as may be necessary to carry out the purposes of  
24 this title.

1 **TITLE VI—ECONOMIC ADJUST-**  
2 **MENT ASSISTANCE FOR EM-**  
3 **PLOYEES**

4 **SEC. 601. CERTIFICATION.**

5 (a) IN GENERAL.—All worker displacements, as de-  
6 fined in subsection (b), affecting workers employed by a  
7 defense contractor or civilian workers employed by the  
8 Armed Services, shall be reported by the management of  
9 the defense facility to the Office of Economic Diversifica-  
10 tion and Adjustment and the State employment security  
11 agency acting as agent of the Secretary of Labor for the  
12 administration of the program under this title.

13 (b) WORKER DISPLACEMENT.—The displacement of  
14 any worker who demonstrates that—

15 (1) he or she has permanently lost his or her  
16 employment due to—

17 (A) the cancellation of a defense contract  
18 affecting the defense facility at which he or she  
19 is employed,

20 (B) the significant reduction in the volume  
21 of defense work in relation to total defense  
22 work in such facility, or

23 (C) the significant workforce reduction or  
24 closure of a defense facility, and

1           (2) such employment loss has occurred within  
2           the period beginning 6 months before and ending 1  
3           year after causal action, described in subparagraph  
4           (A), (B), or (C) of paragraph (1)  
5 shall, for purposes of subsection (a), be deemed to be a  
6 displacement attributable to that action.

7           (c) The Office of Economic Diversification and Ad-  
8           justment in cooperation with the Department of Labor  
9           shall certify eligibility, for the benefits available under this  
10          title, of workers suffering displacement as defined in sub-  
11          section (b) based on regulations established by the Council  
12          on Economic Diversification and Adjustment, after con-  
13          sultation with the Secretary of Labor.

14 **SEC. 602. RETRAINING.**

15          (a) REALLOTMENT.—Section 302 of the Job Train-  
16          ing Partnership Act (29 U.S.C. 1652) is amended—

17               (1) in subsection (a)(1), by striking “80 per-  
18               cent” and inserting “75 percent”;

19               (2) in subsection (a)(2), by striking “20 per-  
20               cent” and inserting “25 percent”;

21               (3) in subsection (b)(2)(A), by striking “25 per-  
22               cent” and inserting “23.3 percent” and by striking  
23               “75 percent” and inserting “70 percent”; and

24               (4) in subsection (b)(2)(B), by striking “25 per-  
25               cent” and inserting “30 percent” and by striking

1 “section 462(e)” and inserting “subsections (e) and  
2 (h) of section 462”.

3 (b) INCLUSION OF SKILLS UPGRADING FOR QUALI-  
4 FIED DEFENSE CONTRACTOR EMPLOYEES UNDER TITLE  
5 III.—Section 314 of the Job Training Partnership Act  
6 (29 U.S.C. 1661c) is amended by adding at the end the  
7 following new subsection:

8 “(i) SKILLS UPGRADING FOR QUALIFIED DEFENSE  
9 CONTRACTOR EMPLOYEES.—Funds allotted under section  
10 302 may be used to provide skills upgrading to individuals  
11 described in section 325A(f)(2) in accordance with such  
12 section.”.

13 (c) DATA ON DISPLACED DEFENSE WORKERS.—

14 (1) IN GENERAL.—Section 462 of the Job  
15 Training Partnership Act (29 U.S.C. 1752) is  
16 amended by adding at the end the following new  
17 subsection:

18 “(h)(1) The Secretary shall develop, in coordination  
19 with the Council on Economic Diversification and Adjust-  
20 ment, statistical data relating to permanent dislocation of  
21 defense workers due to reductions in defense expenditures,  
22 termination or reduction of defense contracts (as defined  
23 in section 3(b) of the Defense Industrial Diversification  
24 and Community Assistance Act of 1993), or the closure

1 or realignment of defense facilities (as defined in section  
2 3(d) of such Act). Among the data to be included are—

3 “(A) the number of defense facilities affected;

4 “(B) the number of defense workers displaced;

5 “(C) the location of affected defense facilities;

6 and

7 “(D) the types of defense facilities involved.

8 “(2) The Secretary shall publish a report based upon  
9 such data as soon as practicable after the end of each cal-  
10 endar year. Such report shall include a comparison of data  
11 contained therein with contemporary data used by the Bu-  
12 reau of Labor Statistics in determining the annual em-  
13 ployment and unemployment rates of the United States  
14 and an analysis of whether defense workers are being ade-  
15 quately counted in such employment statistics. Such re-  
16 port shall also include an analysis of alternative methods  
17 for reducing the adverse effects of displacement of defense  
18 workers, not only on the individual worker, but on the sur-  
19 rounding community.”.

20 (2) CONFORMING AMENDMENT.—Section  
21 405(a) of the Job Training Reform Amendments of  
22 1992 is amended by striking “adding at the end”  
23 and inserting “inserting after subsection (f)”.

1 **SEC. 603. INDIVIDUAL RETIREMENT ACCOUNT WITH-**  
2 **DRAWAL.**

3 (a) EXEMPTION FROM PROHIBITED TRANSACTION  
4 RULES.—Section 4975 of the Internal Revenue Code of  
5 1986 (relating to tax on prohibited transactions) is  
6 amended by redesignating subsection (i) as subsection (j)  
7 and by inserting after subsection (h) the following new  
8 subsection:

9 “(i) SPECIAL RULE FOR QUALIFIED DEFENSE  
10 WORKERS.—

11 “(1) IN GENERAL.—The prohibition provided in  
12 subsection (c) shall not apply to any qualified de-  
13 fense worker for a 1 year period from such worker’s  
14 date of layoff if such worker uses the funds for—

15 “(A) the payment of the principal or inter-  
16 est on a mortgage of such worker’s primary res-  
17 idence; or

18 “(B) for the rental expenses on his or her  
19 primary residence.

20 “(2) QUALIFIED DEFENSE WORKER DE-  
21 FINED.—For the purposes of this subsection, the  
22 term ‘qualified defense worker’ means any worker  
23 who demonstrates that—

24 “(A) he or she has permanently lost his or  
25 her employment due to—

1           “(i) the cancellation of a defense con-  
2           tract affecting the defense facility at which  
3           he or she is employed,

4           “(ii) the significant reduction in the  
5           volume of defense work in relation to total  
6           defense work in such facility, or

7           “(iii) the significant workforce reduc-  
8           tion or closure of such facility, and

9           “(B) such employment loss has occurred  
10          within the period beginning 6 months before  
11          and ending 1 year after the causal action, as  
12          described in clauses (i), (ii), or (iii) of subpara-  
13          graph (A).

14          “(3) SIGNIFICANT WORKFORCE REDUCTION.—  
15          For purposes of this subsection, the term ‘significant  
16          workforce reduction’ means any reduction in  
17          workforce which results in an employment loss (as  
18          defined in section 2(a)(6) of the Worker Adjustment  
19          and Retraining Notification Act (29 U.S.C.  
20          2101(a)(6)) at the single site of employment during  
21          any 30-day period for—

22                 “(A) at least 50 employees (excluding any  
23                 part-time employees), if such employees con-  
24                 stitute at least 33 percent of the workforce (ex-  
25                 cluding any part-time employees), or

1           “(B) at least 300 employees (excluding any  
2           part-time employees).

3           “(4) OTHER DEFINITIONS.—For purposes of  
4           this subsection, the terms ‘defense contract’ and ‘de-  
5           fense facility’ shall have the meanings given such  
6           terms by sections 3(b) and 3(d) of the Defense In-  
7           dustrial Diversification and Community Assistance  
8           Act of 1993, respectively.”.

9   **TITLE VII—COMMUNITY ECO-**  
10   **NOMIC ADJUSTMENT PLAN-**  
11   **NING**

12   **SEC. 701. NOTIFICATION.**

13       (a) IN GENERAL.—Upon release of the President’s  
14       budget or any announcement of the realignment or closure  
15       of any qualified defense facility, the Secretary of Defense,  
16       acting through the Council on Economic Diversification  
17       and Adjustment, shall promptly notify any State or local  
18       government which may be affected by—

19           (1) the realignment or closure of any qualified  
20           defense facility; or

21           (2) the slowdown, termination, or cancellation  
22           of any defense contract,

23       which is proposed in, or would likely result from any pro-  
24       posal contained in, such budget or in such announcement.

1           (b) NOTIFICATION OF COMMUNITIES AFFECTED BY  
2 DEFENSE REALIGNMENT BEFORE DATE OF ENACT-  
3 MENT.—In addition to the requirement of subsection (a),  
4 the Secretary of Defense shall provide notice pursuant to  
5 such subsection to any community likely to be affected by  
6 any action described in paragraph (1) or (2) of such sub-  
7 section which was proposed in any budget of the President  
8 which was released or announced before the date of the  
9 enactment of this Act.

10 **SEC. 702. ELIGIBILITY OF COMMUNITIES FOR ECONOMIC**  
11 **ADJUSTMENT PLANNING ASSISTANCE.**

12           (a) IN GENERAL.—Any community which—

13                 (1) is likely to be a substantially and seriously  
14 affected community upon the implementation of re-  
15 alignment or closure of any qualified defense facility,  
16 or the slowdown, termination, or cancellation of any  
17 defense contract (including any action for which no-  
18 tice was provided pursuant to section 701(b) of this  
19 Act); and

20                 (2) complies with the requirements of sub-  
21 section (b),

22 shall be eligible for economic adjustment planning assist-  
23 ance under section 703 of this Act.

1 (b) ANALYSES AND FORECASTS.—(1) Any commu-  
2 nity which seeks to become eligible for economic adjust-  
3 ment planning assistance shall prepare—

4 (A) an analysis and forecast of the effect any  
5 action described in paragraph (1) or (2) of section  
6 701(a) of this Act will have on the local economy  
7 and workforce; and

8 (B) a proposal for an economic adjustment plan  
9 that addresses the community economic adjustments  
10 appropriate to reduce the adverse effect of any such  
11 action.

12 (2) Analyses, forecasts, and proposals for economic  
13 adjustment plans prepared pursuant to paragraph (1)  
14 shall be submitted to the Council for review and comment  
15 before the end of the 4-month period beginning on the  
16 date the Secretary of Defense provides notice under sub-  
17 section (a) or (b) of section 701 of this Act.

18 (3) Any analysis and forecast prepared pursuant to  
19 paragraph (1)(A) shall include a specific estimate of the  
20 increase in unemployment projected as a result of any ac-  
21 tion described in paragraph (1) or (2) of section 701(a)  
22 of this Act for the most appropriate geographic or govern-  
23 mental entity for which reliable statistics are compiled.

24 (4) The economic assumptions, methodology, and  
25 analyses used to produce any estimate referred to in para-

1 graph (3) shall be made part of any planning documenta-  
2 tion submitted to the Council pursuant to paragraph (2).

3 (c) DETERMINATION OF ELIGIBLE COMMUNITIES;  
4 ANNUAL LISTS.—(1) The Council shall—

5 (A) review the material submitted under sub-  
6 section (b)(2) by any community and determine  
7 whether such community meets the requirement of  
8 subsection (a) for eligibility for economic adjustment  
9 planning assistance; and

10 (B) publish a list annually of communities eligi-  
11 ble for economic adjustment planning assistance  
12 under this title at the time the list is prepared.

13 (2) If the Council—

14 (A) determines under paragraph (1)(A) that  
15 any community is not eligible for economic adjust-  
16 ment planning assistance under this title; or

17 (B) fails to include any community in the an-  
18 nual list published under paragraph (1)(B),

19 the community may petition the Council for review of such  
20 determination or inclusion in such list, as the case may  
21 be.

22 (3) The Council shall promptly review any petition  
23 filed under paragraph (2).

1 **SEC. 703. COMMUNITY ECONOMIC ADJUSTMENT PLANNING**  
2 **ASSISTANCE.**

3 Any community which has been determined by the  
4 Council under section 702(c) to be eligible for economic  
5 adjustment planning assistance shall be eligible for assist-  
6 ance under section 2391(b) of title 10, United States  
7 Code.

8 **SEC. 704. COMMUNITY ECONOMIC ADJUSTMENT ASSIST-**  
9 **ANCE.**

10 Any substantially and seriously affected community  
11 shall be eligible for economic adjustment assistance au-  
12 thorized under title IX of the Public Works and Economic  
13 Development Act of 1965 (42 U.S.C. 3241 et seq.).

14 **TITLE VIII—COMMERCIAL AND**  
15 **DEFENSE PRODUCTION INTE-**  
16 **GRATION**

17 **SEC. 801. INTEGRATION OF COMMERCIAL PRODUCTION**  
18 **PROCESSES AND DEFENSE PROCUREMENT**  
19 **PRACTICES.**

20 (a) OFFICE OF COMMERCIAL AND DEFENSE PRO-  
21 Duction INTEGRATION.—Part IV of subtitle A of title 10,  
22 United States Code, is amended by adding at the end the  
23 following new chapter:

1 **“CHAPTER 173—INTEGRATION OF COM-**  
2 **MERCIAL AND DEFENSE PRODUCTION**

“Sec.

“2911. Office of Commercial and Defense Production Integration.

3 **“§2911. Office of Commercial and Defense Produc-**  
4 **tion Integration**

5 “(a) ESTABLISHMENT.—There is established within  
6 the Department of Defense an office to be known as the  
7 Office of Commercial and Defense Production Integration.  
8 The office shall be under the Under Secretary of Defense  
9 for Acquisition.

10 “(b) PURPOSES; DUTIES.—(1) The Office of Com-  
11 mercial and Defense Production Integration shall develop  
12 and implement policies, practices, and procedures designed  
13 to achieve an effective integration of commercial produc-  
14 tion processes and defense procurement practices. A pro-  
15 curement practice or procedure shall be considered to  
16 achieve effectively the integration of a commercial produc-  
17 tion process and a defense procurement practice if the  
18 practice or procedure—

19 “(A) increases the use of commercial products  
20 in defense procurement;

21 “(B) increases commercial-style competition in  
22 defense procurement practices;

23 “(C) lowers defense acquisition costs by stream-  
24 lining the defense product acquisition process;

1           “(D) encourages integrated processes for manu-  
2           facturing civilian and defense products; or

3           “(E) encourages research and development of  
4           products having civilian and military applications.

5           “(2) The policies, practices, and procedures referred  
6           to in paragraph (1) shall require, to the maximum extent  
7           practicable—

8           “(A) the elimination of unique military speci-  
9           fications in the procurement of defense products;

10           “(B) the adoption of military product specifica-  
11           tions that are compatible with existing or evolving  
12           commercial product specifications;

13           “(C) the adaptation of military products and  
14           systems to permit the effective utilization of existing  
15           or evolving commercial products;

16           “(D) the identification of commercial suppliers  
17           that have exhibited historically high standards of  
18           product quality and reliability in commercial or de-  
19           fense production;

20           “(E) maximum participation by such qualified  
21           suppliers in the defense procurement process; and

22           “(F) increased emphasis on supply quality.

23           “(c) NONDEVELOPMENTAL ITEMS.—The Office of  
24           Commercial and Defense Production Integration shall as-  
25           sist the Under Secretary of Defense for Acquisition in car-

1 rying out the duties of the Under Secretary under section  
2 2325 of this title, relating to the procurement of  
3 nondevelopmental items.”.

4 (b) CONFORMING AMENDMENTS.—(1) Section  
5 2325(a) of title 10, United States Code, is amended—

6 (A) by striking “and” at the end of paragraph  
7 (3);

8 (B) by redesignating paragraph (4) as para-  
9 graph (5); and

10 (C) by inserting after paragraph (3), the follow-  
11 ing new paragraph:

12 “(4) such requirements achieve effective inte-  
13 gration of commercial production processes and mili-  
14 tary procurement practices; and”.

15 (2) The table of chapters at the beginning of subtitle  
16 A, and at the beginning of part IV of subtitle A, of title  
17 10, United States Code, are each amended by adding after  
18 the item relating to chapter 172 the following new item:

“**173. Integration of Commercial and Defense Production 2911**”.

19 **SEC. 802. REGULATIONS.**

20 Not later than six months after the date of enactment  
21 of this Act, the Secretary of Defense shall prescribe such  
22 regulations as may be necessary to carry out the amend-  
23 ments made by section 801 of this Act.

1 **SEC. 803. DEMONSTRATION PROJECTS.**

2 (a) DEMONSTRATION PROJECTS.—(1) The Secretary  
3 of Defense, acting through the Office of Commercial and  
4 Defense Production Integration, shall conduct not less  
5 than three projects designed to demonstrate the feasibility  
6 of achieving effective integration of commercial production  
7 processes and military procurement practices.

8 (2) The projects referred to in paragraph (1) shall  
9 commence not later than six months after the date of en-  
10 actment of this Act and continue thereafter for not longer  
11 than one year.

12 (b) PROJECT PROPOSALS.—Not less than 30 days be-  
13 fore the commencement of each project referred to in sub-  
14 section (a), the Secretary shall notify Congress of the pro-  
15 posed demonstration project. The Secretary shall include  
16 in the notice—

17 (1) a description of the scope and structure of  
18 the project; and

19 (2) an evaluation of the means by which the  
20 project will achieve effective integration of commer-  
21 cial production processes and military procurement  
22 practices.

23 (c) PROJECT REPORTS.—Not later than 60 days  
24 after the termination of each project referred to in sub-  
25 section (a), the Secretary shall submit a report to Con-  
26 gress evaluating the extent to which the project achieved

1 effective integration of commercial production processes  
2 and military procurement practices, together with such  
3 recommendations for additional legislation as the Sec-  
4 retary determines necessary to carry out more effectively  
5 the purposes described in section 801 of this Act.

6       **TITLE IX—COMMISSION ON**  
7       **MILITARY BUDGET REFORM**

8       **SEC. 901. ESTABLISHMENT OF COMMISSION.**

9       (a) IN GENERAL.—There is established a commission  
10 to be known as the Commission on Military Budget Re-  
11 form (referred to in this Act as the “Commission”).

12       (b) MEMBERS.—The Commission shall consist of 12  
13 members, appointed as follows:

14           (1) Four to be appointed by the Secretary of  
15 Defense.

16           (2) Four to be appointed by the President pro  
17 tempore of the Senate.

18           (3) Four to be appointed by the Speaker of the  
19 House of Representatives.

20       (c) TERMS AND VACANCIES.—Members shall be ap-  
21 pointed for the life of the Commission. Any vacancy occur-  
22 ring in the membership of the Commission shall not affect  
23 the powers of the Commission and shall be filled in the  
24 same manner in which the original appointment was made.

1 (d) CHAIRMAN AND VICE CHAIRMAN.—The Commis-  
2 sion shall elect a Chairman and Vice Chairman from  
3 among its members.

4 (e) MEETINGS.—The Commission shall convene its  
5 first meeting within 30 days after the first date on which  
6 all members of the Commission have been appointed.  
7 Thereafter, the Commission shall meet at the discretion  
8 of its Chairman or at the call of a majority of its members.

9 (f) QUORUM.—Seven members of the Commission  
10 shall constitute a quorum, but a lesser number may hold  
11 hearings.

12 (g) COMPENSATION AND TRAVEL EXPENSES.—A  
13 member of the Commission may not be paid compensation  
14 for service performed as a member of the Commission.  
15 However, members of the Commission shall be allowed  
16 travel expenses, including per diem in lieu of subsistence,  
17 at rates authorized for employees of agencies under sub-  
18 chapter I of chapter 57 of title 5, United States Code,  
19 while away from their homes or regular places of business  
20 in the performance of services for the Commission.

21 **SEC. 902. DUTIES.**

22 (a) STUDY.—The Commission shall conduct a study  
23 to determine the desirability and feasibility of Congress  
24 instituting a three year budget cycle program for the De-  
25 partment of Defense under which—

1           (1) the President would submit to Congress a  
2 proposed budget for the Department of Defense for  
3 three separate consecutive fiscal years;

4           (2) the Congress would enact separate legisla-  
5 tion authorizing funds for the Department of De-  
6 fense for three consecutive fiscal years and appro-  
7 priating funds for that purpose for two consecutive  
8 fiscal years;

9           (3) in each fiscal year after enactment of the  
10 initial three year budget, the President would submit  
11 to Congress a proposed budget for the Department  
12 of Defense for the fiscal year following the last fiscal  
13 year of the previous budget for the Department of  
14 Defense; and

15           (4) in each fiscal year after the enactment of  
16 the initial legislation authorizing funds for three  
17 consecutive fiscal years and appropriating funds for  
18 two consecutive fiscal years, Congress would enact  
19 legislation authorizing funds for the fiscal year fol-  
20 lowing the last fiscal year for which funds were au-  
21 thorized in the previous budget referred to in para-  
22 graph (3) and would enact legislation appropriating  
23 funds for the fiscal year following the last fiscal year  
24 for which funds were appropriated in the previous  
25 budget referred to in that paragraph.

1 (b) SPECIFIC MATTERS TO BE CONSIDERED.—In  
2 carrying out the study referred to in subsection (a), the  
3 Commission shall specifically consider the following:

4 (1) the advantages and disadvantages of such a  
5 program;

6 (2) the amount of savings that will likely result  
7 from such a program;

8 (3) the effects that such a program would likely  
9 have—

10 (A) on the activities and programs of the  
11 Department of Defense;

12 (B) on both short-range and long-range  
13 planning for national security; and

14 (C) on foreign military sales;

15 (4) the favorable and adverse effects that  
16 multiyear defense budget programs have had on the  
17 defense budget processes in foreign nations that  
18 have adopted such programs; and

19 (5) alternative means of carrying out a  
20 multiyear defense budget program.

21 (c) REPORT.—The Commission shall submit to the  
22 Secretary of Defense and Congress a report on the results  
23 of the study carried out under this Act, together with such  
24 comments and recommendations as the Commission con-  
25 siders appropriate, not later than 12 months after the date

1 of the first meeting of the Commission under section  
2 901(e) of this Act.

3 **SEC. 903. POWERS OF COMMISSION.**

4 (a) MEETINGS AND HEARINGS.—For purposes of  
5 carrying out this Act, the Commission or, on the author-  
6 ization of the Commission, any subcommittee or member  
7 thereof, may hold such hearings, sit and act at such times  
8 and places, take such testimony, and receive such evidence  
9 as is appropriate.

10 (b) OBTAINING INFORMATION FROM FEDERAL  
11 AGENCIES.—The Commission may secure directly from  
12 any department or agency of the United States such infor-  
13 mation as the Commission may require to carry out its  
14 duties under this Act. Upon request of the Chairman of  
15 the Commission, the head of such department or agency  
16 shall furnish such information to the Commission.

17 **SEC. 904. ADMINISTRATIVE PROVISIONS.**

18 (a) STAFF.—(1) The Commission may appoint and  
19 fix the compensation of such personnel as may be nec-  
20 essary, without regard to the provisions of title 5, United  
21 States Code, governing appointments in the competitive  
22 service, and without regard to the provisions of chapter  
23 51 and subchapter III of chapter 53 of such title relating  
24 to classification and General Schedule pay rates, except  
25 that the compensation of any employee of the Commission

1 may not exceed a rate equivalent to the rate payable under  
2 level V of the Executive Schedule under section 5316 of  
3 such title.

4 (2) Upon request of the Commission, the head of any  
5 Federal agency is authorized to detail to the Commission,  
6 on a reimbursable basis, any of the personnel of such  
7 agency to assist the Commission in carrying out its duties  
8 under this Act and such detail shall be without interrup-  
9 tion or loss of civil service status or privilege.

10 (b) USE OF EXPERTS AND CONSULTANTS.—The  
11 Commission may obtain the services of experts and con-  
12 sultants in accordance with the provisions of section 3109  
13 of title 5, United States Code, but at rates for individuals  
14 not to exceed the daily equivalent of the minimum annual  
15 rate of basic pay payable for a position classified above  
16 GS-15 under section 5332 of such title.

17 **SEC. 905. TERMINATION OF COMMISSION.**

18 The Commission shall expire 30 days after the date  
19 on which the report of the Commission is submitted to  
20 the Secretary of Defense and Congress.

21 **SEC. 906. AUTHORIZATION OF APPROPRIATIONS.**

22 There is hereby authorized to be appropriated such  
23 sums as may be necessary to carry out the purposes of  
24 this title.



HR 1776 IH—2

HR 1776 IH—3

HR 1776 IH—4

HR 1776 IH—5