



**DEFENSE SECURITY COOPERATION AGENCY  
2800 DEFENSE PENTAGON  
WASHINGTON, D.C. 20301-2800**

09 AUG 2019

MEMORANDUM FOR DEPUTY UNDER SECRETARY OF THE AIR FORCE FOR  
INTERNATIONAL AFFAIRS  
DEPUTY ASSISTANT SECRETARY OF THE ARMY FOR  
DEFENSE EXPORTS AND COOPERATION  
DEPUTY ASSISTANT SECRETARY OF THE NAVY FOR  
INTERNATIONAL PROGRAMS  
DIRECTOR, DEFENSE CONTRACT MANAGEMENT AGENCY  
DIRECTOR FOR SECURITY ASSISTANCE, DEFENSE FINANCE  
AND ACCOUNTING SERVICE – INDIANAPOLIS OPERATIONS  
DIRECTOR, DEFENSE INFORMATION SYSTEMS AGENCY  
DIRECTOR, DEFENSE LOGISTICS AGENCY  
DIRECTOR, DEFENSE LOGISTICS INFORMATION SERVICE  
DIRECTOR, DEFENSE LOGISTICS AGENCY DISPOSITION  
SERVICES  
DIRECTOR, DEFENSE THREAT REDUCTION AGENCY  
DIRECTOR, MISSILE DEFENSE AGENCY  
DIRECTOR, NATIONAL GEOSPATIAL-INTELLIGENCE  
AGENCY  
DEPUTY DIRECTOR FOR INFORMATION ASSURANCE,  
NATIONAL SECURITY AGENCY  
JOINT STRIKE FIGHTER PROGRAM OFFICE

SUBJECT: Asset Use Charges for the Purpose of Special Defense Acquisition Fund  
Capitalization, Defense Security Cooperation Agency (DSCA) Policy 19-39 [SAMM  
E-Change 443]

Reference: DSCA Comptroller Memorandum, "Revised Guidance for the Transfer of Authorized  
Collections to the Special Defense Acquisition Fund Account," November 2, 2016

The purpose of this memorandum is to clarify that Foreign Military Sales (FMS)  
payments received from foreign partners pursuant to leases authorized under Section 61 of the  
Arms Export Control Act (AECA), 22 U.S.C. section 2796, are not considered an asset use  
charge.

Recent audits performed on the Defense Security Cooperation Agency's (DSCA)  
Security Assistance Accounts have identified the need for DSCA to issue policy clarifying that  
FMS leases are not asset use charges to ensure the proper financial management of these lease  
payments. It is the legal opinion of the Department of Defense that charges imposed on FMS  
customers under Section 61 leases do not constitute asset use charges and therefore, proceeds  
from such leases may not be used to capitalize the Special Defense Acquisition Fund (SDAF)  
account pursuant to Section 51 of the AECA. Instead, such lease payments are to be deposited to

Miscellaneous Receipts of the Treasury. See Security Assistance Management Manual C11.6.7.4.

The concept of "asset use" is almost exclusively associated with the use of United States Government (USG) owned industrial plants and associated USG-owned real estate. A lease under the AECA constitutes a foreign military sale of a defense article because the USG retains title to defense articles that are leased. Section 61 of the AECA establishes specific methods that allow DSCA to recoup allowable costs for asset use by foreign partners. The AECA makes no mention regarding the SDAF and FMS lease proceeds. Additionally, there is no indication that Congress intended Section 61 of the AECA to require that FMS lease proceeds be deposited into the SDAF.

The SDAF operates as a financially independent revolving fund within the limits established by Congress. The primary source for growing the SDAF account is collections from FMS, also known as offsetting collections. Offsetting collections are identified in Section 51(b) of the AECA to include asset use charges; items not requiring replacement, and charges for the proportionate recoupment of nonrecurring research, development, and production costs. These offsetting collections are collected and deposited into the SDAF account by the Defense Finance and Accounting Service in accordance with the referenced memorandum.

If you have questions or would like additional information, please contact Mr. Stephen Suh, DBO/Financial Policy and Analysis, [Stephen.w.suh.civ@mail.mil](mailto:Stephen.w.suh.civ@mail.mil), (703) 697-8899.



J. Aaron Harding  
Chief Financial Officer

Attachment:  
As stated

## **Update of Security Assistance Management Manual (SAMM)**

### **C11 – Special Programs and Services, SAMM E-Change 443**

C11.9.3.5. Funding Sources. The primary source of funding to grow or capitalize the SDAF is the monetary collections received from the sale and transfer of FMS -procured defense articles and services to foreign governments and international organizations where funds are identified as excess. In accordance with [Section 51\(b\) of the AECA](#), the Fund may be capitalized with monies authorized and appropriated or otherwise made available for the purposes of the SDAF for the following charges on export sales by the U.S. Government and its contractors:

1. non-recurring research, development, and production costs;
2. asset-use charges for the use of U.S. Government-owned facilities and equipment (excludes charges for FMS leases authorized under Section 61 of the Arms Export Control Act, [22 U.S.C. 2796](#)); and
3. collections from the sale of defense articles not intended to be replaced ([see Section 51\(b\) of the Arms Export Control Act \(AECA\), 22 U.S.C. 2795\(b\)](#)).

C11.9.3.5.1. Asset-use charges relates to revenue derived from U.S. industry or private interests as a result of their use of government property. Examples of asset-use charges that may capitalize the Fund include, but are not limited to: leases of non-excess property of military departments and Defense Agencies; easements for rights-of-way; use of test and evaluation installations by commercial entities; and acceptance and use of landing fees charged for use of domestic military airfields by civil aircraft. These charges are wholly different from those derived from leases with foreign countries or international organizations under Section 61 of the AECA.

C11.9.3.5.2. The SDAF collection receipt account 97-11X 4116 has been established for all three sources of offsetting collections listed above and the IAs are to post SDAF collections into the appropriate account to make these collections available for SDAF use. IAs are permitted only to post collections to the SDAF receipt account. All other transactions, such as processing approved credits from SDAF accounts, are to be conducted by the Defense Finance and Accounting Service (DFAS). DFAS is responsible for ensuring the collections are posted correctly as well as providing a monthly report to DSCA on all SDAF collections posted to the U.S. Treasury.