



DEFENSE SECURITY COOPERATION AGENCY

2800 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-2800

16 SEPTEMBER 2025

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, DEFENSE INFORMATION SYSTEMS AGENCY
DIRECTOR, DEFENSE LOGISTICS AGENCY
DIRECTOR, DEFENSE THREAT REDUCTION AGENCY
DIRECTOR, MISSILE DEFENSE AGENCY
DIRECTOR, NATIONAL GEOSPATIAL-INTELLIGENCE
AGENCY
DIRECTOR, SECURITY COOPERATION ACCOUNTING
DIRECTORATE, DEFENSE FINANCE AND ACCOUNTING
SERVICE, INDIANAPOLIS OPERATIONS
DIRECTOR OF CYBERSECURITY DIRECTORATE AND DEPUTY
NATIONAL MANAGER FOR NATIONAL SECURITY
SYSTEMS, NATIONAL SECURITY AGENCY

SUBJECT: Defense Security Cooperation Agency Policy Memorandum 25-76, Updates to the
Special Defense Acquisition Fund for Asset-Use Charges and Payment Schedules
[SAMM E-Change 774]

This memorandum updates the SAMM to clarify that asset use charges are not collected on Foreign Military Sales (FMS) cases and thus, are not a source of capitalization for the Special Defense Acquisition Fund (SDAF). This policy also updates the payment schedule for defense articles procured from SDAF stock to require full payment be included in the initial deposit for defense articles. This memorandum is effective immediately. The policy in the attachment is incorporated into the DSCA SAMM at <https://samm.dsca.mil>.

If you have questions on this memorandum, please contact DSCA (Office of Business Operations, Financial Policy & Regional Execution Directorate, Financial Policy Division (OBO/FPRE/FP)) at dsca.ncr.obo.list.fpre-fp@mail.mil. Please reference the DSCA policy number and memorandum subject.

For general questions about the SAMM, please contact DSCA (Office of Strategy, Plans, and Policy, Execution Policy and Analysis Directorate (SPP/EPA)) at dsca.ncr.spp.mbx.epa@mail.mil.

WATFORD.BRIAN.T.

Digitally signed by
WATFORD.BRIAN.T.
Date: 2025.09.19 16:10:13 -04'00'

Brian T. Watford
Acting Chief Operating Officer and Chief Financial Officer
Defense Security Cooperation Agency

Attachment:

SAMM E-Change 774 – Updates to the Special Defense Acquisition Fund for Asset-Use
Charges and Payment Schedules

Security Assistance Management Manual E-Change 774

UPDATES TO THE SPECIAL DEFENSE ACQUISITION FUND FOR ASSET-USE CHARGES AND PAYMENT SCHEDULES

1. Update SAMM Appendix 8 Section SDAF.2.1.5.:

From:

SDAF.2.1.5. Account Capitalization. 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 partners and international organizations where funds are identified as excess. Section 51(b) of the AECA, as amended ([22 U.S.C. 2795](#)), authorizes the transfer of offsetting collections received under FMS Letters of Offer and Acceptances (LOAs) that are executed under the authority of section 21 of the AECA to the SDAF. In accordance with this authority, 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 Cost (NC) recoupment charges of 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 AECA, ([22 U.S.C. 2796](#))); and
3. Collections from the sale of defense articles not intended to be replaced under FMS LOAs that are executed under the authority of section 21 of the AECA ([22 U.S.C. 2761](#)). Funds collected from the transfer of equipment from DoD stock pursuant to Title 10 or Title 22 Building Partner Capacity (BPC), as well as Foreign Military Financing (FMF), authorities are not legally authorized to be deposited into the SDAF. Proceeds from BPC and FMF-funded transfers of equipment not intended, or unable to be replaced, should be deposited into Miscellaneous Receipts.

To:

SDAF.2.1.5. Account Capitalization. ~~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 partners and international organizations where funds are identified as excess.~~ Section 51(b) of the AECA, as amended ([22 U.S.C. 2795](#)), authorizes the transfer of offsetting collections received under FMS Letters of Offer and Acceptances (LOAs) that are executed under the authority of section 21 of the AECA to the SDAF. In accordance with this authority, 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 Cost (NC) recoupment charges of non-recurring research, development, and production costs;
2. Asset-use charges for the use of U.S. Government-owned facilities and equipment ~~by U.S. industry or private interests in the performance of an FMS case~~ (excludes charges

for FMS leases authorized under Section 61 of the AECA, ([22 U.S.C. 2796](#))); ~~and~~ [section 9104 of the DoD Appropriations Act, 1990 \(P.L. 101-165\)](#) (“Fair Pricing” Legislation), ~~however removed the application of asset use charges to FMS cases; and~~

3. Collections from the sale of defense articles not intended to be replaced under FMS LOAs that are executed under the authority of section 21 of the AECA ([22 U.S.C. 2761](#)). Funds collected from the transfer of equipment from DoD stock pursuant to Title 10 or Title 22 Building Partner Capacity (BPC), as well as ~~non-repayable~~ Foreign Military Financing (FMF), authorities are not legally authorized to be deposited into the SDAF. Proceeds from BPC and ~~non-repayable~~ FMF-funded transfers of equipment not intended, or unable to be replaced, should be deposited into Miscellaneous Receipts.

2. Update SAMM Appendix 8 Section SDAF.2.1.5.1.3.:

From:

SDAF.2.1.5.1.3. Asset Use Charges. Asset-use charges relate to revenue derived from U.S. industry or private interests as a result of their use of government property in the performance of an FMS case. These charges are wholly different from those derived from leases with foreign countries or international organizations under Section 61 of the AECA. An asset use charge is when the USG assesses a charge against each identifiable recipient for special benefits derived from Federal activities beyond those received by the general public. Congress authorized capitalization of SDAF with asset use charges in 1985. Prior to November 30, 1989, DoD charged a one percent asset use charge for FMS cases. However, this type of administrative charge was canceled with the “Fair Pricing” Legislation in the DoD Appropriations Act, 1990 ([PL 101-165](#), Section 9104). Since asset use charges are no longer assessed as part of the FMS price, in accordance with [DoD FMR, DoD 700.14R, Volume 15, Chapter 7, Section 071308](#)), SDAF capitalization from an asset use charge is uncommon and is not a significant source of SDAF capitalization. Asset use charges are almost exclusively associated with the use of USG-owned industrial plants and associated USG-owned real estate by commercial entities.

To:

SDAF.2.1.5.1.3. Asset Use Charges. Asset-use charges relate to revenue derived from U.S. industry or private interests as a result of their use of government property in the performance of an FMS case. These charges are wholly different from those derived from leases with foreign countries or international organizations under Section 61 of the AECA. An asset use charge is ~~when the USG assesses~~ a charge against each identifiable recipient for special benefits derived from Federal activities beyond those received by the general public. ~~Asset use charges are almost exclusively associated with the use of USG-owned industrial plants and associated USG-owned real estate by commercial entities.~~ Congress authorized capitalization of SDAF with asset use charges in 1985. Prior to November 30, 1989, DoD charged a one percent asset use charge for FMS cases. However, this type of administrative charge was canceled with the “Fair Pricing” Legislation in the DoD Appropriations Act, 1990 ([PL 101-165](#), Section 9104). Since asset use charges are no longer assessed as part of the FMS price, in accordance with [DoD FMR, DoD 700.14R, Volume 15, Chapter 7, Section-~~071308~~ 13.8](#)), SDAF

capitalization from an asset use charge ~~should not occur. is uncommon and is not a significant source of SDAF capitalization. Asset use charges are almost exclusively associated with the use of USG-owned industrial plants and associated USG-owned real estate by commercial entities.~~

3. Update SAMM Appendix 8 Section SDAF.2.1.5.2.3.:

From:

SDAF.2.1.5.2.3. Asset Use Charges under Section 51(b)(2) of the Arms Export Control Act. Asset use charges are revenue-generating activities payable to the SDAF when executed pursuant to an FMS LOA for the benefit of a foreign partner. Asset-use charges that may capitalize the SDAF include, but are not limited to, the below examples.

1. Leases of non-excess property of MILDEPs and defense agencies
2. Easements for rights-of-way
3. Use of test and evaluation installations by commercial entities
4. Acceptance and use of landing fees charged for the use of domestic military airfields by civil aircraft

To:

SDAF.2.1.5.2.3. Asset Use Charges under Section 51(b)(2) of the Arms Export Control Act. ~~No asset use charges should be included on FMS, BPC, or FMF cases, as “Fair Pricing” Legislation removed its inclusion as a component of pricing on FMS cases. Commercial sales of defense articles to any foreign country or international organization includes charges for use of USG-owned facilities, plants, and production or research equipment in connection with the production of the defense articles. Collections of these costs are deposited into the Miscellaneous Receipts Account 3041 (see [Section C9.4.4.1.](#)). Further, charges derived from leases with foreign countries or international organizations under Section 61 of the AECA ([22 U.S.C. 2796](#)) do not constitute asset use charges and are not authorized to be transferred to the SDAF. Asset use charges are revenue-generating activities payable to the SDAF when executed pursuant to an FMS LOA for the benefit of a foreign partner. Asset use charges that may capitalize the SDAF include, but are not limited to, the below examples.~~

- ~~1. Leases of non-excess property of MILDEPs and defense agencies~~
- ~~2. Easements for rights-of-way~~
- ~~3. Use of test and evaluation installations by commercial entities~~
- ~~4. Acceptance and use of landing fees charged for the use of domestic military airfields by civil aircraft~~

4. Update SAMM Appendix 8 Section SDAF.T1.:

From:

SECTION 51(B) CRITERIA	CODING	ARMY	NAVY	AIR FORCE
Items Not Requiring Replacement	PCC	741, 770, 740	350, 479	50, 74, 52
NC Recoupment Charges ¹	IPC	A0610	A0610	A0610
Asset Use Charge ²	PCC	771	351	104
Notes: ¹ currently in use ² newly created effective FY23				

To:

SECTION 51(B) CRITERIA	CODING	ARMY	NAVY	AIR FORCE
Items Not Requiring Replacement	PCC	741, 770, 740	350, 479	50, 74, 52
NC Recoupment Charges ¹	IPC	A0610	A0610	A0610
Asset Use Charge ²	PCC	771 N/A	351 N/A	104 N/A
Notes: ¹ currently in use ² newly created effective FY23 canceled with the "Fair Pricing" Legislation in the DoD Appropriations Act				

5. Update SAMM Appendix 8 Section SDAF.6.6.9.:

From:

SDAF.6.6.9. Payment Schedules. For FMS partners without dependable undertaking status, the full payment for defense articles and services sourced from the SDAF must be included in the initial deposit. For FMS partners with dependable undertaking status that elect to utilize a payment schedule, full payment for the SDAF articles and/or services must be collected prior to providing or render to the partner. Funds will be billed and collected, via the DoD FMS Billing Statement (DD Form 645), consistent with the LOA, Period of Performance (POP) on the SDAF line, and any special billing arrangements issued by DSCA as an official claim for payment by the USG.

To:

SDAF.6.6.9. Payment Schedules. ~~For FMS partners without dependable undertaking status, the full payment for defense articles and services sourced from the SDAF must be included in the initial deposit. For FMS partners with dependable undertaking status that elect to utilize a payment schedule, full payment for the SDAF articles and/or services must be collected prior to providing or render to the partner. Funds will be billed and collected, via the DoD FMS Billing Statement (DD Form 645), consistent with the LOA, Period of Performance (POP) on the SDAF line, and any special billing arrangements issued by DSCA as an official claim for payment by the USG.~~ FMS partners using the Special Defense Acquisition Fund (SDAF) source of supply (lines identified with an "F") must remit the full payment for total SDAF costs in the initial deposit. Payment for articles/services must occur at initial deposit for timely reimbursement to the SDAF.