(A) A description of the manual appointment process to be used at military treatment facilities under the system required under subsection (a).

(B) A description of the automated appointment process to be used at military treatment facilities under such system.

(C) A timeline for the full implementation of such system throughout the military health system.

(f) BRIEFING.—Not later than February 1, 2018, the Secretary shall brief the Committees on Armed Services of the Senate and the House of Representatives on the implementation of the system required under subsection (a) and the standards for the productivity of health care providers required under subsection (d).

(g) REPORT ON MISSED APPOINTMENTS.—

(1) IN GENERAL.—Not later than March 1 each year, the Secretary of Defense shall submit to the Committees on Armed Services of the Senate and the House of Representatives a report on the total number of medical appointments at military treatment facilities for which a covered beneficiary failed to appear without prior notification during the one-year period preceding the submittal of the report.

(2) ELEMENTS.—Each report under paragraph (1) shall include for each military treatment facility the following:

(A) An identification of the top five reasons for a covered beneficiary missing an appointment.

(B) A comparison of the number of missed appointments for specialty care versus primary care.

(C) An estimate of the cost to the Department of Defense of missed appointments.

(D) An assessment of strategies to reduce the number of missed appointments.

(h) COVERED BENEFICIARY DEFINED.—In this section, the term "covered beneficiary" has the meaning given that term in section 1072 of title 10, United States Code.

Subtitle B—Other Health Care Benefits

SEC. 711. EXTENDED TRICARE PROGRAM COVERAGE FOR CERTAIN MEMBERS OF THE NATIONAL GUARD AND DEPENDENTS DURING CERTAIN DISASTER RESPONSE DUTY.

(a) IN GENERAL.—Chapter 55 of title 10, United States Code, is amended by inserting after section 1076e the following new section:

"§ 1076f. TRICARE program: extension of coverage for certain members of the National Guard and dependents during certain disaster response duty

"(a) EXTENDED COVERAGE.—During a period in which a member of the National Guard is performing disaster response duty, the member may be treated as being on active duty for a period of more than 30 days for purposes of the eligibility of the member and dependents of the member for health care benefits under the TRICARE program if such period immediately follows a period in which the member served on full-time National Guard duty under section 502(f) of title 32, including pursuant to chapter 9 of such title, unless the Governor of the State (or, with respect to the District of Columbia, the mayor of the District of Columbia) determines that such

extended eligibility is not in the best interest of the member or the State.

"(b) CONTRIBUTION BY STATE.—(1) The Secretary shall charge a State for the costs of providing coverage under the TRICARE program to members of the National Guard of the State and the dependents of the members pursuant to subsection (a). Such charges shall be paid from the funds of the State or from any other non-Federal funds.

"(2) Any amounts received by the Secretary under paragraph (1) shall be credited to the appropriation available for the Defense Health Program Account under section 1100 of this title, shall be merged with sums in such Account that are available for the fiscal year in which collected, and shall be available under subsection (b) of such section, including to carry out subsection (a) of this section.

"(c) DEFINITIONS.—In this section:

"(1) The term 'disaster response duty' means duty performed by a member of the National Guard in State status pursuant to an emergency declaration by the Governor of the State (or, with respect to the District of Columbia, the mayor of the District of Columbia) in response to a disaster or in preparation for an imminent disaster.

"(2) The term 'State' means each of the several States, the District of Columbia, the Commonwealth of Puerto Rico, and any territory or possession of the United States.".

(b) CLERICAL AMENDMENT.—The table of sections at the beginning of such chapter is amended by inserting after the item relating to section 1076e the following new item:

"1076f. TRICARE program: extension of coverage for certain members of the National Guard and dependents during certain disaster response duty.".

SEC. 712. CONTINUITY OF HEALTH CARE COVERAGE FOR RESERVE COMPONENTS.

(a) STUDY.—

(1) IN GENERAL.—The Secretary of Defense shall conduct a study of options for providing health care coverage that improves the continuity of health care provided to current and former members of the Selected Reserve of the Ready Reserve who are not—

(A) serving on active duty;

(B) eligible for the Transitional Assistance Management Program under section 1145 of title 10, United States Code; or

(C) eligible for the Federal Employees Health Benefit Program.

(2) ELEMENTS.—The study under paragraph (1) shall address the following:

(A) Whether to allow current and former members of the Selected Reserve to participate in the Federal Employees Health Benefit Program.

(B) Whether to pay a stipend to current and former members to continue coverage in a health plan obtained by the member.

(C) Whether to allow current and former members to participate in the TRICARE program under section 1076d of title 10, United States Code.

(D) Whether to amend section 1076f of title 10, United States Code, as added by section 711, to require the extension of TRICARE program coverage for members of the National Guard assigned to Homeland Response Force Units mobilized for a State emergency pursuant to chapter 9 of title 32, United States Code.

(E) The findings and recommendations under section 748.

(F) Any other options for providing health care coverage to current and former members of the Selected Reserve the Secretary considers appropriate.

(3) CONSULTATION.—In carrying out the study under paragraph (1), the Secretary shall consult with, and obtain the opinions of, current and former members of the Selected Reserve, including the leadership of the Selected Reserve.

(4) SUBMISSION.—

(A) REPORT.—Not later than 180 days after the date of the enactment of this Act, the Secretary shall submit to the congressional defense committees a report on the study under paragraph (1).

(B) MATTERS INCLUDED.—The report under subparagraph (A) shall include the following:

(i) A description of the health care coverage options addressed by the Secretary under paragraph (2).

(ii) Identification of such health care coverage option that the Secretary recommends as the best option.

(iii) The justifications for such recommended best option.

(iv) The number and proportion of the current and former members of the Selected Reserve projected to participate in such recommended best option.

(v) A determination of the appropriate cost sharing for such recommended best option with respect to the percentage contribution as a monthly premium for current members of the Selected Reserve.

(vi) An estimate of the cost of implementing such recommended best option.

(vii) Any legislative language required to implement such recommended best option.

(b) PILOT PROGRAM.—

(1) AUTHORIZATION.—The Secretary of Defense and the Director may jointly carry out a pilot program, at the election of the Secretary, under which the Director provides commercial health insurance coverage to eligible reserve component members who enroll in a health benefits plan under paragraph (4) as an individual, for self plus one coverage, or for self and family coverage.

(2) ELEMENTS.—The pilot program shall—

(A) provide for enrollment by eligible reserve component members, at the election of the member, in a health benefits plan under paragraph (4) during an open enrollment period established by the Director for purposes of this subsection;

(B) include a variety of national and regional health benefits plans that—

(i) meet the requirements of this subsection;

(ii) are broadly representative of the health benefits plans available in the commercial market; and

(iii) do not contain unnecessary restrictions, as determined by the Director; and

(C) offer a sufficient number of health benefits plans in order to provide eligible reserve component beneficiaries with an ample choice of health benefits plans, as determined by the Director.

(3) DURATION.—If the Secretary elects to carry out the pilot program, the Secretary and the Director shall carry out the pilot program for not less than five years.

(4) HEALTH BENEFITS PLANS.—

(A) IN GENERAL.—In providing health insurance coverage under the pilot program, the Director shall contract with qualified carriers for a variety of health benefits plans.

(B) DESCRIPTION OF PLANS.—Health benefits plans contracted for under this subsection—

(i) may vary by type of plan design, covered benefits, geography, and price;

(ii) shall include maximum limitations on out-of-pocket expenses paid by an eligible reserve component beneficiary for the health care provided; and

(iii) may not exclude an eligible reserve component member who chooses to enroll.

(C) QUALITY OF PLANS.—The Director shall ensure that each health benefits plan offered under this subsection offers a high degree of quality, as determined by criteria that include—

(i) access to an ample number of medical providers, as determined by the Director;

(ii) adherence to industry-accepted quality measurements, as determined by the Director;

(iii) access to benefits described in paragraph (5), including ease of referral for health care services; and

(iv) inclusion in the services covered by the plan of advancements in medical treatments and technology as soon as practicable in accordance with generally accepted standards of medicine.

(5) BENEFITS.—A health benefits plan offered by the Director under this subsection shall include, at a minimum, the following benefits:

(A) The health care benefits provided under chapter 55 of title 10, United States Code, excluding pharmaceutical, dental, and extended health care option benefits.

(B) Such other benefits as the Director determines appropriate.

(6) CARE AT FACILITIES OF UNIFORMED SERVICES.—

(A) IN GENERAL.—If an eligible reserve component beneficiary receives benefits described in paragraph (5) at a facility of the uniformed services, the health benefits plan under which the beneficiary is covered shall be treated as a third-party payer under section 1095 of title 10, United

States Code, and shall pay charges for such benefits as determined by the Secretary.

(B) MILITARY MEDICAL TREATMENT FACILITIES.—The Secretary, in consultation with the Director—

(i) may contract with qualified carriers with which the Director has contracted under paragraph (4) to provide health insurance coverage for health care services provided at military treatment facilities under this subsection; and

(ii) may receive payments under section 1095 of title 10, United States Code, from qualified carriers for health care services provided at military medical treatment facilities under this subsection.

(7) SPECIAL RULE RELATING TO ACTIVE DUTY PERIOD.—

(A) IN GENERAL.—An eligible reserve component member may not receive benefits under a health benefits plan under this subsection during any period in which the member is serving on active duty for more than 30 days.

(B) TREATMENT OF DEPENDENTS.—Subparagraph (A) does not affect the coverage under a health benefits plan of any dependent of an eligible reserve component member.

(8) ELIGIBILITY FOR FEDERAL EMPLOYEES HEALTH BENEFITS PROGRAM.—An individual is not eligible to enroll in or be covered under a health benefits plan under this subsection if the individual is eligible to enroll in a health benefits plan under the Federal Employees Health Benefits Program.

(9) COST SHARING.—

(A) RESPONSIBILITY FOR PAYMENT.—

(i) IN GENERAL.—Except as provided in clause (ii), an eligible reserve component member shall pay an annual premium amount calculated under subparagraph (B) for coverage under a health benefits plan under this subsection and additional amounts described in subparagraph (C) for health care services in connection with such coverage.

(ii) ACTIVE DUTY PERIOD.—

(I) IN GENERAL.—During any period in which an eligible reserve component member is serving on active duty for more than 30 days, the eligible reserve component member is not responsible for paying any premium amount under subparagraph (B) or additional amounts under subparagraph (C).

(II) COVERAGE OF DEPENDENTS.—With respect to a dependent of an eligible reserve component member that is covered under a health benefits plan under this subsection, during any period described in subclause (I) with respect to the member, the Secretary shall, on behalf of the dependent, pay 100 percent of the total annual amount of a premium for coverage of the dependent under the plan and such cost-sharing amounts as may be applicable under the plan.

(B) PREMIUM AMOUNT.—

(i) IN GENERAL.—The annual premium calculated under this subparagraph is an amount equal to 28 percent of the total annual amount of a premium under the health benefits plan selected.

(ii) TYPES OF COVERAGE.—The premium amounts calculated under this subparagraph shall include separate calculations for—

(I) coverage as an individual;

(II) self plus one coverage; and

(III) self and family coverage.

(C) ADDITIONAL AMOUNTS.—The additional amounts described in this subparagraph with respect to an eligible reserve component member are such cost-sharing amounts as may be applicable under the health benefits plan under which the member is covered.

(10) CONTRACTING.—

(A) IN GENERAL.—In contracting for health benefits plans under paragraph (4), the Director may contract with qualified carriers in a manner similar to the manner in which the Director contracts with carriers under section 8902 of title 5, United States Code, including that—

(i) a contract under this subsection shall be for a uniform term of not less than one year, but may be made automatically renewable from term to term in the absence of notice of termination by either party;

(ii) a contract under this subsection shall contain a detailed statement of benefits offered and shall include such maximums, limitations, exclusions, and other definitions of benefits determined by the Director in accordance with paragraph (5);

(iii) a contract under this subsection shall ensure that an eligible reserve component member who is eligible to enroll in a health benefits plan pursuant to such contract is able to enroll in such plan; and

(iv) the terms of a contract under this subsection relating to the nature, provision, or extent of coverage or benefits (including payments with respect to benefits) shall supersede and preempt any conflicting State or local law.

(B) EVALUATION OF FINANCIAL SOLVENCY.—The Director shall perform a thorough evaluation of the financial solvency of an insurance carrier before entering into a contract with the insurance carrier under subparagraph (A).

(11) RECOMMENDATIONS AND DATA.—

(A) IN GENERAL.—The Secretary of Defense, in consultation with the Secretary of Homeland Security, shall provide recommendations and data to the Director with respect to—

(i) matters involving military medical treatment facilities;

(ii) matters unique to eligible reserve component members and dependents of such members; and

(iii) such other strategic guidance necessary for the Director to administer this subsection as the Secretary

of Defense, in consultation with the Secretary of Homeland Security, considers appropriate.

(B) LIMITATION ON IMPLEMENTATION.—The Director shall not implement any recommendation provided by the Secretary of Defense under subparagraph (A) if the Director determines that the implementation of the recommendation would result in eligible reserve components beneficiaries receiving less generous health benefits under this subsection than the health benefits commonly available to individuals under the Federal Employees Health Benefits Program during the same period.

(12) TRANSMISSION OF INFORMATION.—On an annual basis during each year in which the pilot program is carried out, the Director shall provide the Secretary with information on the use of health care benefits under the pilot program, including—

(A) the number of eligible reserve component beneficiaries participating in the pilot program, listed by the health benefits plan under which the beneficiary is covered;

(B) the number of health benefits plans offered under the pilot program and a description of each such plan; and

(C) the costs of the health care provided under the plans.

(13) FUNDING.—

(A) IN GENERAL.—The Secretary of Defense and the Director shall jointly establish an appropriate mechanism to fund the pilot program.

(B) AVAILABILITY OF AMOUNTS.—Amounts shall be made available to the Director pursuant to the mechanism established under subparagraph (A), without fiscal year limitation—

(i) for payments to health benefits plans under this subsection; and

(ii) to pay the costs of administering this subsection.

(14) REPORTS.—

(A) INITIAL REPORTS.—Not later than one year after the date on which the Secretary establishes the pilot program, and annually thereafter for the following three years, the Secretary shall submit to the Committees on Armed Services of the Senate and the House of Representatives a report on the pilot program.

(B) MATTERS INCLUDED.—The report under subparagraph (A) shall include, with respect to the year covered by the report, the following:

(i) The number of eligible reserve component beneficiaries participating in the pilot program, listed by the health benefits plan under which the beneficiary is covered.

(ii) The number of health benefits plans offered under the pilot program.

(iii) The cost of the pilot program to the Department of Defense.

(iv) The estimated cost savings, if any, to the Department of Defense.

(v) The average cost to the eligible reserve component beneficiary.

(vi) The effect of the pilot program on the medical readiness of the members of the reserve components.

(vii) The effect of the pilot program on access to health care for members of the reserve components.

(C) FINAL REPORT.—Not later than 180 days before the date on which the pilot program will terminate pursuant to paragraph (3), the Secretary shall submit to the Committees on Armed Services of the Senate and the House of Representatives a report on the pilot program that includes—

(i) the matters specified under subparagraph (B); and

(ii) the recommendation of the Secretary regarding whether to make the pilot program permanent or to terminate the pilot program.

(c) DEFINITIONS.—In this section:

(1) The term "Director" means the Director of the Office of Personnel Management.

(2) The term "eligible reserve component beneficiary" means an eligible reserve component member enrolled in, or a dependent of such a member described in subparagraph (A), (D), or (I) of section 1072(2) of title 10, United States Code, covered under, a health benefits plan under subsection (b).

(3) The term "eligible reserve component member" means a member of the Selected Reserve of the Ready Reserve of an Armed Force.

(4) The term "extended health care option" means the program of extended benefits under subsections (d) and (e) of section 1079 of title 10, United States Code.

(5) The term "Federal Employees Health Benefits Program" means the health insurance program under chapter 89 of title 5, United States Code.

(6) The term "qualified carrier" means an insurance carrier that is licensed to issue group health insurance in any State, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, Guam, and any territory or possession of the United States.

SEC. 713. PROVISION OF HEARING AIDS TO DEPENDENTS OF RETIRED MEMBERS.

Section 1077 of title 10, United States Code, is amended—

(1) in subsection (a)(16), by striking "A hearing aid" and inserting "Except as provided by subsection (g), a hearing aid"; and

(2) by adding at the end the following new subsection:

"(g) In addition to the authority to provide a hearing aid under subsection (a)(16), hearing aids may be sold under this section to dependents of former members of the uniformed services at cost to the United States.".

SEC. 714. COVERAGE OF MEDICALLY NECESSARY FOOD AND VITAMINS FOR CERTAIN CONDITIONS UNDER THE TRICARE PROGRAM.

(a) IN GENERAL.—Section 1077 of title 10, United States Code, as amended by section 713, is further amended—

(1) in subsection (a)—

(A) in paragraph (3), by inserting before the period at the end the following: ", including, in accordance with subsection (g), medically necessary vitamins"; and

(B) by adding at the end the following new paragraph:

"(18) In accordance with subsection (g), medically necessary food and the medical equipment and supplies necessary to administer such food (other than durable medical equipment and supplies)."; and

(2) by adding at the end the following new subsection:

"(h)(1) Vitamins that may be provided under subsection (a)(3) are vitamins used for the management of a covered disease or condition pursuant to the prescription, order, or recommendation (as applicable) of a physician or other health care professional qualified to make such prescription, order, or recommendation.

"(2) Medically necessary food that may be provided under subsection (a)(18)—

"(A) is food, including a low protein modified food product or an amino acid preparation product, that is—

"(i) furnished pursuant to the prescription, order, or recommendation (as applicable) of a physician or other health care professional qualified to make such prescription, order, or recommendation, for the dietary management of a covered disease or condition;

"(ii) a specially formulated and processed product (as opposed to a naturally occurring foodstuff used in its natural state) for the partial or exclusive feeding of an individual by means of oral intake or enteral feeding by tube;

"(iii) intended for the dietary management of an individual who, because of therapeutic or chronic medical needs, has limited or impaired capacity to ingest, digest, absorb, or metabolize ordinary foodstuffs or certain nutrients, or who has other special medically determined nutrient requirements, the dietary management of which cannot be achieved by the modification of the normal diet alone;

"(iv) intended to be used under medical supervision, which may include in a home setting; and

"(v) intended only for an individual receiving active and ongoing medical supervision under which the individual requires medical care on a recurring basis for, among other things, instructions on the use of the food; and

"(B) may not include—

"(i) food taken as part of an overall diet designed to reduce the risk of a disease or medical condition or as weight-loss products, even if the food is recommended by a physician or other health care professional;

"(ii) food marketed as gluten-free for the management of celiac disease or non-celiac gluten sensitivity;

"(iii) food marketed for the management of diabetes; or

"(iv) such other products as the Secretary determines appropriate.

"(3) In this subsection, the term 'covered disease or condition' means—

"(A) inborn errors of metabolism;

"(B) medical conditions of malabsorption;

"(C) pathologies of the alimentary tract or the gastrointestinal tract;

"(D) a neurological or physiological condition; and

"(E) such other diseases or conditions the Secretary determines appropriate.".

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to health care provided under chapter 55 of such title on or after the date that is one year after the date of the enactment of this Act.

SEC. 715. ELIGIBILITY OF CERTAIN BENEFICIARIES UNDER THE TRICARE PROGRAM FOR PARTICIPATION IN THE FEDERAL EMPLOYEES DENTAL AND VISION INSURANCE PROGRAM.

(a) IN GENERAL.—

(1) DENTAL BENEFITS.—Section 8951 of title 5, United States Code, is amended—

(A) in paragraph (3), by striking "paragraph (1) or (2)" and inserting "paragraph (1), (2), or (8)"; and

(B) by adding at the end the following new paragraph:

"(8) The term 'covered TRICARE-eligible individual' means an individual entitled to dental care under chapter 55 of title 10, pursuant to section 1076c of such title, who the Secretary of Defense determines should be an eligible individual for purposes of this chapter.".

(2) VISION BENEFITS.—Section 8981 of title 5, United States Code, is amended—

(A) in paragraph (3), by striking "paragraph (1) or (2)" and inserting "paragraph (1), (2), or (8)"; and

(B) by adding at the end the following new paragraph:

"(8)(A) The term 'covered TRICARE-eligible individual'—

"(i) means an individual entitled to medical care under chapter 55 of title 10, pursuant to section 1076d, 1076e, 1079(a), 1086(c), or 1086(d) of such title, who the Secretary of Defense determines in accordance with an agreement entered into under subparagraph (B) should be an eligible individual for purposes of this chapter; and

"(ii) does not include an individual covered under section 1110b of title 10.

"(B) The Secretary of Defense shall enter into an agreement with the Director of the Office relating to classes of individuals described in subparagraph (A)(i) who should be eligible individuals for purposes of this chapter.".

(b) CONFORMING AMENDMENTS.—

(1) DENTAL BENEFITS.—Section 8958(c) of title 5, United States Code, is amended—

(A) in paragraph (1), by striking "or" at the end;

(B) in paragraph (2), by striking the period at the end and inserting a semicolon; and

(C) by adding at the end the following new paragraphs:

"(3) in the case of a covered TRICARE-eligible individual who receives pay from the Federal Government or an annuity from the Federal Government due to the death of a member of the uniformed services (as defined in section 101 of title 10), and is not a former spouse of a member of the uniformed services, be withheld from—

"(A) the pay (including retired pay) of such individual; or

"(B) the annuity paid to such individual; or

"(4) in the case of a covered TRICARE-eligible individual who is not described in paragraph (3), be billed to such individual directly.".

(2) VISION BENEFITS.—Section 8988(c) of title 5, United States Code, is amended—

(A) in paragraph (1), by striking "or" at the end;

(B) in paragraph (2), by striking the period at the end and inserting a semicolon; and

(C) by adding at the end the following new paragraphs:

"(3) in the case of a covered TRICARE-eligible individual who receives pay from the Federal Government or an annuity from the Federal Government due to the death of a member of the uniformed services (as defined in section 101 of title 10), and is not a former spouse of a member of the uniformed services, be withheld from—

"(A) the pay (including retired pay) of such individual; or

"(B) the annuity paid to such individual; or

"(4) in the case of a covered TRICARE-eligible individual who is not described in paragraph (3), be billed to such individual directly.".

(3) PLAN FOR DENTAL INSURANCE FOR CERTAIN RETIREES, SURVIVING SPOUSES, AND OTHER DEPENDENTS.—Subsection (a) of section 1076c of title 10, United States Code, is amended to read as follows:

"(a) REQUIREMENT FOR PLAN.—(1) The Secretary of Defense shall establish a dental insurance plan for retirees of the uniformed services, certain unremarried surviving spouses, and dependents in accordance with this section.

"(2) The Secretary may satisfy the requirement under paragraph (1) by entering into an agreement with the Director of the Office of Personnel Management to allow persons described in subsection (b) to enroll in an insurance plan under chapter 89A of title 5 that provides benefits similar to those benefits required to be provided under subsection (d).".

(c) APPLICABILITY.—The amendments made by this section shall apply with respect to the first contract year for chapter 89A or 89B of title 5, United States Code, as applicable, that begins on or after January 1, 2018.

SEC. 716. APPLIED BEHAVIOR ANALYSIS.

(a) RATES OF REIMBURSEMENT.—

(1) IN GENERAL.—In furnishing applied behavior analysis under the TRICARE program to individuals described in paragraph (2) during the period beginning on the date of the enactment of this Act and ending on December 31, 2018, the Secretary of Defense shall ensure that the reimbursement rates for providers of applied behavior analysis are not less than the rates that were in effect on March 31, 2016.

(2) INDIVIDUALS DESCRIBED.—Individuals described in this paragraph are individuals who are covered beneficiaries by reason of being a member or former member of the Army, Navy,

Air Force, or Marine Corps, including the reserve components thereof, or a dependent of such a member or former member.

(b) ANALYSIS.—

(1) IN GENERAL.—Upon the completion of the Department of Defense Comprehensive Autism Care Demonstration, the Assistant Secretary of Defense for Health Affairs shall conduct an analysis to—

(A) use data gathered during the demonstration to set future reimbursement rates for providers of applied behavior analysis under the TRICARE program;

(B) review comparative commercial insurance claims for purposes of setting such future rates, including by—

(i) conducting an analysis of the comparative total of commercial insurance claims billed for applied behavior analysis; and

(ii) reviewing any covered beneficiary limitations on access to applied behavior analysis services at various military installations throughout the United States; and

(C) determine whether the use of applied behavioral analysis under the demonstration has improved outcomes for covered beneficiaries with autism spectrum disorder.

(2) SUBMISSION.—The Assistant Secretary shall submit to the Committees on Armed Services of the Senate and the House of Representatives the analysis conducted under paragraph (1).

(c) DEFINITIONS.—In this section, the terms "covered beneficiary" and "TRICARE program" have the meaning given those terms in section 1072 of title 10, United States Code.

SEC. 717. EVALUATION AND TREATMENT OF VETERANS AND CIVILIANS AT MILITARY TREATMENT FACILITIES.

(a) IN GENERAL.—The Secretary of Defense shall authorize a veteran (in consultation with the Secretary of Veterans Affairs) or civilian to be evaluated and treated at a military treatment facility if the Secretary of Defense determines that—

(1) the evaluation and treatment of the individual is necessary to attain the relevant mix and volume of medical casework required to maintain medical readiness skills and competencies of health care providers at the facility;

(2) the health care providers at the facility have the competencies, skills, and abilities required to treat the individual; and

(3) the facility has available space, equipment, and materials to treat the individual.

(b) PRIORITY OF COVERED BENEFICIARIES.—The evaluation and treatment of covered beneficiaries at military treatment facilities shall be prioritized ahead of the evaluation and treatment of veterans and civilians at such facilities under subsection (a).

(c) REIMBURSEMENT FOR TREATMENT.—

(1) CIVILIANS.—A military treatment facility that evaluates or treats an individual (other than an individual described in paragraph (2)) under subsection (a) shall bill the individual and accept reimbursement from the individual or a third-party payer (as that term is defined in section 1095(h) of title 10, United States Code) on behalf of such individual for the costs

of any health care services provided to the individual under such subsection.

(2) VETERANS.—The Secretary of Defense shall enter into a memorandum of agreement with the Secretary of Veterans Affairs under which the Secretary of Veterans Affairs will pay a military treatment facility using a prospective payment methodology (including interagency transfers of funds or obligational authority and similar transactions) for the costs of any health care services provided at the facility under subsection (a) to individuals eligible for such health care services from the Department of Veterans Affairs.

(3) USE OF AMOUNTS.—The Secretary of Defense shall make available to a military treatment facility any amounts collected by such facility under paragraph (1) or (2) for health care services provided to an individual under subsection (a).

(d) COVERED BENEFICIARY DEFINED.—In this section, the term "covered beneficiary" has the meaning given that term in section 1072 of title 10, United States Code.

SEC. 718. ENHANCEMENT OF USE OF TELEHEALTH SERVICES IN MILITARY HEALTH SYSTEM.

(a) INCORPORATION OF TELEHEALTH.—

(1) IN GENERAL.—Not later than 18 months after the date of the enactment of this Act, the Secretary of Defense shall incorporate, throughout the direct care and purchased care components of the military health system, the use of telehealth services, including mobile health applications—

(A) to improve access to primary care, urgent care, behavioral health care, and specialty care;

(B) to perform health assessments;

(C) to provide diagnoses, interventions, and supervision;

(D) to monitor individual health outcomes of covered beneficiaries with chronic diseases or conditions;

(E) to improve communication between health care providers and patients; and

(F) to reduce health care costs for covered beneficiaries and the Department of Defense.

(2) TYPES OF TELEHEALTH SERVICES.—The telehealth services required to be incorporated under paragraph (1) shall include those telehealth services that—

(A) maximize the use of secure messaging between health care providers and covered beneficiaries to improve the access of covered beneficiaries to health care and reduce the number of visits to medical facilities for health care needs;

(B) allow covered beneficiaries to schedule appointments; and

(C) allow health care providers, through video conference, telephone or tablet applications, or home health monitoring devices—

(i) to assess and evaluate disease signs and symptoms;

(ii) to diagnose diseases;

(iii) to supervise treatments; and

(iv) to monitor health outcomes.

(b) COVERAGE OF ITEMS OR SERVICES.—An item or service furnished to a covered beneficiary via a telecommunications system shall be covered under the TRICARE program to the same extent as the item or service would be covered if furnished in the location of the covered beneficiary.

(c) REIMBURSEMENT RATES FOR TELEHEALTH SERVICES.—The Secretary shall develop standardized payment methods to reimburse health care providers for telehealth services provided to covered beneficiaries in the purchased care component of the TRICARE program, including by using reimbursement rates that incentivize the provision of telehealth services.

(d) REDUCTION OR ELIMINATION OF COPAYMENTS.—The Secretary shall reduce or eliminate, as the Secretary considers appropriate, copayments or cost shares for covered beneficiaries in connection with the receipt of telehealth services under the purchased care component of the TRICARE program.

(e) REPORTS.—

(1) INITIAL REPORT.—

(A) IN GENERAL.—Not later than 180 days after the date of the enactment of this Act, the Secretary shall submit to the Committees on Armed Services of the Senate and the House of Representatives a report describing the full range of telehealth services to be available in the direct care and purchased care components of the military health system and the copayments and cost shares, if any, associated with those services.

(B) REIMBURSEMENT PLAN.—The report required under subparagraph (A) shall include a plan to develop standardized payment methods to reimburse health care providers for telehealth services provided to covered beneficiaries in the purchased care component of the TRICARE program, as required under subsection (c).

(2) FINAL REPORT.—

(A) IN GENERAL.—Not later than three years after the date on which the Secretary begins incorporating, throughout the direct care and purchased care components of the military health system, the use of telehealth services as required under subsection (a), the Secretary shall submit to the Committees on Armed Services of the Senate and the House of Representatives a report describing the impact made by the use of telehealth services, including mobile health applications, to carry out the actions specified in subparagraphs (A) through (F) of subsection (a)(1).

(B) ELEMENTS.—The report required under subparagraph (A) shall include an assessment of the following:

(i) The satisfaction of covered beneficiaries with telehealth services furnished by the Department of Defense.

(ii) The satisfaction of health care providers in providing telehealth services furnished by the Department.

(iii) The effect of telehealth services furnished by the Department on the following:

(I) The ability of covered beneficiaries to access health care services in the direct care and pur-

chased care components of the military health system.

(II) The frequency of use of telehealth services by covered beneficiaries.

(III) The productivity of health care providers providing care furnished by the Department.

(IV) The reduction, if any, in the use by covered beneficiaries of health care services in military treatment facilities or medical facilities in the private sector.

(V) The number and types of appointments for the receipt of telehealth services furnished by the Department.

(VI) The savings, if any, realized by the Department by furnishing telehealth services to covered beneficiaries.

(f) REGULATIONS.—

(1) INTERIM FINAL RULE.—Not later than 180 days after the date of the enactment of this Act, the Secretary shall prescribe an interim final rule to implement this section.

(2) FINAL RULE.—Not later than 180 days after prescribing the interim final rule under paragraph (1) and considering public comments with respect to such interim final rule, the Secretary shall prescribe a final rule to implement this section.

(3) OBJECTIVES.—The regulations prescribed under paragraphs (1) and (2) shall accomplish the objectives set forth in subsection (a) and ensure quality of care, patient safety, and the integrity of the TRICARE program.

(g) DEFINITIONS.—In this section, the terms "covered beneficiary" and "TRICARE program" have the meaning given those terms in section 1072 of title 10, United States Code.

SEC. 719. AUTHORIZATION OF REIMBURSEMENT BY DEPARTMENT OF DEFENSE TO ENTITIES CARRYING OUT STATE VACCINATION PROGRAMS FOR COSTS OF VACCINES PROVIDED TO COVERED BENEFICIARIES.

(a) REIMBURSEMENT.—

(1) IN GENERAL.—The Secretary of Defense may reimburse an amount determined under paragraph (2) to an entity carrying out a State vaccination program for the cost of vaccines provided to covered beneficiaries through such program.

(2) AMOUNT OF REIMBURSEMENT.—

(A) IN GENERAL.—Except as provided in subparagraph (B), the amount determined under this paragraph with respect to a State vaccination program shall be the amount assessed by the entity carrying out such program to purchase vaccines provided to covered beneficiaries through such program.

(B) LIMITATION.—The amount determined under this paragraph to provide vaccines to covered beneficiaries through a State vaccination program may not exceed the amount that the Department would reimburse an entity under the TRICARE program for providing vaccines to the number of covered beneficiaries who were involved in the applicable State vaccination program.

(b) DEFINITIONS.—In this section:

(1) COVERED BENEFICIARY; TRICARE PROGRAM.—The terms "covered beneficiary" and "TRICARE program" have the meanings given those terms in section 1072 of title 10, United States Code.

(2) STATE VACCINATION PROGRAM.—The term "State vaccination program" means a vaccination program that provides vaccinations to individuals in a State and is carried out by an entity (including an agency of the State) within the State.

Subtitle C—Health Care Administration

SEC. 721. AUTHORITY TO CONVERT MILITARY MEDICAL AND DENTAL POSITIONS TO CIVILIAN MEDICAL AND DENTAL POSITIONS.

(a) LIMITED AUTHORITY FOR CONVERSION.—

(1) AUTHORITY.—Chapter 49 of title 10, United States Code, is amended by inserting after section 976 the following new section:

"§ 977. Conversion of military medical and dental positions to civilian medical and dental positions: limitation

"(a) PROCESS.—The Secretary of Defense, in collaboration with the Secretaries of the military departments, shall establish a process to define the military medical and dental personnel requirements necessary to meet operational medical force readiness requirements.

"(b) REQUIREMENTS RELATING TO CONVERSION.—A military medical or dental position within the Department of Defense may be converted to a civilian medical or dental position if the Secretary determines that the position is not necessary to meet operational medical force readiness requirements, as determined pursuant to subsection (a).

"(c) GRADE OR LEVEL CONVERTED.—In carrying out a conversion under subsection (b), the Secretary of Defense—

"(1) shall convert the applicable military position to a civilian position with a level of compensation commensurate with the skills and experience necessary to carry out the duties of such civilian position; and

"(2) may not place any limitation on the grade or level to which the military position is so converted.

"(d) DEFINITIONS.—In this section:

"(1) The term 'military medical or dental position' means a position for the performance of health care functions within the armed forces held by a member of the armed forces.

"(2) The term 'civilian medical or dental position' means a position for the performance of health care functions within the Department of Defense held by an employee of the Department or of a contractor of the Department.

"(3) The term 'conversion', with respect to a military medical or dental position, means a change of the position to a civilian medical or dental position, effective as of the date of the manning authorization document of the military department making the change (through a change in designation from military to civilian in the document, the elimination of the listing of the position as a military position in the document, or through any other means indicating the change in the document or otherwise).".

(2) CLERICAL AMENDMENT.—The table of sections at the beginning of chapter 49 of such title is amended by inserting after the item relating to section 976 the following new item:

"977. Conversion of military medical and dental positions to civilian medical and dental positions: limitation.".

(3) EFFECTIVE DATE OF CONVERSION AUTHORITY.—The Secretary of Defense may not carry out section 977(b) of title 10, United States Code, as added by paragraph (1), until the date that is 180 days after the date on which the Secretary submits the report under subsection (b).

(b) REPORT.—Not later than 90 days after the date of the enactment of this Act, the Secretary of Defense shall submit to the Committees on Armed Services of the Senate and the House of Representatives a report that includes the following:

(1) A description of the process established under section 977(a) of title 10, United States Code, as added by subsection (a), to define the military medical and dental personnel requirements necessary to meet operational medical force readiness requirements.

(2) A complete list, by position, of the military medical and dental personnel requirements necessary to meet operational medical force readiness requirements.

(c) CONFORMING REPEAL.—Section 721 of the National Defense Authorization Act for Fiscal Year 2008 (Public Law 110–181; 122 Stat. 198; 10 U.S.C. 129c note) is repealed.

SEC. 722. PROSPECTIVE PAYMENT OF FUNDS NECESSARY TO PROVIDE MEDICAL CARE FOR THE COAST GUARD.

(a) IN GENERAL.—Chapter 13 of title 14, United States Code, is amended by adding at the end the following:

"§ 520. Prospective payment of funds necessary to provide medical care

"(a) PROSPECTIVE PAYMENT REQUIRED.—In lieu of the reimbursement required under section 1085 of title 10, the Secretary of Homeland Security shall make a prospective payment to the Secretary of Defense of an amount that represents the actuarial valuation of treatment or care—

"(1) that the Department of Defense shall provide to members of the Coast Guard, former members of the Coast Guard, and dependents of such members and former members (other than former members and dependents of former members who are a Medicare-eligible beneficiary or for whom the payment for treatment or care is made from the Medicare-Eligible Retiree Health Care Fund) at facilities under the jurisdiction of the Department of Defense or a military department; and

"(2) for which a reimbursement would otherwise be made under section 1085.

"(b) AMOUNT.—The amount of the prospective payment under subsection (a) shall be—

"(1) in the case of treatment or care to be provided to members of the Coast Guard and their dependents, derived from amounts appropriated for the operating expenses of the Coast Guard;

"(2) in the case of treatment or care to be provided former members of the Coast Guard and their dependents, derived from amounts appropriated for retired pay;

"(3) determined under procedures established by the Secretary of Defense;

"(4) paid during the fiscal year in which treatment or care is provided; and

"(5) subject to adjustment or reconciliation as the Secretaries determine appropriate during or promptly after such fiscal year in cases in which the prospective payment is determined excessive or insufficient based on the services actually provided.

"(c) NO PROSPECTIVE PAYMENT WHEN SERVICE IN NAVY.—No prospective payment shall be made under this section for any period during which the Coast Guard operates as a service in the Navy.

"(d) RELATIONSHIP TO TRICARE.—This section shall not be construed to require a payment for, or the prospective payment of an amount that represents the value of, treatment or care provided under any TRICARE program.".

(b) CLERICAL AMENDMENT.—The analysis for chapter 13 of title 14, United States Code, is amended by adding at the end the following:

"520. Prospective payment of funds necessary to provide medical care.".

(c) REPEAL.—Section 217 of the Coast Guard Authorization Act of 2016 (Public Law 114–120), as amended by section 3503, and the item relating to that section in the table of contents in section 2 of such Act, are repealed.

SEC. 723. REDUCTION OF ADMINISTRATIVE REQUIREMENTS RELATING TO AUTOMATIC RENEWAL OF ENROLLMENTS IN TRICARE PRIME.

Section 1097a(b) of title 10, United States Code, is amended—

(1) in paragraph (1), by striking "(1) An" and inserting "An"; and

(2) by striking paragraph (2).

SEC. 724. MODIFICATION OF AUTHORITY OF UNIFORMED SERVICES UNIVERSITY OF THE HEALTH SCIENCES TO INCLUDE UNDERGRADUATE AND OTHER MEDICAL EDUCATION AND TRAINING PROGRAMS.

(a) IN GENERAL.—Section 2112(a) of title 10, United States Code, is amended to read as follows:

"(a)(1) There is established a Uniformed Services University of the Health Sciences (in this chapter referred to as the 'University') with authority to grant appropriate certificates, certifications, undergraduate degrees, and advanced degrees.

"(2) The University shall be so organized as to graduate not fewer than 100 medical students annually.

"(3) The headquarters of the University shall be at a site or sites selected by the Secretary of Defense within 25 miles of the District of Columbia.".

(b) ADMINISTRATION.—Section 2113 of such title is amended—

(1) in subsection (d)—

(A) in the first sentence, by striking "located in or near the District of Columbia";

(B) in the third sentence, by striking "in or near the District of Columbia"; and

(C) by striking the fifth sentence; and

(2) in subsection (e)(3), by inserting after "programs" the following: ", including certificate, certification, and undergraduate degree programs,".

(c) REPEAL OF EXPIRED PROVISION.—Section 2112a of such title is amended—

(1) by striking subsection (b); and

(2) in subsection (a), by striking "(a) CLOSURE PROHIBITED.—".

SEC. 725. ADJUSTMENT OF MEDICAL SERVICES, PERSONNEL AUTHORIZED STRENGTHS, AND INFRASTRUCTURE IN MILITARY HEALTH SYSTEM TO MAINTAIN READINESS AND CORE COMPETENCIES OF HEALTH CARE PROVIDERS.

(a) IN GENERAL.—Except as provided by subsection (c), not later than one year after the date of the enactment of this Act, the Secretary of Defense shall implement measures to maintain the critical wartime medical readiness skills and core competencies of health care providers within the Armed Forces.

(b) MEASURES.—The measures under subsection (a) shall include measures under which the Secretary ensures the following:

(1) Medical services provided through the military health system at military medical treatment facilities—

(A) maintain the critical wartime medical readiness skills and core competencies of health care providers within the Armed Forces; and

(B) ensure the medical readiness of the Armed Forces.

(2) The authorized strengths for military and civilian personnel throughout the military health system—

(A) maintain the critical wartime medical readiness skills and core competencies of health care providers within the Armed Forces; and

(B) ensure the medical readiness of the Armed Forces.

(3) The infrastructure in the military health system, including infrastructure of military medical treatment facilities—

(A) maintains the critical wartime medical readiness skills and core competencies of health care providers within the Armed Forces; and

(B) ensures the medical readiness of the Armed Forces.

(4) Any covered beneficiary who may be affected by the measures implemented under subsection (a) will be able to receive through the purchased care component of the TRICARE program any medical services that will not be available to such covered beneficiary at a military medical treatment facility by reason of such measures.

(c) EXCEPTION.—The Secretary is not required to implement measures under subsection (a)(1) with respect to military medical treatment facilities located in a foreign country if the Secretary determines that providing medical services in addition to the medical services described in such subsection is necessary to ensure that covered beneficiaries located in that foreign country have access to a similar level of care available to covered beneficiaries located in the United States.

(d) DEFINITIONS.—In this section:

(1) The term "clinical and logistical capabilities" means those capabilities relating to the provision of health care that

are necessary to accomplish operational requirements, including—

(A) combat casualty care;

(B) medical response to and treatment of injuries sustained from chemical, biological, radiological, nuclear, or explosive incidents;

(C) diagnosis and treatment of infectious diseases;

(D) aerospace medicine;

(E) undersea medicine;

(F) diagnosis, treatment, and rehabilitation of specialized medical conditions;

(G) diagnosis and treatment of diseases and injuries that are not related to battle; and

(H) humanitarian assistance.

(2) The terms "covered beneficiary" and "TRICARE program" have the meanings given those terms in section 1072 of title 10, United States Code.

(3) The term "critical wartime medical readiness skills and core competencies" means those essential medical capabilities, including clinical and logistical capabilities, that are—

(A) necessary to be maintained by health care providers within the Armed Forces for national security purposes; and

(B) vital to the provision of effective and timely health care during contingency operations.

SEC. 726. PROGRAM TO ELIMINATE VARIABILITY IN HEALTH OUTCOMES AND IMPROVE QUALITY OF HEALTH CARE SERVICES DELIVERED IN MILITARY MEDICAL TREATMENT FACILITIES.

(a) PROGRAM.—Beginning not later than January 1, 2018, the Secretary of Defense shall implement a program—

(1) to establish best practices for the delivery of health care services for certain diseases or conditions at military medical treatment facilities, as selected by the Secretary;

(2) to incorporate such best practices into the daily operations of military medical treatment facilities selected by the Secretary for purposes of the program, with priority in selection given to facilities that provide specialty care; and

(3) to eliminate variability in health outcomes and to improve the quality of health care services delivered at military medical treatment facilities selected by the Secretary for purposes of the program.

(b) USE OF CLINICAL PRACTICE GUIDELINES.—In carrying out the program under subsection (a), the Secretary shall develop, implement, monitor, and update clinical practice guidelines reflecting the best practices established under paragraph (1) of such subsection.

(c) DEVELOPMENT.—In developing the clinical practice guidelines under subsection (b), the Secretary shall ensure that such development includes a baseline assessment of health care delivery and outcomes at military medical treatment facilities to evaluate and determine evidence-based best practices, within the direct care component of the military health system and the private sector, for treating the diseases or conditions selected by the Secretary under subsection (a)(1).

(d) IMPLEMENTATION.—The Secretary shall implement the clinical practice guidelines under subsection (b) in military medical treatment facilities selected by the Secretary under subsection (a)(2) using means determined appropriate by the Secretary, including by communicating with the relevant health care providers of the evidence upon which the guidelines are based and by providing education and training on the most appropriate implementation of the guidelines.

(e) MONITORING.—The Secretary shall monitor the implementation of the clinical practice guidelines under subsection (b) using appropriate means, including by monitoring the results in clinical outcomes based on specific metrics included as part of the guidelines.

(f) UPDATING.—The Secretary shall periodically update the clinical practice guidelines under subsection (b) based on the results of monitoring conducted under subsection (e) and by continuously assessing evidence-based best practices within the direct care component of the military health system and the private sector.

(g) CONTINUOUS CYCLE.—The Secretary shall establish a continuous cycle of carrying out subsections (c) through (f) with respect to the clinical practice guidelines established under subsection (a).

SEC. 727. ACQUISITION STRATEGY FOR HEALTH CARE PROFESSIONAL STAFFING SERVICES.

(a) ACQUISITION STRATEGY.—

(1) IN GENERAL.—The Secretary of Defense shall develop and carry out a performance-based, strategic sourcing acquisition strategy with respect to entering into contracts for the services of health care professional staff at military medical treatment facilities located in a State.

(2) ELEMENTS.—The acquisition strategy under paragraph (1) shall include the following:

(A) Except as provided by subparagraph (B), a requirement that all the military medical treatment facilities that provide direct care use contracts described under paragraph (1).

(B) A process for a military medical treatment facility to obtain a waiver of the requirement under subparagraph (A) in order to use an acquisition strategy not described in paragraph (1).

(C) Identification of the responsibilities of the military departments and the elements of the Department of Defense in carrying out such strategy.

(D) Projection of the demand by covered beneficiaries for health care services, including with respect to primary care and expanded-hours urgent care services.

(E) Estimation of the workload gaps at military medical treatment facilities for health care services, including with respect to primary care and expanded-hours urgent care services.

(F) Methods to analyze, using reliable and detailed data covering the entire direct care component of the military health system, the amount of funds expended on contracts for the services of health care professional staff.

(G) Methods to identify opportunities to consolidate requirements for such services and reduce cost.

(H) Methods to measure cost savings that are realized by using such contracts instead of purchased care.

(I) Metrics to determine the effectiveness of such strategy.

(J) Metrics to evaluate the success of the strategy in achieving its objectives, including metrics to assess the effects of the strategy on the timeliness of beneficiary access to professional health care services in military medical treatment facilities.

(K) Such other matters as the Secretary considers appropriate.

(b) REPORT.—Not later than July 1, 2017, the Secretary shall submit to the Committees on Armed Services of the Senate and the House of Representatives a report on the status of implementing the acquisition strategy under paragraph (1) of subsection (a), including how each element under subparagraphs (A) through (K) of paragraph (2) of such subsection is being carried out.

(c) DEFINITIONS.—In this section:

(1) The term "covered beneficiary" has the meaning given that term in section 1072 of title 10, United States Code.

(2) The term "State" means the several States and the District of Columbia.

(d) CONFORMING REPEAL.—Section 725 of the Carl Levin and Howard P. "Buck" McKeon National Defense Authorization Act for Fiscal Year 2015 (Public Law 113–291; 10 U.S.C. 1091 note) is repealed.

SEC. 728. ADOPTION OF CORE QUALITY PERFORMANCE METRICS.

(a) ADOPTION.—

(1) IN GENERAL.—Not later than 180 days after the date of the enactment of this Act, the Secretary of Defense shall adopt, to the extent appropriate, the core quality performance metrics agreed upon by the Core Quality Measures Collaborative for use by the military health system and in contracts awarded to carry out the TRICARE program.

(2) CORE MEASURES.—The core quality performance metrics described in paragraph (1) shall include the following sets:

(A) Accountable care organizations, patient centered medical homes, and primary care.

(B) Cardiology.

(C) Gastroenterology.

(D) HIV and hepatitis C.

(E) Medical oncology.

(F) Obstetrics and gynecology.

(G) Orthopedics.

(H) Such other sets of core quality performance metrics released by the Core Quality Measures Collaborative as the Secretary considers appropriate.

(b) PUBLICATION.—

(1) ONLINE AVAILABILITY.—Section 1073b of title 10, United States Code, is amended—

(A) in paragraph (1)—

(i) by striking "Not later than" and all that follows through "2016, the Secretary" and inserting "The Secretary"; and

(ii) by adding at the end the following new sentence: "Such data shall include the core quality performance metrics adopted by the Secretary under section 728 of the National Defense Authorization Act for Fiscal Year 2017."; and

*(B) in the section heading, by inserting "**and publication of certain data**" after "**reports**".*

(2) CLERICAL AMENDMENT.—The table of sections at the beginning of chapter 55 of title 10, United States Code, is amended by striking the item relating to section 1073b and inserting the following:

"1073b. Recurring reports and publication of certain data.".

(c) DEFINITIONS.—In this section:

(1) The term "Core Quality Measures Collaborative" means the collaboration between the Centers for Medicare & Medicaid Services, major health insurance companies, national physician organizations, and other entities to reach consensus on core performance measures reported by health care providers.

(2) The term "TRICARE program" has the meaning given that term in section 1072 of title 10, United States Code.

SEC. 729. IMPROVEMENT OF HEALTH OUTCOMES AND CONTROL OF COSTS OF HEALTH CARE UNDER TRICARE PROGRAM THROUGH PROGRAMS TO INVOLVE COVERED BENEFICIARIES.

(a) MEDICAL INTERVENTION INCENTIVE PROGRAM.—

(1) IN GENERAL.—The Secretary of Defense shall establish a program to incentivize covered beneficiaries to participate in medical intervention programs established by the Secretary, such as comprehensive disease management programs, that may include lowering fees for enrollment in the TRICARE program by a certain percentage or lowering copayment and cost-share amounts for health care services during a particular year for covered beneficiaries with chronic diseases or conditions described in paragraph (2) who met participation milestones, as determined by the Secretary, in the previous year in such medical intervention programs.

(2) CHRONIC DISEASES OR CONDITIONS DESCRIBED.—Chronic diseases or conditions described in this paragraph may include diabetes, chronic obstructive pulmonary disease, asthma, congestive heart failure, hypertension, history of stroke, coronary artery disease, mood disorders, obesity, and such other diseases or conditions as the Secretary determines appropriate.

(b) LIFESTYLE INTERVENTION INCENTIVE PROGRAM.—The Secretary shall establish a program to incentivize lifestyle interventions for covered beneficiaries, such as smoking cessation and weight reduction, that may include lowering fees for enrollment in the TRICARE program by a certain percentage or lowering copayment and cost share amounts for health care services during a particular year for covered beneficiaries who met participation milestones, as determined by the Secretary, in the previous year with respect to such lifestyle interventions, such as quitting smoking or achieving a lower body mass index by a certain percentage.

(c) HEALTHY LIFESTYLE MAINTENANCE INCENTIVE PROGRAM.—The Secretary shall establish a program to incentivize the maintenance of a healthy lifestyle among covered beneficiaries, such as ex-

ercise and weight maintenance, that may include lowering fees for enrollment in the TRICARE program by a certain percentage or lowering copayment and cost-share amounts for health care services during a particular year for covered beneficiaries who met participation milestones, as determined by the Secretary, in the previous year with respect to the maintenance of a healthy lifestyle, such as maintaining smoking cessation or maintaining a normal body mass index.

(d) REPORT.—

(1) IN GENERAL.—Not later than January 1, 2020, the Secretary shall submit to the Committees on Armed Services of the Senate and the House of Representatives a report on the implementation of the programs established under subsections (a), (b), and (c).

(2) ELEMENTS.—The report required by paragraph (1) shall include the following:

(A) A detailed description of the programs implemented under subsections (a), (b), and (c).

(B) An assessment of the impact of such programs on—

(i) improving health outcomes for covered beneficiaries; and

(ii) lowering per capita health care costs for the Department of Defense.

(e) REGULATIONS.—Not later than January 1, 2018, the Secretary shall prescribe an interim final rule to carry out this section.

(f) DEFINITIONS.—In this section, the terms "covered beneficiary" and "TRICARE program" have the meaning given those terms in section 1072 of title 10, United States Code.

SEC. 730. ACCOUNTABILITY FOR THE PERFORMANCE OF THE MILITARY HEALTH SYSTEM OF CERTAIN LEADERS WITHIN THE SYSTEM.

(a) IN GENERAL.—Commencing not later than 180 days after the date of the enactment of this Act, the Secretary of Defense, in consultation with the Secretaries of the military departments, shall incorporate into the annual performance review of each military and civilian leader in the military health system, as determined by the Secretary of Defense, measures of accountability for the performance of the military health system described in subsection (b).

(b) MEASURES OF ACCOUNTABILITY FOR PERFORMANCE.—The measures of accountability for the performance of the military health system incorporated into the annual performance review of an individual pursuant to this section shall include measures to assess performance and assure accountability for the following:

(1) Quality of care.

(2) Access of beneficiaries to care.

(3) Improvement in health outcomes for beneficiaries.

(4) Patient safety.

(5) Such other matters as the Secretary of Defense, in consultation with the Secretaries of the military departments, considers appropriate.

(c) REPORT ON IMPLEMENTATION.—

(1) IN GENERAL.—Not later than 180 days after the date of the enactment of this Act, the Secretary of Defense shall submit to the Committees on Armed Services of the Senate and the House of Representatives a report on the incorporation of meas-

ures of accountability for the performance of the military health system into the annual performance reviews of individuals as required by this section.

(2) ELEMENTS.—The report required by paragraph (1) shall include the following:

(A) A comprehensive plan for the use of measures of accountability for performance in annual performance reviews pursuant to this section as a means of assessing and assuring accountability for the performance of the military health system.

(B) The identification of each leadership position in the military health system determined under subsection (a) and a description of the specific measures of accountability for performance to be incorporated into the annual performance reviews of each such position pursuant to this section.

SEC. 731. ESTABLISHMENT OF ADVISORY COMMITTEES FOR MILITARY TREATMENT FACILITIES.

(a) IN GENERAL.—The Secretary of Defense shall establish, under such regulations as the Secretary may prescribe, an advisory committee for each military treatment facility.

(b) STATUS OF CERTAIN MEMBERS OF ADVISORY COMMITTEES.—A member of an advisory committee established under subsection (a) who is not a member of the Armed Forces on active duty or an employee of the Federal Government shall, with the approval of the commanding officer or director of the military treatment facility concerned, be treated as a volunteer under section 1588 of title 10, United States Code, in carrying out the duties of the member under this section.

(c) DUTIES.—Each advisory committee established under subsection (a) for a military treatment facility shall provide to the commanding officer or director of such facility advice on the administration and activities of such facility as it relates to the experience of care for beneficiaries at such facility.

Subtitle D—Reports and Other Matters

SEC. 741. EXTENSION OF AUTHORITY FOR JOINT DEPARTMENT OF DEFENSE-DEPARTMENT OF VETERANS AFFAIRS MEDICAL FACILITY DEMONSTRATION FUND AND REPORT ON IMPLEMENTATION OF INFORMATION TECHNOLOGY CAPABILITIES.

(a) IN GENERAL.—Section 1704(e) of the National Defense Authorization Act for Fiscal Year 2010 (Public Law 111–84; 123 Stat. 2573), as amended by section 722 of the Carl Levin and Howard P. "Buck" McKeon National Defense Authorization Act for Fiscal Year 2015 (Public Law 113–291) and section 723 of the National Defense Authorization Act for Fiscal Year 2016 (Public Law 114–92), is further amended by striking "September 30, 2017" and inserting "September 30, 2018".

(b) REPORT ON IMPLEMENTATION OF INFORMATION TECHNOLOGY CAPABILITIES.—Not later than March 30, 2017, the Secretary of Defense shall submit to the Committees on Armed Services of the Senate and the House of Representatives a report on plans to implement all information technology capabilities required by the executive agreement entered into under section 1701(a) of the National Defense Authorization Act for Fiscal Year 2010 (Public Law 111–84;

123 Stat. 2567) that remain unimplemented as of the date of the report.

SEC. 742. PILOT PROGRAM ON EXPANSION OF USE OF PHYSICIAN ASSISTANTS TO PROVIDE MENTAL HEALTH CARE TO MEMBERS OF THE ARMED FORCES.

(a) IN GENERAL.—The Secretary of Defense may conduct a pilot program to assess the feasibility and advisability of expanding the use by the Department of Defense of physician assistants specializing in psychiatric medicine at medical facilities of the Department of Defense in order to meet the increasing demand for mental health care providers at such facilities through the use of a psychiatry fellowship program for physician assistants.

(b) REPORT ON PILOT PROGRAM.—

(1) IN GENERAL.—If the Secretary conducts the pilot program under this section, not later than 90 days after the date on which the Secretary completes the conduct of the pilot program, the Secretary shall submit to the Committees on Armed Services of the Senate and the House of Representatives a report on the pilot program.

(2) ELEMENTS.—The report submitted under paragraph (1) shall include the following:

(A) A description of the implementation of the pilot program, including a detailed description of the education and training provided under the pilot program.

(B) An assessment of potential cost savings, if any, to the Department of Defense resulting from the pilot program.

(C) A description of improvements, if any, to the access of members of the Armed Forces to mental health care resulting from the pilot program.

(D) A recommendation as to the feasibility and advisability of extending or expanding the pilot program.

SEC. 743. PILOT PROGRAM FOR PRESCRIPTION DRUG ACQUISITION COST PARITY IN THE TRICARE PHARMACY BENEFITS PROGRAM.

(a) AUTHORITY TO ESTABLISH PILOT PROGRAM.—The Secretary of Defense may conduct a pilot program to evaluate whether, in carrying out the TRICARE pharmacy benefits program under section 1074g of title 10, United States Code, extending additional discounts for prescription drugs filled at retail pharmacies will maintain or reduce prescription drug costs for the Department of Defense.

(b) ELEMENTS OF PILOT PROGRAM.—In carrying out the pilot program under subsection (a), the Secretary shall require that for prescription medications, including non-generic maintenance medications, that are dispensed to TRICARE beneficiaries that are not Medicare eligible, through any TRICARE participating retail pharmacy, including small business pharmacies, manufacturers shall pay rebates such that those medications are available to the Department at the lowest rate available. In addition to utilizing the authority under section 1074g(f) of title 10, United States Code, the Secretary shall have the authority to enter into a blanket purchase agreement with prescription drug manufacturers for supplemental discounts for prescription drugs dispensed in the pilot to be paid in the form of manufacturer's rebates.

(c) CONSULTATION.—The Secretary shall develop the pilot program in consultation with—

(1) the Secretaries of the military departments;

(2) the Chief of the Pharmacy Operations Division of the Defense Health Agency; and

(3) stakeholders, including TRICARE beneficiaries and retail pharmacies.

(d) DURATION OF PILOT PROGRAM.—If the Secretary carries out the pilot program under subsection (a), the Secretary shall commence such pilot program no later than October 1, 2017, and shall terminate such program no later than September 30, 2018.

(e) REPORTS.—If the Secretary carries out the pilot program under subsection (a), the Secretary of Defense shall submit to the Committees on Armed Services of the Senate and the House of Representatives reports on the pilot program as follows:

(1) Not later than 90 days after the date of the enactment of this Act, a report containing an implementation plan for the pilot program.

(2) Not later than 180 days after the date on which the pilot program commences, an interim report on the pilot program.

(3) Not later than 90 days after the date on which the pilot program terminates, a final report describing the results of the pilot program, including—

(A) any recommendations of the Secretary to expand such program;

(B) an analysis of the changes in prescription drug costs for the Department of Defense relating to the pilot program;

(C) an analysis of the impact on beneficiary access to prescription drugs;

(D) a survey of beneficiary satisfaction with the pilot program; and

(E) a summary of any fraud and abuse activities related to the pilot and actions taken in response by the Department.

SEC. 744. PILOT PROGRAM ON DISPLAY OF WAIT TIMES AT URGENT CARE CLINICS AND PHARMACIES OF MILITARY MEDICAL TREATMENT FACILITIES.

(a) PILOT PROGRAM AUTHORIZED.—Beginning not later than one year after the date of the enactment of this Act, the Secretary of Defense shall carry out a pilot program for the display of wait times in urgent care clinics and pharmacies of military medical treatment facilities selected under subsection (b).

(b) SELECTION OF FACILITIES.—

(1) CATEGORIES.—The Secretary shall select not fewer than four military medical treatment facilities from each of the following categories to participate in the pilot program:

(A) Medical centers.

(B) Hospitals.

(C) Ambulatory care centers.

(2) OCONUS LOCATIONS.—Of the military medical treatment facilities selected under each category described in subparagraphs (A) through (C) of paragraph (1), not fewer than one shall be located outside of the continental United States.

(3) CONTRACTOR-OPERATED FACILITIES.—The Secretary may select Government-owned, contractor-operated facilities among those military medical treatment facilities selected under paragraph (1).

(c) URGENT CARE CLINICS.—

(1) PLACEMENT.—With respect to each military medical treatment facility participating in the pilot program with an urgent care clinic, the Secretary shall place in a conspicuous location at the urgent care clinic an electronic sign that displays the current average wait time determined under paragraph (2) for a patient to be seen by a qualified medical professional.

(2) DETERMINATION.—In carrying out paragraph (1), every 30 minutes, the Secretary shall determine the average wait time to display under such paragraph by calculating, for the four-hour period preceding the calculation, the average length of time beginning at the time of the arrival of a patient at the urgent care clinic and ending at the time at which the patient is first seen by a qualified medical professional.

(d) PHARMACIES.—

(1) PLACEMENT.—With respect to each military medical treatment facility participating in the pilot program with a pharmacy, the Secretary shall place in a conspicuous location at the pharmacy an electronic sign that displays the current average wait time to receive a filled prescription for a pharmaceutical agent.

(2) DETERMINATION.—In carrying out paragraph (1), every 30 minutes, the Secretary shall determine the average wait time to display under such paragraph by calculating, for the four-hour period preceding the calculation, the average length of time beginning at the time of submission by a patient of a prescription for a pharmaceutical agent and ending at the time at which the pharmacy dispenses the pharmaceutical agent to the patient.

(e) DURATION.—The Secretary shall carry out the pilot program for a period that is not more than two years.

(f) REPORT.—

(1) SUBMISSION.—Not later than 90 days after the completion of the pilot program, the Secretary shall submit to the Committees on Armed Services of the House of Representatives and the Senate a report on the pilot program.

(2) ELEMENTS.—The report under paragraph (1) shall include—

(A) the costs for displaying the wait times under subsections (c) and (d);

(B) any changes in patient satisfaction;

(C) any changes in patient behavior with respect to using urgent care and pharmacy services;

(D) any changes in pharmacy operations and productivity;

(E) a cost-benefit analysis of posting such wait times; and

(F) the feasibility of expanding the posting of wait times in emergency departments in military medical treatment facilities.

(g) QUALIFIED MEDICAL PROFESSIONAL DEFINED.—In this section, the term "qualified medical professional" means a doctor of medicine, a doctor of osteopathy, a physician assistant, or an advanced registered nurse practitioner.

SEC. 745. REQUIREMENT TO REVIEW AND MONITOR PRESCRIBING PRACTICES AT MILITARY TREATMENT FACILITIES OF PHARMACEUTICAL AGENTS FOR TREATMENT OF POST-TRAUMATIC STRESS.

(a) IN GENERAL.—Not later than 180 days after the date of the enactment of this Act, the Secretary of Defense shall—

(1) conduct a comprehensive review of the prescribing practices at military treatment facilities of pharmaceutical agents for the treatment of post-traumatic stress;

(2) implement a process or processes to monitor the prescribing practices at military treatment facilities of pharmaceutical agents that are discouraged from use under the VA/DOD Clinical Practice Guideline for Management of Post-Traumatic Stress; and

(3) implement a plan to address any deviations from such guideline in prescribing practices of pharmaceutical agents for management of post-traumatic stress at such facilities.

(b) PHARMACEUTICAL AGENT DEFINED.—In this section, the term "pharmaceutical agent" has the meaning given that term in section 1074g(g) of title 10, United States Code.

SEC. 746. DEPARTMENT OF DEFENSE STUDY ON PREVENTING THE DIVERSION OF OPIOID MEDICATIONS.

(a) STUDY.—The Secretary of Defense shall conduct a study on the feasibility and effectiveness in preventing the diversion of opioid medications of the following measures:

(1) Requiring that, in appropriate cases, opioid medications be dispensed in vials using affordable technologies designed to prevent access to the medications by anyone other than the intended patient, such as a vial with a locking-cap closure mechanism.

(2) Providing education on the risks of opioid medications to individuals for whom such medications are prescribed, and to their families, with special consideration given to raising awareness among adolescents on such risks.

(b) BRIEFING.—

(1) IN GENERAL.—Not later than one year after the date of the enactment of this Act, the Secretary shall provide to the Committees on Armed Services of the Senate and the House of Representatives a briefing on the results of the study conducted under subsection (a).

(2) ELEMENTS.—The briefing under paragraph (1) shall include an assessment of the cost effectiveness of the measures studied under subsection (a).

SEC. 747. INCORPORATION INTO SURVEY BY DEPARTMENT OF DEFENSE OF QUESTIONS ON EXPERIENCES OF MEMBERS OF THE ARMED FORCES WITH FAMILY PLANNING SERVICES AND COUNSELING.

Not later than 90 days after the date of the enactment of this Act, the Secretary of Defense shall initiate action to integrate into the Health Related Behavior Survey of Active Duty Military Per-

sonnel questions designed to obtain information on the experiences of members of the Armed Forces—

(1) in accessing family planning services and counseling; and

(2) in using family planning methods, including information on which method was preferred and whether deployment conditions affected the decision on which family planning method or methods to be used.

SEC. 748. ASSESSMENT OF TRANSITION TO TRICARE PROGRAM BY FAMILIES OF MEMBERS OF RESERVE COMPONENTS CALLED TO ACTIVE DUTY AND ELIMINATION OF CERTAIN CHARGES FOR SUCH FAMILIES.

(a) ASSESSMENT OF TRANSITION TO TRICARE PROGRAM.—

(1) IN GENERAL.—Not later than 180 days after the date of the enactment of this Act, the Secretary of Defense shall complete an assessment of the extent to which families of members of the reserve components of the Armed Forces serving on active duty pursuant to a call or order to active duty for a period of more than 30 days experience difficulties in transitioning from health care arrangements relied upon when the member is not in such an active duty status to health care benefits under the TRICARE program.

(2) ELEMENTS.—The assessment under paragraph (1) shall address the following:

(A) The extent to which family members of members of the reserve components of the Armed Forces are required to change health care providers when they become eligible for health care benefits under the TRICARE program.

(B) The extent to which health care providers in the private sector with whom such family members have established relationships when not covered under the TRICARE program are providers who—

(i) are in a preferred provider network under the TRICARE program;

(ii) are participating providers under the TRICARE program; or

(iii) will agree to treat covered beneficiaries at a rate not to exceed 115 percent of the maximum allowable charge under the TRICARE program.

(C) The extent to which such family members encounter difficulties associated with a change in health care claims administration, health care authorizations, or other administrative matters when transitioning to health care benefits under the TRICARE program.

(D) Any particular reasons for, or circumstances that explain, the conditions described in subparagraphs (A), (B), and (C).

(E) The effects of the conditions described in subparagraphs (A), (B), and (C) on the health care experience of such family members.

(F) Recommendations for changes in policies and procedures under the TRICARE program, or other administrative action by the Secretary, to remedy or mitigate difficulties faced by such family members in transitioning to health care benefits under the TRICARE program.

(G) Recommendations for legislative action to remedy or mitigate such difficulties.

(H) Such other matters as the Secretary determines relevant to the assessment.

(3) REPORT.—

(A) IN GENERAL.—Not later than 180 days after completing the assessment under paragraph (1), the Secretary shall submit to the Committees on Armed Services of the Senate and the House of Representatives a report detailing the results of the assessment.

(B) ANALYSIS OF RECOMMENDATIONS.—The report required by subparagraph (A) shall include an analysis of each recommendation for legislative action addressed under paragraph (2)(G), together with a cost estimate for implementing each such action.

(b) EXPANSION OF AUTHORITY TO ELIMINATE BALANCE BILLING.—Section 1079(h)(4)(C)(ii) of title 10, United States Code, is amended by striking "in support of a contingency operation under a provision of law referred to in section 101(a)(13)(B) of this title".

(c) DEFINITIONS.—In this section, the terms "covered beneficiary" and "TRICARE program" have the meanings given those terms in section 1072 of title 10, United States Code.

SEC. 749. OVERSIGHT OF GRADUATE MEDICAL EDUCATION PROGRAMS OF MILITARY DEPARTMENTS.

(a) PROCESS.—Not later than one year after the date of the enactment of this Act, the Secretary of Defense shall establish and implement a process to provide oversight of the graduate medical education programs of the military departments to ensure that such programs fully support the operational medical force readiness requirements for health care providers of the Armed Forces and the medical readiness of the Armed Forces. The process shall include the following:

(1) A process to review such programs to ensure, to the extent practicable, that such programs are—

(A) conducted jointly among the military departments; and

(B) focused on, and related to, operational medical force readiness requirements.

(2) A process to minimize duplicative programs relating to such programs among the military departments.

(3) A process to ensure that—

(A) assignments of faculty, support staff, and students within such programs are coordinated among the military departments; and

(B) the Secretary optimizes resources by using military medical treatment facilities as training platforms when and where most appropriate.

(4) A process to review and, if necessary, restructure or realign, such programs to sustain and improve operational medical force readiness.

(b) REPORT.—Not later than 30 days after the date on which the Secretary establishes the process under subsection (a), the Secretary shall submit to the Committees on Armed Services of the Senate and the House of Representatives a report that describes such process. The report shall include a description of each graduate medical

education program of the military departments, categorized by the following:

(1) Programs that provide direct support to operational medical force readiness.

(2) Programs that provide indirect support to operational medical force readiness.

(3) Academic programs that provide other medical support.

(c) COMPTROLLER GENERAL REVIEW AND REPORT.—

(1) REVIEW.—The Comptroller General of the United States shall conduct a review of the process established under subsection (a), including with respect to each process described in paragraphs (1) through (4) of such subsection.

(2) REPORT.—Not later than 180 days after the date on which the Secretary submits the report under subsection (b), the Comptroller General shall submit to the Committees on Armed Services of the Senate and the House of Representatives the review conducted under paragraph (1), including an assessment of the elements of the process established under subsection (a).

SEC. 750. STUDY ON HEALTH OF HELICOPTER AND TILTROTOR PILOTS.

(a) STUDY REQUIRED.—The Secretary of Defense shall carry out a study of career helicopter and tiltrotor pilots to assess potential links between the operation of helicopter and tiltrotor aircraft and acute and chronic medical conditions experienced by such pilots.

(b) ELEMENTS.—The study under subsection (a) shall include the following:

(1) A study of career helicopter and tiltrotor pilots compared to a control population that—

(A) takes into account the amount of time such pilots operated aircraft;

(B) examines the severity and rates of acute and chronic injuries experienced by such pilots; and

(C) determines whether such pilots experience a higher degree of acute and chronic medical conditions than the control population.

(2) If a higher degree of acute and chronic medical conditions is observed among such pilots, an explanation of—

(A) the specific causes of the conditions (such as whole body vibration, seat and cockpit ergonomics, landing loads, hard impacts, and pilot-worn gear); and

(B) any costs associated with treating the conditions if the causes are not mitigated.

(3) A review of relevant scientific literature and prior research.

(4) Such other information as the Secretary determines to be appropriate.

(c) DURATION.—The duration of the study under subsection (a) shall be not more than two years.

(d) REPORT.—Not later than 30 days after the completion of the study under subsection (a), the Secretary shall submit to the Committees on Armed Services of the Senate and the House of Representatives a report on the study.

SEC. 751. COMPTROLLER GENERAL REPORTS ON HEALTH CARE DELIVERY AND WASTE IN MILITARY HEALTH SYSTEM.

(a) IN GENERAL.—Not later than one year after the date of the enactment of this Act, and not less frequently than once each year thereafter for four years, the Comptroller General of the United States shall submit to the Committees on Armed Services of the Senate and the House of Representatives a report assessing the delivery of health care in the military health system, with an emphasis on identifying potential waste and inefficiency.

(b) ELEMENTS.—

(1) IN GENERAL.—The reports submitted under subsection (a) shall, within the direct and purchased care components of the military health system, evaluate the following:

(A) Processes for ensuring that health care providers adhere to clinical practice guidelines.

(B) Processes for reporting and resolving adverse medical events.

(C) Processes for ensuring program integrity by identifying and resolving medical fraud and waste.

(D) Processes for coordinating care within and between the direct and purchased care components of the military health system.

(E) Procedures for administering the TRICARE program.

(F) Processes for assessing and overseeing the efficiency of clinical operations of military hospitals and clinics, including access to care for covered beneficiaries at such facilities.

(2) ADDITIONAL INFORMATION.—The reports submitted under subsection (a) may include, if the Comptroller General considers feasible—

(A) an estimate of the costs to the Department of Defense relating to any waste or inefficiency identified in the report; and

(B) such recommendations for action by the Secretary of Defense as the Comptroller General considers appropriate, including eliminating waste and inefficiency in the direct and purchased care components of the military health system.

(c) DEFINITIONS.—In this section, the terms "covered beneficiary" and "TRICARE program" have the meaning given those terms in section 1072 of title 10, United States Code.

TITLE VIII—ACQUISITION POLICY, ACQUISITION MANAGEMENT, AND RELATED MATTERS

Subtitle A—Acquisition Policy and Management

Subtitle B—Department of Defense Acquisition Agility

Subtitle A—Acquisition Policy and Management

SEC. 801. RAPID ACQUISITION AUTHORITY AMENDMENTS.

Section 806 of the Bob Stump National Defense Authorization Act for Fiscal Year 2003 (Public Law 107–314; 10 U.S.C. 2302 note) is amended—

(1) in subsection (a)(1)—

(A) in subparagraph (A), by striking "; or" and inserting a semicolon;

(B) in subparagraph (B), by striking "; and" and inserting "; or"; and

(C) by adding at the end the following new subparagraph:

"(C) developed or procured under the rapid fielding or rapid prototyping acquisition pathways under section 804 of the National Defense Authorization Act for Fiscal Year 2016 (Public Law 114–92; 10 U.S.C. 2302 note); and";

(2) in subsection (b), by adding at the end the following new paragraph:

"(3) Specific procedures in accordance with the guidance developed under section 804(a) of the National Defense Authorization Act for Fiscal Year 2016 (Public Law 114–92; 10 U.S.C. 2302 note).''; and

(3) in subsection (c)—

(A) in paragraph (2)(A)—

(i) by striking "Whenever the Secretary" and inserting "(i) Except as provided under clause (ii), whenever the Secretary"; and

(ii) by adding at the end the following new clause:

"(ii) Clause (i) does not apply to acquisitions initiated in the case of a determination by the Secretary that funds are necessary to immediately initiate a project under the rapid fielding or rapid prototyping acquisition pathways under section 804 of the National Defense Authorization Act for Fiscal Year 2016 (Public Law 114–92; 10 U.S.C. 2302 note) if the designated official for acquisitions using such pathways is the service acquisition executive.";

(B) in paragraph (3)—

(i) in subparagraph (A), by inserting "or upon the Secretary making a determination that funds are necessary to immediately initiate a project under the rapid fielding or rapid prototyping acquisition pathways under section 804 of the National Defense Authorization Act for Fiscal Year 2016 (Public Law 114–92; 10 U.S.C. 2302 note) based on a compelling national security need," after "of paragraph (1),";

(ii) in subparagraph (B)—

(I) by striking "The authority" and inserting "Except as provided under subparagraph (C), the authority";

(II) in clause (ii), by striking "; and" and inserting a semicolon;

(III) in clause (iii), by striking the period at the end and inserting "; and"; and

(IV) by adding at the end the following new clause:

"(iv) in the case of a determination by the Secretary that funds are necessary to immediately initiate a project under the rapid fielding or rapid prototyping acquisition pathways under section 804 of the National Defense Authorization Act for Fiscal Year 2016 (Public Law 114–92; 10 U.S.C. 2302 note), in an amount not more than $200,000,000 during any fiscal year."; and

(iii) by adding at the end the following new subparagraph:

"(C) For each of fiscal years 2017 and 2018, the limits set forth in clauses (i) and (ii) of subparagraph (B) do not apply to the exercise of authority under such clauses provided that the total amount of supplies and associated support services acquired as provided under such subparagraph does not exceed $800,000,000 during such fiscal year.";

(C) in paragraph (4)—

(i) by redesignating subparagraphs (C), (D), and (E) as subparagraphs (D), (E), and (F), respectively; and

(ii) by inserting after subparagraph (B) the following new subparagraph:

"(C) In the case of a determination by the Secretary under paragraph (3)(A) that funds are necessary to immediately initiate a project under the rapid fielding or rapid prototyping acquisition pathways under section 804 of the National Defense Authorization Act for Fiscal Year 2016 (Public Law 114–92; 10 U.S.C. 2302 note), the Secretary shall notify the congressional defense committees of the determination within 10 days after the date of the use of such funds."; and

(D) in paragraph (5)—

(i) by striking "Any acquisition" and inserting "(A) Any acquisition"; and

(ii) by adding at the end the following new subparagraph:

"(B) Subparagraph (A) does not apply to acquisitions initiated in the case of a determination by the Secretary that funds are necessary to immediately initiate a project under the rapid fielding or rapid prototyping acquisition pathways under section 804 of the National Defense Authorization Act for Fiscal Year 2016 (Public Law 114–92; 10 U.S.C. 2302 note).".

SEC. 802. AUTHORITY FOR TEMPORARY SERVICE OF PRINCIPAL MILITARY DEPUTIES TO THE ASSISTANT SECRETARIES OF THE MILITARY DEPARTMENTS FOR ACQUISITION AS ACTING ASSISTANT SECRETARIES.

(a) ASSISTANT SECRETARY OF THE ARMY FOR ACQUISITION, LOGISTICS, AND TECHNOLOGY.—Section 3016(b)(5)(B) of title 10, United States Code, is amended by adding at the end the following new sentence: "In the event of a vacancy in the position of Assistant Secretary of the Army for Acquisition, Logistics, and Technology,

the Principal Military Deputy may serve as Acting Assistant Secretary for a period of not more than one year.".

(b) ASSISTANT SECRETARY OF THE NAVY FOR RESEARCH, DEVELOPMENT, AND ACQUISITION.—Section 5016(b)(4)(B) of such title is amended by adding at the end the following new sentence: "In the event of a vacancy in the position of Assistant Secretary of the Navy for Research, Development, and Acquisition, the Principal Military Deputy may serve as Acting Assistant Secretary for a period of not more than one year.".

(c) ASSISTANT SECRETARY OF THE AIR FORCE FOR ACQUISITION.—Section 8016(b)(4)(B) of such title is amended by adding at the end the following new sentence: "In the event of a vacancy in the position of Assistant Secretary of the Air Force for Acquisition, the Principal Military Deputy may serve as Acting Assistant Secretary for a period of not more than one year.".

SEC. 803. MODERNIZATION OF SERVICES ACQUISITION.

(a) REVIEW OF SERVICES ACQUISITION CATEGORIES.—Not later than 180 days after the date of the enactment of this Act, the Secretary of Defense shall review and, if necessary, revise Department of Defense Instruction 5000.74, dated January 5, 2016 (in this section referred to as the "Acquisition of Services Instruction"), and other guidance pertaining to the acquisition of services. In conducting the review, the Secretary shall examine—

(1) how the acquisition community should consider the changing nature of the technology and professional services markets, particularly the convergence of hardware and services; and

(2) the services acquisition portfolio groups referenced in the Acquisition of Services Instruction and other guidance in order to ensure the portfolio groups are fully reflective of changes to the technology and professional services market.

(b) GUIDANCE REGARDING TRAINING AND DEVELOPMENT OF THE ACQUISITION WORKFORCE.—

(1) IN GENERAL.—Not later than 180 days after the date of the enactment of this Act, the Secretary of Defense shall issue guidance addressing the training and development of the Department of Defense workforce engaged in the procurement of services, including those personnel not designated as members of the acquisition workforce.

(2) IDENTIFICATION OF TRAINING AND PROFESSIONAL DEVELOPMENT OPPORTUNITIES AND ALTERNATIVES.—The guidance required under paragraph (1) shall identify training and professional development opportunities and alternatives, not limited to existing Department of Defense institutions, that focus on and provide relevant training and professional development in commercial business models and contracting.

(3) TREATMENT OF TRAINING AND PROFESSIONAL DEVELOPMENT.—Any training and professional development provided pursuant to this subsection outside Department of Defense institutions shall be deemed to be equivalent to similar training certified or provided by the Defense Acquisition University.

SEC. 804. DEFENSE MODERNIZATION ACCOUNT AMENDMENTS.

(a) FUNDS AVAILABLE FOR ACCOUNT.—Section 2216(b)(1) of title 10, United States Code, is amended by striking "commencing".

(b) TRANSFERS TO ACCOUNT.—Section 2216(c) of such title is amended—

(1) in paragraph (1)(A)—

(A) by striking "or the Secretary of Defense with respect to Defense-wide appropriations accounts" and inserting ", or the Secretary of Defense with respect to Defense-wide appropriations accounts,"; and

(B) by striking "that Secretary" and inserting "the Secretary concerned";

(2) in paragraph (1)(B)—

(A) by inserting after "following funds" the following: "that have been appropriated for fiscal years after fiscal year 2016 and are";

(B) in clause (i)—

(i) by striking "for procurement" and inserting "for new obligations";

(ii) by striking "a particular procurement" and inserting "an acquisition program"; and

(iii) by striking "that procurement" and inserting "that program";

(C) by striking clause (ii); and

(D) by redesignating clause (iii) as clause (ii);

(3) in paragraph (2)—

(A) by striking ", other than funds referred to in subparagraph (B)(iii) of such paragraph,"; and

(B) by striking "if—" and all that follows through "(B) the balance of funds" and inserting "if the balance of funds";

(4) in paragraph (3)—

(A) by striking "credited to" both places it appears and inserting "deposited in"; and

(B) by inserting "and obligation" after "available for transfer"; and

(5) by striking paragraph (4).

(c) AUTHORIZED USE OF FUNDS.—Section 2216(d) of such title is amended—

(1) in paragraph (1)—

(A) by striking "commencing"; and

(B) by striking "Secretary of Defense" and inserting "Secretary concerned";

(2) in paragraph (2), by striking "a procurement program" and inserting "an acquisition program";

(3) by amending paragraph (3) to read as follows:

"(3) For research, development, test, and evaluation, for procurement, and for sustainment activities necessary for paying costs of unforeseen contingencies that are approved by the milestone decision authority concerned, that could prevent an ongoing acquisition program from meeting critical schedule or performance requirements."; and

(4) by inserting at the end the following new paragraph:

"(4) For paying costs of changes to program requirements or system configuration that are approved by the configuration steering board for a major defense acquisition program.".

(d) LIMITATIONS.—Section 2216(e) of such title is amended—

(1) in paragraph (1), by striking "procurement program" both places it appears and inserting "acquisition program"; and

(2) in paragraph (2), by striking "authorized appropriations" and inserting "authorized appropriations, unless the procedures for initiating a new start program are complied with".

(e) TRANSFER OF FUNDS.—Section 2216(f)(1) of such title is amended by striking "Secretary of Defense" and inserting "Secretary of a military department, or the Secretary of Defense with respect to Defense-wide appropriations accounts,".

(f) AVAILABILITY OF FUNDS BY APPROPRIATION.—Section 2216(g) of such title is amended—

(1) by striking "in accordance with the provisions of appropriations Acts"; and

(2) by adding at the end the following: "Funds deposited in the Defense Modernization Account shall remain available for obligation until the end of the third fiscal year that follows the fiscal year in which the amounts are deposited in the account.".

(g) SECRETARY TO ACT THROUGH COMPTROLLER.—Section 2216(h)(2) of such title is amended—

(1) by redesignating subparagraphs (A), (B), and (C) as subparagraphs (B), (C), and (D), respectively;

(2) by inserting before subparagraph (B), as so redesignated, the following new subparagraph (A):

"(A) the establishment and management of subaccounts for each of the military departments and Defense Agencies concerned for the use of funds in the Defense Modernization Account, consistent with each military department's or Defense Agency's deposits in the Account;";

(3) in subparagraph (C), as so redesignated, by inserting "and subaccounts" after "Account"; and

(4) in subparagraph (D), as so redesignated, by striking "subsection (c)(1)(B)(iii)" and inserting "subsection (c)(1)(B)(ii)".

(h) DEFINITIONS.—Paragraph (1) of section 2216(i) of such title is amended to read as follows:

"(1) The term 'major defense acquisition program' has the meaning given the term in section 2430(a) of this title.".

(j) EXPIRATION OF AUTHORITY.—Section 2216(j)(1) of such title is amended by striking "terminates at the close of September 30, 2006" and inserting "terminates at the close of September 30, 2022".

Subtitle B—Department of Defense Acquisition Agility

SEC. 805. MODULAR OPEN SYSTEM APPROACH IN DEVELOPMENT OF MAJOR WEAPON SYSTEMS.

(a) MODULAR OPEN SYSTEM APPROACH.—

(1) IN GENERAL.—Part IV of subtitle A of title 10, United States Code, is amended by inserting after chapter 144A the following new chapter:

"CHAPTER 144B—WEAPON SYSTEMS DEVELOPMENT AND RELATED MATTERS

"SUBCHAPTER I—MODULAR OPEN SYSTEM APPROACH IN DEVELOPMENT OF WEAPON SYSTEMS

"§ 2446a. Requirement for modular open system approach in major defense acquisition programs; definitions

"(a) MODULAR OPEN SYSTEM APPROACH REQUIREMENT.—A major defense acquisition program that receives Milestone A or Milestone B approval after January 1, 2019, shall be designed and developed, to the maximum extent practicable, with a modular open system approach to enable incremental development and enhance competition, innovation, and interoperability.

"(b) DEFINITIONS.—In this chapter:

"(1) The term 'modular open system approach' means, with respect to a major defense acquisition program, an integrated business and technical strategy that—

"(A) employs a modular design that uses major system interfaces between a major system platform and a major system component, between major system components, or between major system platforms;

"(B) is subjected to verification to ensure major system interfaces comply with, if available and suitable, widely supported and consensus-based standards;

"(C) uses a system architecture that allows severable major system components at the appropriate level to be incrementally added, removed, or replaced throughout the life cycle of a major system platform to afford opportunities for enhanced competition and innovation while yielding—

"(i) significant cost savings or avoidance;

"(ii) schedule reduction;

"(iii) opportunities for technical upgrades;

"(iv) increased interoperability, including system of systems interoperability and mission integration; or

"(v) other benefits during the sustainment phase of a major weapon system; and

"(D) complies with the technical data rights set forth in section 2320 of this title.

"(2) The term 'major system platform' means the highest level structure of a major weapon system that is not physically mounted or installed onto a higher level structure and on which a major system component can be physically mounted or installed.

"(3) The term 'major system component'—

"(A) means a high level subsystem or assembly, including hardware, software, or an integrated assembly of both, that can be mounted or installed on a major system platform through well-defined major system interfaces; and

"(B) includes a subsystem or assembly that is likely to have additional capability requirements, is likely to change because of evolving technology or threat, is needed for inter-

operability, facilitates incremental deployment of capabilities, or is expected to be replaced by another major system component.

"(4) The term 'major system interface'—

"(A) means a shared boundary between a major system platform and a major system component, between major system components, or between major system platforms, defined by various physical, logical, and functional characteristics, such as electrical, mechanical, fluidic, optical, radio frequency, data, networking, or software elements; and

"(B) is characterized clearly in terms of form, function, and the content that flows across the interface in order to enable technological innovation, incremental improvements, integration, and interoperability.

"(5) The term 'program capability document' means, with respect to a major defense acquisition program, a document that specifies capability requirements for the program, such as a capability development document or a capability production document.

"(6) The terms 'program cost targets' and 'fielding target' have the meanings provided in section 2448a(a) of this title.

"(7) The term 'major defense acquisition program' has the meaning provided in section 2430 of this title.

"(8) The term 'major weapon system' has the meaning provided in section 2379(f) of this title.

"§ 2446b. Requirement to address modular open system approach in program capabilities development and acquisition weapon system design

"(a) PROGRAM CAPABILITY DOCUMENT.—A program capability document for a major defense acquisition program shall identify and characterize—

"(1) the extent to which requirements for system performance are likely to evolve during the life cycle of the system because of evolving technology, threat, or interoperability needs; and

"(2) for requirements that are expected to evolve, the minimum acceptable capability that is necessary for initial operating capability of the major defense acquisition program.

"(b) ANALYSIS OF ALTERNATIVES.—The Director of Cost Assessment and Performance Evaluation, in formulating study guidance for analyses of alternatives for major defense acquisition programs and performing such analyses under section 139a(d)(4) of this title, shall ensure that any such analysis for a major defense acquisition program includes consideration of evolutionary acquisition, prototyping, and a modular open system approach.

"(c) ACQUISITION STRATEGY.—In the case of a major defense acquisition program that uses a modular open system approach, the acquisition strategy required under section 2431a of this title shall—

"(1) clearly describe the modular open system approach to be used for the program;

"(2) differentiate between the major system platform and major system components being developed under the program, as well as major system components developed outside the pro-

gram that will be integrated into the major defense acquisition program;

"(3) clearly describe the evolution of major system components that are anticipated to be added, removed, or replaced in subsequent increments;

"(4) identify additional major system components that may be added later in the life cycle of the major system platform;

"(5) clearly describe how intellectual property and related issues, such as technical data deliverables, that are necessary to support a modular open system approach, will be addressed; and

"(6) clearly describe the approach to systems integration and systems-level configuration management to ensure mission and information assurance.

"(d) REQUEST FOR PROPOSALS.—The milestone decision authority for a major defense acquisition program that uses a modular open system approach shall ensure that a request for proposals for the development or production phases of the program shall describe the modular open system approach and the minimum set of major system components that must be included in the design of the major defense acquisition program.

"(e) MILESTONE B.—A major defense acquisition program may not receive Milestone B approval under section 2366b of this title until the milestone decision authority determines in writing that—

"(1) in the case of a program that uses a modular open system approach—

"(A) the program incorporates clearly defined major system interfaces between the major system platform and major system components, between major system components, and between major system platforms;

"(B) such major system interfaces are consistent with the widely supported and consensus-based standards that exist at the time of the milestone decision, unless such standards are unavailable or unsuitable for particular major system interfaces; and

"(C) the Government has arranged to obtain appropriate and necessary intellectual property rights with respect to such major system interfaces upon completion of the development of the major system platform; or

"(2) in the case of a program that does not use a modular open system approach, that the use of a modular open system approach is not practicable.

"§ 2446c. Requirements relating to availability of major system interfaces and support for modular open system approach

"The Secretary of each military department shall—

"(1) coordinate with the other military departments, the defense agencies, defense and other private sector entities, national standards-setting organizations, and, when appropriate, with elements of the intelligence community with respect to the specification, identification, development, and maintenance of major system interfaces and standards for use in major system platforms, where practicable;

"(2) ensure that major system interfaces incorporate commercial standards and other widely supported consensus-based standards that are validated, published, and maintained by recognized standards organizations to the maximum extent practicable;

"(3) ensure that sufficient systems engineering and development expertise and resources are available to support the use of a modular open system approach in requirements development and acquisition program planning;

"(4) ensure that necessary planning, programming, and budgeting resources are provided to specify, identify, develop, and sustain the modular open system approach, associated major system interfaces, systems integration, and any additional program activities necessary to sustain innovation and interoperability; and

"(5) ensure that adequate training in the use of a modular open system approach is provided to members of the requirements and acquisition workforce.".

(2) CLERICAL AMENDMENT.—The table of chapters for title 10, United States Code, is amended by adding after the item relating to chapter 144A the following new item:

"144B. Weapon Systems Development and Related Matters .....2446a".

(3) CONFORMING AMENDMENT.—Section 2366b(a)(3) of such title is amended—

(A) by striking "and" at the end of subparagraph (K); and

(B) by inserting after subparagraph (L) the following new subparagraph:

"(M) the requirements of section 2446b(e) of this title are met; and".

(4) EFFECTIVE DATE.—Subchapter I of chapter 144B of title 10, United States Code, as added by paragraph (1), shall take effect on January 1, 2017.

(b) REQUIREMENT TO INCLUDE MODULAR OPEN SYSTEM APPROACH IN SELECTED ACQUISITION REPORTS.—Section 2432(c)(1) of such title is amended—

(1) by striking "and" at the end of subparagraph (F);

(2) by redesignating subparagraph (G) as subparagraph (H); and

(3) by inserting after subparagraph (F) the following new subparagraph (G):

"(G) for each major defense acquisition program that receives Milestone B approval after January 1, 2019, a brief summary description of the key elements of the modular open system approach as defined in section 2446a of this title or, if a modular open system approach was not used, the rationale for not using such an approach; and".

SEC. 806. DEVELOPMENT, PROTOTYPING, AND DEPLOYMENT OF WEAPON SYSTEM COMPONENTS OR TECHNOLOGY.

(a) DEVELOPMENT, PROTOTYPING, AND DEPLOYMENT OF WEAPON SYSTEM COMPONENTS OR TECHNOLOGY.—

(1) IN GENERAL.—Chapter 144B of title 10, United States Code, as added by section 805, is further amended by adding at the end the following new subchapter:

"SUBCHAPTER II—DEVELOPMENT, PROTOTYPING, AND DEPLOYMENT OF WEAPON SYSTEM COMPONENTS OR TECHNOLOGY

"§ 2447a. Weapon system component or technology prototype projects: display of budget information

"(a) REQUIREMENTS FOR BUDGET DISPLAY.—In the defense budget materials for any fiscal year after fiscal year 2017, the Secretary of Defense shall, with respect to advanced component development and prototype activities (within the research, development, test, and evaluation budget), set forth the amounts requested for each of the following:

"(1) Acquisition programs of record.

"(2) Development, prototyping, and experimentation of weapon system components or other technologies, including those based on commercial items and technologies, separate from acquisition programs of record.

"(3) Other budget line items as determined by the Secretary of Defense.

"(b) ADDITIONAL REQUIREMENTS.—For purposes of subsection (a)(2), the amounts requested for development, prototyping, and experimentation of weapon system components or other technologies shall be—

"(1) structured into either capability, weapon system component, or technology portfolios that reflect the priority areas for prototype projects; and

"(2) justified with general descriptions of the types of capability areas and technologies being funded or expected to be funded during the fiscal year concerned.

"(c) DEFINITIONS.—In this section, the terms 'budget' and 'defense budget materials' have the meaning given those terms in section 234 of this title.

"§ 2447b. Weapon system component or technology prototype projects: oversight

"(a) ESTABLISHMENT.—The Secretary of each military department shall establish an oversight board or identify a similar existing group of senior advisors for managing prototype projects for weapon system components and other technologies and subsystems, including the use of funds for such projects, within the military department concerned.

"(b) MEMBERSHIP.—Each oversight board shall be comprised of senior officials with—

"(1) expertise in requirements; research, development, test, and evaluation; acquisition; sustainment; or other relevant areas within the military department concerned;

"(2) awareness of technology development activities and opportunities in the Department of Defense, industry, and other sources; and

"(3) awareness of the component capability requirements of major weapon systems, including scheduling and fielding goals for such component capabilities.

"(c) FUNCTIONS.—The functions of each oversight board are as follows:

"(1) To issue a strategic plan every three years that prioritizes the capability and weapon system component portfolio areas for conducting prototype projects, based on assessments of—

"(A) high priority warfighter needs;

"(B) capability gaps or readiness issues with major weapon systems;

"(C) opportunities to incrementally integrate new components into major weapon systems based on commercial technology or science and technology efforts that are expected to be sufficiently mature to prototype within three years; and

"(D) opportunities to reduce operation and support costs of major weapon systems.

"(2) To annually recommend funding levels for weapon system component or technology development and prototype projects across capability or weapon system component portfolios.

"(3) To annually recommend to the service acquisition executive of the military department concerned specific weapon system component or technology development and prototype projects, subject to the requirements and limitations in section 2447c of this title.

"(4) To ensure projects are managed by experts within the Department of Defense who are knowledgeable in research, development, test, and evaluation and who are aware of opportunities for incremental deployment of component capabilities and other technologies to major weapon systems or directly to support warfighting capabilities.

"(5) To ensure projects are conducted in a manner that allows for appropriate experimentation and technology risk.

"(6) To ensure projects have a plan for technology transition of the prototype into a fielded system, program of record, or operational use, as appropriate, upon successful achievement of technical and project goals.

"(7) To ensure necessary technical, contracting, and financial management resources are available to support each project.

"(8) To submit to the congressional defense committees a semiannual notification that includes the following:

"(A) each weapon system component or technology prototype project initiated during the preceding six months, including an explanation of each project and its required funding.

"(B) the results achieved from weapon system component prototype and technology projects completed and tested during the preceding six months.

"§ 2447c. Requirements and limitations for weapon system component or technology prototype projects

"(a) LIMITATION ON PROTOTYPE PROJECT DURATION.—A prototype project shall be completed within two years of its initiation.

"(b) MERIT-BASED SELECTION PROCESS.—A prototype project shall be selected by the service acquisition executive of the military department concerned through a merit-based selection process that identifies the most promising, innovative, and cost-effective prototypes that address one or more of the elements set forth in subsection (c)(1) of section 2447b of this title and are expected to be successfully demonstrated in a relevant environment.

"(c) TYPE OF TRANSACTION.—Prototype projects shall be funded through contracts, cooperative agreements, or other transactions.

"(d) FUNDING LIMIT.—(1) Each prototype project may not exceed a total amount of $10,000,000 (based on fiscal year 2017 constant dollars), unless—

"(A) the Secretary of the military department, or the Secretary's designee, approves a larger amount of funding for the project, not to exceed $50,000,000; and

"(B) the Secretary, or the Secretary's designee, submits to the congressional defense committees, within 30 days after approval of such funding for the project, a notification that includes—

"(i) the project;

"(ii) expected funding for the project; and

"(iii) a statement of the anticipated outcome of the project.

"(2) The Secretary of Defense may adjust the amounts (and the base fiscal year) provided in paragraph (1) on the basis of Department of Defense escalation rates.

"(e) RELATED PROTOTYPE AUTHORITIES.—Prototype projects that exceed the duration and funding limits established in this section shall be pursued under the rapid prototyping process established by section 804 of the National Defense Authorization Act for Fiscal Year 2016 (Public Law 114–92; 10 U.S.C. 2302 note). In addition, nothing in this subchapter shall affect the authority to carry out prototype projects under section 2371b or any other section of this title related to prototyping.

"§ 2447d. Mechanisms to speed deployment of successful weapon system component or technology prototypes

"(a) SELECTION OF PROTOTYPE PROJECT FOR PRODUCTION AND RAPID FIELDING.—A weapon system component or technology prototype project may be selected by the service acquisition executive of the military department concerned for a follow-on production contract or other transaction without the use of competitive procedures, notwithstanding the requirements of section 2304 of this title, if—

"(1) the follow-on production project addresses a high priority warfighter need or reduces the costs of a weapon system;

"(2) competitive procedures were used for the selection of parties for participation in the original prototype project;

"(3) the participants in the original prototype project successfully completed the requirements of the project; and

"(4) a prototype of the system to be procured was demonstrated in a relevant environment.

"(b) SPECIAL TRANSFER AUTHORITY.—(1) The Secretary of a military department may, as specified in advance by appropriations Acts, transfer funds that remain available for obligation in procurement appropriation accounts of the military department to fund the low-rate initial production of the rapid fielding project until required funding for full-rate production can be submitted and approved through the regular budget process of the Department of Defense.

"(2) The funds transferred under this subsection to fund the low-rate initial production of a rapid fielding project shall be for a period not to exceed two years, the amount for such period may not exceed $50,000,000, and the special transfer authority provided in this subsection may not be used more than once to fund procurement of a particular new or upgraded system.

"(3) The special transfer authority provided in this subsection is in addition to any other transfer authority available to the Department of Defense.

"(c) NOTIFICATION TO CONGRESS.—Within 30 days after the service acquisition executive of a military department selects a weapon system component or technology project for a follow-on production contract or other transaction, the service acquisition executive shall notify the congressional defense committees of the selection and provide a brief description of the rapid fielding project.

"§ 2447e. Definition of weapon system component

"In this subchapter, the term 'weapon system component' has the meaning given the term 'major system component' in section 2446a of this title.".

(2) EFFECTIVE DATE.—Subchapter II of chapter 144B of title 10, United States Code, as added by paragraph (1), shall take effect on January 1, 2017.

(b) ADDITION TO REQUIREMENTS NEEDED BEFORE MILESTONE A APPROVAL.—Section 2366a(b) of such title is amended—

(1) by striking "and" at the end of paragraph (7);

(2) by redesignating paragraph (8) as paragraph (9); and

(3) by inserting after paragraph (7) the following new paragraph (8):

"(8) that, with respect to a program initiated after January 1, 2019, technology shall be developed in the program (after Milestone A approval) only if the milestone decision authority determines with a high degree of confidence that such development will not delay the fielding target of the program, or, if the milestone decision authority does not make such determination for a major system component being developed under the program, the milestone decision authority ensures that the technology related to the major system component shall be sufficiently matured and demonstrated in a relevant environment (after Milestone A approval) separate from the program using the prototyping authorities in subchapter II of chapter 144B of this title or other authorities, as appropriate, and have an effective plan for adoption or insertion by the relevant program; and".

SEC. 807. COST, SCHEDULE, AND PERFORMANCE OF MAJOR DEFENSE ACQUISITION PROGRAMS.

(a) COST, SCHEDULE, AND PERFORMANCE OF MAJOR DEFENSE ACQUISITION PROGRAMS.—

(1) IN GENERAL.—Chapter 144B of title 10, United States Code, as added by section 805, is amended by adding at the end the following new subchapter:

"SUBCHAPTER III—COST, SCHEDULE, AND PERFORMANCE OF MAJOR DEFENSE ACQUISITION PROGRAMS

"§ 2448a. Program cost, fielding, and performance goals in planning major defense acquisition programs

"(a) PROGRAM COST AND FIELDING TARGETS.—(1) Before funds are obligated for technology development, systems development, or production of a major defense acquisition program, the Secretary of Defense shall ensure, by establishing the goals described in paragraph (2), that the milestone decision authority for the major defense acquisition program approves a program that will—

"(A) be affordable;

"(B) incorporate program planning that anticipates the evolution of capabilities to meet changing threats, technology insertion, and interoperability; and

"(C) be fielded when needed.

"(2) The goals described in this paragraph are goals for—

"(A) the procurement unit cost and sustainment cost (referred to in this section as the 'program cost targets');

"(B) the date for initial operational capability (referred to in this section as the 'fielding target'); and

"(C) technology maturation, prototyping, and a modular open system approach to evolve system capabilities and improve interoperability.

"(b) DELEGATION.—The responsibilities of the Secretary of Defense in subsection (a) may be delegated only to the Deputy Secretary of Defense.

"(c) DEFINITIONS.—In this section:

"(1) The term 'procurement unit cost' has the meaning provided in section 2432(a)(2) of this title.

"(2) The term 'initial capabilities document' has the meaning provided in section 2366a(d)(2) of this title.

"§ 2448b. Independent technical risk assessments

"(a) IN GENERAL.—With respect to a major defense acquisition program, the Secretary of Defense shall ensure that an independent technical risk assessment is conducted—

"(1) before any decision to grant Milestone A approval for the program pursuant to section 2366a of this title, that identifies critical technologies and manufacturing processes that need to be matured; and

"(2) before any decision to grant Milestone B approval for the program pursuant to section 2366b of this title, any decision to enter into low-rate initial production or full-rate production, or at any other time considered appropriate by the Secretary,

that includes the identification of any critical technologies or manufacturing processes that have not been successfully demonstrated in a relevant environment.

"(b) CATEGORIZATION OF TECHNICAL RISK LEVELS.—The Secretary shall issue guidance and a framework for categorizing the degree of technical and manufacturing risk in a major defense acquisition program.".

(2) EFFECTIVE DATE.—Subchapter III of chapter 144B of title 10, United States Code, as added by paragraph (1), shall apply with respect to major defense acquisition programs that reach Milestone A after October 1, 2017.

(b) MODIFICATION OF MILESTONE DECISION AUTHORITY.—Effective January 1, 2017, subsection (d) of section 2430 of title 10, United States Code, as added by section 825(a) of the National Defense Authorization Act for Fiscal Year 2016 (Public Law 114–92; 129 Stat. 907), is amended—

(1) in paragraph (2)(A), by inserting "subject to paragraph (5)," before "the Secretary determines"; and

(2) by adding at the end the following new paragraph:

"(5) The authority of the Secretary of Defense to designate an alternative milestone decision authority for a program with respect to which the Secretary determines that the program is addressing a joint requirement, as set forth in paragraph (2)(A), shall apply only for a major defense acquisition program that reaches Milestone A after October 1, 2016, and before October 1, 2019.".

(c) ADHERENCE TO REQUIREMENTS IN MAJOR DEFENSE ACQUISITION PROGRAMS.—Section 2547 of title 10, United States Code, is amended—

(1) by redesignating subsections (b) and (c) as subsections (c) and (d), respectively;

(2) by inserting after subsection (a) the following new subsection (b):

"(b) ADHERENCE TO REQUIREMENTS IN MAJOR DEFENSE ACQUISITION PROGRAMS.—The Secretary of the military department concerned shall ensure that the program capability document supporting a Milestone B or subsequent decision for a major defense acquisition program may not be approved until the chief of the armed force concerned determines in writing that the requirements in the document are necessary and realistic in relation to the program cost and fielding targets established under section 2448a(a) of this title."; and

(3) by adding at the end of subsection (d), as so redesignated, the following new paragraph:

"(3) The term 'program capability document' has the meaning provided in section 2446a(b)(5) of this title.".

(d) AMENDMENT RELATING TO DETERMINATION REQUIRED BEFORE MILESTONE A APPROVAL.—Section 2366a(b)(4) of title 10, United States Code, is amended by inserting after "areas of risk" the following: ", including risks determined by the identification of critical technologies required under section 2448b(a)(1) of this title or any other risk assessment".

(e) AMENDMENT RELATING TO CERTIFICATION REQUIRED BEFORE MILESTONE B APPROVAL.—Section 2366b(a) of title 10, United States Code, is amended—

(1) in paragraph (2), by striking "assessment by the Assistant Secretary" and all that follows through "Test and Evaluation" and inserting "technical risk assessment conducted under section 2448b of this title"; and

(2) in paragraph (3), as amended by section 805(a)(3)(B)—

(A) by striking "and" at the end of subparagraph (C);

(B) by redesignating subparagraphs (D) through (M) as subparagraphs (E) through (N), respectively; and

(C) by inserting after subparagraph (C) the following new subparagraph (D):

"(D) the estimated procurement unit cost for the program and the estimated date for initial operational capability for the baseline description for the program (established under section 2435) do not exceed the program cost and fielding targets established under section 2448a(a) of this title, or, if such estimated cost is higher than the program cost targets or if such estimated date is later than the fielding target, the program cost targets have been increased or the fielding target has been delayed by the Secretary of Defense after a request for such increase or delay by the milestone decision authority;".

SEC. 808. TRANSPARENCY IN MAJOR DEFENSE ACQUISITION PROGRAMS.

(a) MILESTONE A REPORT.—

(1) IN GENERAL.—Section 2366a(c) of title 10, United States Code, is amended to read as follows:

"(c) SUBMISSIONS TO CONGRESS ON MILESTONE A.—

"(1) BRIEF SUMMARY REPORT.—Not later than 15 days after granting Milestone A approval for a major defense acquisition program, the milestone decision authority for the program shall provide to the congressional defense committees and, in the case of intelligence or intelligence-related activities, the congressional intelligence committees a brief summary report that contains the following elements:

"(A) The program cost and fielding targets established by the Secretary of Defense under section 2448a(a) of this title.

"(B) The estimated cost and schedule for the program established by the military department concerned, including—

"(i) the dollar values estimated for the program acquisition unit cost and total life-cycle cost; and

"(ii) the planned dates for each program milestone and initial operational capability.

"(C) The independent estimated cost for the program established pursuant to section 2334(a)(6) of this title, and any independent estimated schedule for the program, including—

"(i) as assessment of the major contributors to the program acquisition unit cost and total life-cycle cost; and

"(ii) the planned dates for each program milestone and initial operational capability.

"(D) A summary of the technical or manufacturing risks associated with the program, as determined by the

military department concerned, including identification of any critical technologies or manufacturing processes that need to be matured.

"(E) A summary of the independent technical risk assessment conducted or approved under section 2448b of this title, including identification of any critical technologies or manufacturing processes that need to be matured.

"(F) A summary of any sufficiency review conducted by the Director of Cost Assessment and Program Evaluation of the analysis of alternatives performed for the program (as referred to in section 2366a(b)(6) of this title).

"(G) Any other information the milestone decision authority considers relevant.

"(2) ADDITIONAL INFORMATION.—(A) At the request of any of the congressional defense committees or, in the case of intelligence or intelligence-related activities, the congressional intelligence committees, the milestone decision authority shall submit to the committee an explanation of the basis for a determination made under subsection (b) with respect to a major defense acquisition program, together with a copy of the written determination, or further information or underlying documentation for the information in a brief summary report submitted under paragraph (1), including the independent cost and schedule estimates and the independent technical risk assessments referred to in that paragraph.

"(B) The explanation or information shall be submitted in unclassified form, but may include a classified annex.".

(2) DEFINITIONS.—Section 2366a(d) of such title is amended by adding at the end the following new paragraphs:

"(8) The term 'fielding target' has the meaning given that term in section 2448a(a) of this title.

"(9) The term 'major system component' has the meaning given that term in section 2446a(b)(3) of this title.

"(10) The term 'congressional intelligence committees' has the meaning given that term in section 437(c) of this title.".

(b) MILESTONE B REPORT.—

(1) IN GENERAL.—Section 2366b(c) of title 10, United States Code, is amended to read as follows:

"(c) SUBMISSIONS TO CONGRESS ON MILESTONE B.—

"(1) BRIEF SUMMARY REPORT.—Not later than 15 days after granting Milestone B approval for a major defense acquisition program, the milestone decision authority for the program shall provide to the congressional defense committees and, in the case of intelligence or intelligence-related activities, the congressional intelligence committees a brief summary report that contains the following elements:

"(A) The program cost and fielding targets established by the Secretary of Defense under section 2448a(a) of this title.

"(B) The estimated cost and schedule for the program established by the military department concerned, including—

"(i) the dollar values estimated for the program acquisition unit cost, average procurement unit cost, and total life-cycle cost; and

"(ii) the planned dates for each program milestone, initial operational test and evaluation, and initial operational capability.

"(C) The independent estimated cost for the program established pursuant to section 2334(a)(6) of this title, and any independent estimated schedule for the program, including—

"(i) the dollar values and ranges estimated for the program acquisition unit cost, average procurement unit cost, and total life-cycle cost; and

"(ii) the planned dates for each program milestone, initial operational test and evaluation, and initial operational capability.

"(D) A summary of the technical and manufacturing risks associated with the program, as determined by the military department concerned, including identification of any critical technologies or manufacturing processes that have not been successfully demonstrated in a relevant environment.

"(E) A summary of the independent technical risk assessment conducted or approved under section 2448b of this title, including identification of any critical technologies or manufacturing processes that have not been successfully demonstrated in a relevant environment.

"(F) A statement of whether a modular open system approach is being used for the program.

"(G) Any other information the milestone decision authority considers relevant.

"(2) CERTIFICATIONS AND DETERMINATIONS.—(A) The certifications and determination under subsection (a) with respect to a major defense acquisition program shall be submitted to the congressional defense committees with the first Selected Acquisition Report submitted under section 2432 of this title after completion of the certification.

"(B) The milestone decision authority shall retain records of the basis for the certifications and determination under paragraphs (1), (2), and (3) of subsection (a).

"(3) ADDITIONAL INFORMATION.—(A) At the request of any of the congressional defense committees or, in the case of intelligence or intelligence-related activities, the congressional intelligence committees, the milestone decision authority shall submit to the committee an explanation of the basis for the certifications and determination under paragraphs (1), (2), and (3) of subsection (a) with respect to a major defense acquisition program or further information or underlying documentation for the information in a brief summary report submitted under paragraph (1), including the independent cost and schedule estimates and the independent technical risk assessments referred to in that paragraph.

"(B) The explanation or information shall be submitted in unclassified form, but may include a classified annex.".

(2) DEFINITIONS.—Section 2366b(g) of such title is amended by adding at the end the following new paragraphs:

"(6) The term 'fielding target' has the meaning given that term in section 2448a(a) of this title.

"(7) The term 'major system component' has the meaning given that term in section 2446a(b)(3) of this title.

"(8) The term 'congressional intelligence committees' has the meaning given that term in section 437(c) of this title.".

(c) MILESTONE C REPORT.—

(1) IN GENERAL.—Chapter 139 of such title is amended by inserting after section 2366b the following new section:

"§ 2366c. Major defense acquisition programs: submissions to Congress on Milestone C

"(a) BRIEF SUMMARY REPORT.—Not later than 15 days after granting Milestone C approval for a major defense acquisition program, the milestone decision authority for the program shall provide to the congressional defense committees and, in the case of intelligence or intelligence-related activities, the congressional intelligence committees a brief summary report that contains the following:

"(1) The estimated cost and schedule for the program established by the military department concerned, including—

"(A) the dollar values estimated for the program acquisition unit cost, average procurement unit cost, and total life-cycle cost; and

"(B) the planned dates for initial operational test and evaluation and initial operational capability.

"(2) The independent estimated cost for the program established pursuant to section 2334(a)(6) of this title, and any independent estimated schedule for the program, including—

"(A) the dollar values estimated for the program acquisition unit cost, average procurement unit cost, and total life-cycle cost; and

"(B) the planned dates for initial operational test and evaluation and initial operational capability.

"(3) A summary of any production, manufacturing, and fielding risks associated with the program.

"(b) ADDITIONAL INFORMATION.—At the request of any of the congressional defense committees or, in the case of intelligence or intelligence-related activities, the congressional intelligence committees, the milestone decision authority shall submit to the committee further information or underlying documentation for the information in a brief summary report submitted under subsection (a), including the independent cost and schedule estimates and the independent technical risk assessments referred to in that subsection.

"(c) CONGRESSIONAL INTELLIGENCE COMMITTEES DEFINED.—In this section, the term 'congressional intelligence committees' has the meaning given that term in section 437(c) of this title.".

(2) CLERICAL AMENDMENT.—The table of sections at the beginning of such chapter is amended by inserting after the item relating to section 2366b the following new item:

"2366c. Major defense acquisition programs: submissions to Congress on Milestone C.".

SEC. 809. AMENDMENTS RELATING TO TECHNICAL DATA RIGHTS.

(a) RIGHTS RELATING TO ITEM OR PROCESS DEVELOPED EXCLUSIVELY AT PRIVATE EXPENSE.—Subsection (a)(2)(C)(iii) of section 2320 of title 10, United States Code, is amended by inserting after

"or process data" the following: ", including such data pertaining to a major system component".

(b) RIGHTS RELATING TO INTERFACE OR MAJOR SYSTEM INTERFACE.—Subsection (a)(2) of section 2320 of such title is further amended—

(1) by redesignating subparagraphs (F) and (G) as subparagraphs (H) and (I), respectively;

(2) in subparagraph (B), by striking "Except as provided in subparagraphs (C) and (D)," and inserting "Except as provided in subparagraphs (C), (D), and (G),";

(3) in subparagraph (D)(i)(II), by striking "is necessary" and inserting "is a release, disclosure, or use of technical data pertaining to an interface between an item or process and other items or processes necessary";

(4) in subparagraph (E)—

(A) by striking "In the case" and inserting "Except as provided in subparagraphs (F) and (G), in the case"; and

(B) by striking "negotiations). The United States shall have" and all that follows through "such negotiated rights shall" and inserting the following: "negotiations) and shall be based on negotiations between the United States and the contractor, except in any case in which the Secretary of Defense determines, on the basis of criteria established in the regulations, that negotiations would not be practicable. The establishment of such rights shall"; and

(5) by inserting after subparagraph (E) the following new subparagraphs (F) and (G):

"(F) INTERFACES DEVELOPED WITH MIXED FUNDING.—Notwithstanding subparagraph (E), the United States shall have government purpose rights in technical data pertaining to an interface between an item or process and other items or processes that was developed in part with Federal funds and in part at private expense, except in any case in which the Secretary of Defense determines, on the basis of criteria established in the regulations, that negotiation of different rights in such technical data would be in the best interest of the United States.

"(G) MAJOR SYSTEM INTERFACES DEVELOPED EXCLUSIVELY AT PRIVATE EXPENSE OR WITH MIXED FUNDING.—Notwithstanding subparagraphs (B) and (E), the United States shall have government purpose rights in technical data pertaining to a major system interface developed exclusively at private expense or in part with Federal funds and in part at private expense and used in a modular open system approach pursuant to section 2446a of this title, except in any case in which the Secretary of Defense determines that negotiation of different rights in such technical data would be in the best interest of the United States. Such major system interface shall be identified in the contract solicitation and the contract. For technical data pertaining to a major system interface developed exclusively at private expense for which the United States asserts government purpose rights, the Secretary of Defense shall negotiate with the contractor the appropriate and reasonable compensation for such technical data.".

(c) AMENDMENT RELATING TO DEFERRED ORDERING.—Subsection (b)(9) of section 2320 of such title is amended—

(1) by striking "at any time" and inserting ", until the date occurring six years after acceptance of the last item (other than technical data) under a contract or the date of contract termination, whichever is later,";

(2) by striking "or utilized in the performance of a contract" and inserting "in the performance of the contract"; and

(3) by striking clause (ii) of subparagraph (B) and inserting the following:

"(ii) is described in subparagraphs (D)(i)(II), (F), and (G) of subsection (a)(2); and".

(d) DEFINITIONS.—Section 2320 of such title is further amended—

(1) in subsection (f), by inserting "COVERED GOVERNMENT SUPPORT CONTRACTOR DEFINED.—" before "In this section"; and

(2) by adding at the end the following new subsection:

"(g) ADDITIONAL DEFINITIONS.—In this section, the terms 'major system component', 'major system interface', and 'modular open system approach' have the meanings provided in section 2446a of this title.".

(e) AMENDMENTS TO ADD CERTAIN HEADINGS FOR READABILITY.—Section 2320(a) of such title is further amended—

(1) in subparagraph (A) of paragraph (2), by inserting after "(A)" the following: "DEVELOPMENT EXCLUSIVELY WITH FEDERAL FUNDS.—";

(2) in subparagraph (B) of such paragraph, by inserting after "(B)" the following: "DEVELOPMENT EXCLUSIVELY AT PRIVATE EXPENSE.—";

(3) in subparagraph (C) of such paragraph, by inserting after "(C)" the following: "EXCEPTION TO SUBPARAGRAPH (B).—";

(4) in subparagraph (D) of such paragraph, by inserting after "(D)" the following: "EXCEPTION TO SUBPARAGRAPH (B).—"; and

(5) in subparagraph (E) of such paragraph, by inserting after "(E)" the following: "DEVELOPMENT WITH MIXED FUNDING.—".

(f) GOVERNMENT-INDUSTRY ADVISORY PANEL AMENDMENTS.—Section 813(b) of the National Defense Authorization Act for Fiscal Year 2016 (Public Law 114–92; 129 Stat. 892) is amended—

(1) by adding at the end of paragraph (1) the following: "The panel shall develop recommendations for changes to sections 2320 and 2321 of title 10, United States Code, and the regulations implementing such sections.";

(2) in paragraph (3)—

(A) by redesignating subparagraphs (D) and (E) as subparagraphs (E) and (F), respectively; and

(B) by inserting after subparagraph (C) the following new subparagraph (D):

"(D) Ensuring that the Department of Defense and Department of Defense contractors have the technical data rights necessary to support the modular open system approach requirement set forth in section 2446a of title 10, United States Code, taking into consideration the distinct characteristics of major system platforms, major system interfaces, and major system components developed exclu-

sively with Federal funds, exclusively at private expense, and with a combination of Federal funds and private expense."; and

(3) by amending paragraph (4) to read as follows:

"(4) FINAL REPORT.—Not later than February 1, 2017, the advisory panel shall submit its final report and recommendations to the Secretary of Defense and the congressional defense committees. Not later than 60 days after receiving the report, the Secretary shall submit any comments or recommendations to the congressional defense committees.".

Subtitle C—Amendments to General Contracting Authorities, Procedures, and Limitations

SEC. 811. MODIFIED RESTRICTIONS ON UNDEFINITIZED CONTRACTUAL ACTIONS.

Section 2326 of title 10, United States Code, is amended—

(1) in subsection (e)—

(A) by redesignating paragraphs (1) and (2) as subparagraphs (A) and (B);

(B) by inserting "(1)" before "The head"; and

(C) by adding at the end the following new paragraph:

"(2) If a contractor submits a qualifying proposal to definitize an undefinitized contractual action and the contracting officer for such action definitizes the contract after the end of the 180-day period beginning on the date on which the contractor submitted the qualifying proposal, the head of the agency concerned shall ensure that the profit allowed on the contract accurately reflects the cost risk of the contractor as such risk existed on the date the contractor submitted the qualifying proposal.";

(2) by redesignating subsections (f) and (g) as subsections (h) and (i), respectively;

(3) by inserting after subsection (e) the following new subsections:

"(f) TIME LIMIT.—No undefinitized contractual action may extend beyond 90 days without a written determination by the Secretary of the military department concerned, the head of the Defense Agency concerned, the commander of the combatant command concerned, or the Under Secretary of Defense for Acquisition, Technology, and Logistics (as applicable) that it is in the best interests of the military department, the Defense Agency, the combatant command, or the Department of Defense, respectively, to continue the action.

"(g) FOREIGN MILITARY CONTRACTS.—(1) Except as provided in paragraph (2), a contracting officer of the Department of Defense may not enter into an undefinitized contractual action for a foreign military sale unless the contractual action provides for agreement upon contractual terms, specifications, and price by the end of the 180-day period described in subsection (b)(1)(A).

"(2) The requirement under paragraph (1) may be waived in accordance with subsection (b)(4)."; and

(4) in subsection (i), as redesignated by paragraph (2)—

(A) in paragraph (1)—

(i) by striking subparagraph (A); and

(ii) by redesignating subparagraphs (B), (C), and (D) as subparagraphs (A), (B), and (C), respectively; and

(B) in paragraph (2), by striking "complete and meaningful audits" and all that follows through the period and inserting "a meaningful audit of the information contained in the proposal.".

SEC. 812. AMENDMENTS RELATING TO INVENTORY AND TRACKING OF PURCHASES OF SERVICES.

(a) INCREASED THRESHOLD.—Subsection (a) of section 2330a of title 10, United States Code, is amended by striking "in excess of the simplified acquisition threshold" and inserting "in excess of $3,000,000".

(b) SPECIFICATION OF SERVICES.—Subsection (a) of such section is further amended by striking the period at the end and inserting the following: ", for services in the following service acquisition portfolio groups:

"(1) Logistics management services.

"(2) Equipment related services.

"(3) Knowledge-based services.

"(4) Electronics and communications services.".

(c) INVENTORY SUMMARY.—Subsection (c) of such section is amended—

(1) by striking "(c) INVENTORY.—" and inserting "(c) INVENTORY SUMMARY.—"; and

(2) in paragraph (1), by striking "submit to Congress an annual inventory" and all that follows through "for or on behalf" and inserting "prepare an annual inventory, and submit to Congress a summary of the inventory, of activities performed during the preceding fiscal year pursuant to staff augmentation contracts on behalf".

(d) ELIMINATION OF CERTAIN REQUIREMENTS.—Such section is further amended—

(1) by striking subsections (d), (g), and (h); and

(2) by redesignating subsections (e), (f), (i), and (j) as subsections (d), (e), (g), and (h), respectively.

(e) SPECIFICATION OF SERVICES TO BE REVIEWED.—Subsection (d), as so redesignated, of such section, is amended in paragraph (1) by inserting after "responsible" the following: ", with particular focus and attention on the following categories of high-risk product service codes (also referred to as Federal supply codes):

"(A) Special studies or analysis that is not research and development.

"(B) Information technology and telecommunications.

"(C) Support, including professional, administrative, and management.".

(f) COMPTROLLER GENERAL REPORT.—Such section is further amended by inserting after subsection (e), as so redesignated, the following new subsection (f):

"(f) COMPTROLLER GENERAL REPORT.—Not later than March 31, 2018, the Comptroller General of the United States shall submit to the congressional defense committees a report on the status of the data collection required in subsection (a) and an assessment of the efforts by the Department of Defense to implement subsection (e).".

(g) DEFINITIONS.—Subsection (h), as so redesignated, of such section is amended by adding at the end the following new paragraphs:

"(6) The term 'service acquisition portfolio groups' means the groups identified in Department of Defense Instruction 5000.74, Defense Acquisition of Services (January 5, 2016) or successor guidance.

"(7) The term 'staff augmentation contracts' means services contracts for personnel who are physically present in a Government work space on a full-time or permanent part-time basis, for the purpose of advising on, providing support to, or assisting a Government agency in the performance of the agency's missions, including authorized personal services contracts (as that term is defined in section 2330a(g)(5) of this title).".

SEC. 813. USE OF LOWEST PRICE TECHNICALLY ACCEPTABLE SOURCE SELECTION PROCESS.

(a) STATEMENT OF POLICY.—It shall be the policy of the Department of Defense to avoid using lowest price technically acceptable source selection criteria in circumstances that would deny the Department the benefits of cost and technical tradeoffs in the source selection process.

(b) REVISION OF DEFENSE FEDERAL ACQUISITION REGULATION SUPPLEMENT.—Not later than 120 days after the date of the enactment of this Act, the Secretary of Defense shall revise the Defense Federal Acquisition Regulation Supplement to require that, for solicitations issued on or after the date that is 120 days after the date of the enactment of this Act, lowest price technically acceptable source selection criteria are used only in situations in which—

(1) the Department of Defense is able to comprehensively and clearly describe the minimum requirements expressed in terms of performance objectives, measures, and standards that will be used to determine acceptability of offers;

(2) the Department of Defense would realize no, or minimal, value from a contract proposal exceeding the minimum technical or performance requirements set forth in the request for proposal;

(3) the proposed technical approaches will require no, or minimal, subjective judgment by the source selection authority as to the desirability of one offeror's proposal versus a competing proposal;

(4) the source selection authority has a high degree of confidence that a review of technical proposals of offerors other than the lowest bidder would not result in the identification of factors that could provide value or benefit to the Department;

(5) the contracting officer has included a justification for the use of a lowest price technically acceptable evaluation methodology in the contract file; and

(6) the Department of Defense has determined that the lowest price reflects full life-cycle costs, including for operations and support.

(c) AVOIDANCE OF USE OF LOWEST PRICE TECHNICALLY ACCEPTABLE SOURCE SELECTION CRITERIA IN CERTAIN PROCUREMENTS.—To the maximum extent practicable, the use of lowest price technically acceptable source selection criteria shall be avoided in the case of a procurement that is predominately for the acquisition of—

(1) information technology services, cybersecurity services, systems engineering and technical assistance services, advanced electronic testing, audit or audit readiness services, or other knowledge-based professional services;

(2) personal protective equipment; or

(3) knowledge-based training or logistics services in contingency operations or other operations outside the United States, including in Afghanistan or Iraq.

(d) REPORTING.—Not later than December 1, 2017, and annually thereafter for three years, the Comptroller General of the United States shall submit to the congressional defense committees a report on the number of instances in which lowest price technically acceptable source selection criteria is used for a contract exceeding $10,000,000, including an explanation of how the situations listed in subsection (b) were considered in making a determination to use lowest price technically acceptable source selection criteria.

SEC. 814. PROCUREMENT OF PERSONAL PROTECTIVE EQUIPMENT.

(a) LIMITATION.—Not later than 90 days after the date of the enactment of this Act, the Defense Federal Acquisition Regulation Supplement shall be revised—

(1) to prohibit the use by the Department of Defense of reverse auctions or lowest price technically acceptable contracting methods for the procurement of personal protective equipment if the level of quality or failure of the item could result in combat casualties; and

(2) to establish a preference for the use of best value contracting methods for the procurement of such equipment.

(b) CONFORMING AMENDMENT.—Section 884 of the National Defense Authorization Act for Fiscal Year 2016 (Public Law 114–92; 129 Stat. 948; 10 U.S.C. 2302 note) is hereby repealed.

SEC. 815. AMENDMENTS RELATED TO DETECTION AND AVOIDANCE OF COUNTERFEIT ELECTRONIC PARTS.

Section 818 of the National Defense Authorization Act for Fiscal Year 2012 (Public Law 112–81; 10 U.S.C. 2302 note) is amended—

(1) in paragraph (3) of subsection (c)—

(A) by striking the heading and inserting "SUPPLIERS MEETING ANTICOUNTERFEITING REQUIREMENTS.—";

(B) in subparagraph (A)(i), by striking "trusted suppliers in accordance with regulations issued pursuant to subparagraph (C) or (D) who" and inserting "suppliers that meet anticounterfeiting requirements in accordance with regulations issued pursuant to subparagraph (C) or (D) and that";

(C) in subparagraphs (A)(ii) and (A)(iii), by striking "trusted suppliers" each place it appears and inserting "suppliers that meet anticounterfeiting requirements";

(D) in subparagraph (C), by striking "as trusted suppliers those" and inserting "suppliers";

(E) in subparagraph (D) in the matter preceding clause (i), by striking "trusted suppliers" and inserting "suppliers that meet anticounterfeiting requirements"; and

(F) in subparagraphs (D)(i) and (D)(iii), by striking "trusted" each place it appears; and

(2) in subsection (e)(2)(A)(v), by striking "use of trusted suppliers" and inserting "the use of suppliers that meet applicable anticounterfeiting requirements".

SEC. 816. AMENDMENTS TO SPECIAL EMERGENCY PROCUREMENT AUTHORITY.

Section 1903(a) of title 41, United States Code, is amended—

(1) by striking "or" at the end of paragraph (1);

(2) by striking the period at the end of paragraph (2) and inserting a semicolon; and

(3) by adding after paragraph (2) the following new paragraphs:

"(3) in support of a request from the Secretary of State or the Administrator of the United States Agency for International Development to facilitate the provision of international disaster assistance pursuant to chapter 9 of part I of the Foreign Assistance Act of 1961 (22 U.S.C. 2292 et seq.); or

"(4) in support of an emergency or major disaster (as those terms are defined in section 102 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5122)).".

SEC. 817. COMPLIANCE WITH DOMESTIC SOURCE REQUIREMENTS FOR FOOTWEAR FURNISHED TO ENLISTED MEMBERS OF THE ARMED FORCES UPON THEIR INITIAL ENTRY INTO THE ARMED FORCES.

Section 418 of title 37, United States Code, is amended by adding at the end the following new subsection:

"(d)(1) In the case of athletic footwear needed by members of the Army, Navy, Air Force, or Marine Corps upon their initial entry into the armed forces, the Secretary of Defense shall furnish such footwear directly to the members instead of providing a cash allowance to the members for the purchase of such footwear.

"(2) In procuring athletic footwear to comply with paragraph (1), the Secretary of Defense shall—

"(A) procure athletic footwear that complies with the requirements of section 2533a of title 10, without regard to the applicability of any simplified acquisition threshold under chapter 137 of title 10 (or any other provision of law); and

"(B) procure additional athletic footwear, for two years following the date of the enactment of the National Defense Authorization Act for Fiscal Year 2017, that is necessary to provide a member described in paragraph (1) with sufficient choices in athletic shoes so as to minimize the incidence of athletic injuries and potential unnecessary harm and risk to the safety and well-being of members in initial entry training.

"(3) This subsection does not prohibit the provision of a cash allowance to a member described in paragraph (1) for the purchase of athletic footwear if such footwear—

"(A) is medically required to meet unique physiological needs of the member; and

"(B) cannot be met with athletic footwear that complies with the requirements of this subsection.".

SEC. 818. EXTENSION OF AUTHORITY FOR ENHANCED TRANSFER OF TECHNOLOGY DEVELOPED AT DEPARTMENT OF DEFENSE LABORATORIES.

Section 801(e) of the National Defense Authorization Act for Fiscal Year 2014 (Public Law 113–66; 127 Stat. 804; 10 U.S.C. 2514 note) is amended by striking "2017" and inserting "2021".

SEC. 819. MODIFIED NOTIFICATION REQUIREMENT FOR EXERCISE OF WAIVER AUTHORITY TO ACQUIRE VITAL NATIONAL SECURITY CAPABILITIES.

Subsection (d) of section 806 of the National Defense Authorization Act for Fiscal Year 2016 (Public Law 114–92; 10 U.S.C. 2302 note) is amended to read as follows:

"(d) NOTIFICATION REQUIREMENT.—Not later than 10 days after exercising the waiver authority under subsection (a), the Secretary of Defense shall provide a written notification to Congress providing the details of the waiver and the expected benefits it provides to the Department of Defense.".

SEC. 820. DEFENSE COST ACCOUNTING STANDARDS.

(a) AMENDMENTS TO THE COST ACCOUNTING STANDARDS BOARD.—

(1) IN GENERAL.—Section 1501 of title 41, United States Code, is amended—

(A) in subsection (b)(1)(B)(ii), by inserting "and, if possible, is a representative of a public accounting firm" after "systems";

(B) by redesignating subsections (c) through (f) as subsections (f) through (i), respectively;

(C) by inserting after subsection (b) the following new subsections:

"(c) DUTIES.—The Board shall—

"(1) ensure that the cost accounting standards used by Federal contractors rely, to the maximum extent practicable, on commercial standards and accounting practices and systems;

"(2) within one year after the date of enactment of this subsection, and on an ongoing basis thereafter, review any cost accounting standards established under section 1502 of this title and conform such standards, where practicable, to Generally Accepted Accounting Principles; and

"(3) annually review disputes involving such standards brought to the boards established in section 7105 of this title or Federal courts, and consider whether greater clarity in such standards could avoid such disputes.

"(d) MEETINGS.—The Board shall meet not less than once each quarter and shall publish in the Federal Register notice of each meeting and its agenda before such meeting is held.

"(e) REPORT.—The Board shall annually submit a report to the congressional defense committees, the Committee on Oversight and Government Reform of the House of Representatives, and the Committee on Homeland Security and Governmental Affairs of the Senate describing the actions taken during the prior year—

"(1) to conform the cost accounting standards established under section 1502 of this title with Generally Accepted Accounting Principles; and

"(2) to minimize the burden on contractors while protecting the interests of the Federal Government."; and

(D) by amending subsection (f) (as so redesignated) to read as follows:

"(f) SENIOR STAFF.—The Administrator, after consultation with the Board—

"(1) without regard to the provisions of title 5 governing appointments in the competitive service—

"(A) shall appoint an executive secretary; and

"(B) may appoint, or detail pursuant to section 3341 of title 5, two additional staff members; and

"(2) may pay those employees without regard to the provisions of chapter 51 and subchapter III of chapter 53 of title 5 relating to classification and General Schedule pay rates, except that those employees may not receive pay in excess of the maximum rate of basic pay payable for level IV of the Executive Schedule.".

(2) VALUE OF CONTRACTS ELIGIBLE FOR WAIVER.—Section 1502(b)(3)(A) of title 41, United States Code, is amended by striking "$15,000,000" and inserting "$100,000,000".

(3) CONFORMING AMENDMENTS.—Section 1501(i) of title 41, United States Code (as redesignated by paragraph (1)), is amended—

(A) in paragraph (1), by striking "subsection (e)(1)" and inserting "subsection (h)(1)"; and

(B) in paragraph (3), by striking "subsection (e)(2)" and inserting "subsection (h)(2)".

(b) DEFENSE COST ACCOUNTING STANDARDS BOARD.—

(1) IN GENERAL.—Chapter 7 of title 10, United States Code, is amended by adding at the end the following new section:

"§ 190. Defense Cost Accounting Standards Board

"(a) ORGANIZATION.—The Defense Cost Accounting Standards Board is an independent board in the Office of the Secretary of Defense.

"(b) MEMBERSHIP.—(1) The Board consists of seven members. One member is the Chief Financial Officer of the Department of Defense or a designee of the Chief Financial Officer, who serves as Chairman. The other six members, all of whom shall have experience in contract pricing, finance, or cost accounting, are as follows:

"(A) Three representatives of the Department of Defense appointed by the Secretary of Defense; and

"(B) Three individuals from the private sector, each of whom is appointed by the Secretary of Defense, and—

"(i) one of whom is a representative of a nontraditional defense contractor (as defined in section 2302(9) of this title); and

"(ii) one of whom is a representative from a public accounting firm.

"(2) A member appointed under paragraph (1)(A) may not continue to serve after ceasing to be an officer or employee of the Department of Defense.

"(c) DUTIES OF THE CHAIRMAN.—The Chief Financial Officer of the Department of Defense, after consultation with the Defense Cost Accounting Standards Board, shall prescribe rules and procedures governing actions of the Board under this section.

"(d) DUTIES.—The Defense Cost Accounting Standards Board—

"(1) shall review cost accounting standards established under section 1502 of title 41 and recommend changes to such cost accounting standards to the Cost Accounting Standards Board established under section 1501 of such title;

"(2) has exclusive authority, with respect to the Department of Defense, to implement such cost accounting standards to achieve uniformity and consistency in the standards governing measurement, assignment, and allocation of costs to contracts with the Department of Defense; and

"(3) shall develop standards to ensure that commercial operations performed by Government employees at the Department of Defense adhere to cost accounting standards (based on cost accounting standards established under section 1502 of title 41 or Generally Accepted Accounting Principles) that inform managerial decisionmaking.

"(e) COMPENSATION.—(1) Members of the Defense Cost Accounting Standards Board who are officers or employees of the Department of Defense shall not receive additional compensation for services but shall continue to be compensated by the Department of Defense.

"(2) Each member of the Board appointed from the private sector shall receive compensation at a rate not to exceed the daily equivalent of the rate for level IV of the Executive Schedule for each day (including travel time) in which the member is engaged in the actual performance of duties vested in the Board.

"(3) While serving away from home or regular place of business, Board members and other individuals serving on an intermittent basis shall be allowed travel expenses in accordance with section 5703 of title 5.

"(f) AUDITING REQUIREMENTS.—(1) Notwithstanding any other provision of law, contractors with the Department of Defense may present, and the Defense Contract Audit Agency shall accept without performing additional audits, a summary of audit findings prepared by a commercial auditor if—

"(A) the auditor previously performed an audit of the allowability, measurement, assignment to accounting periods, and allocation of indirect costs of the contractor; and

"(B) such audit was performed using relevant commercial accounting standards (such as Generally Accepted Accounting Principles) and relevant commercial auditing standards established by the commercial auditing industry for the relevant accounting period.

"(2) The Defense Contract Audit Agency may audit direct costs of Department of Defense cost contracts and shall rely on commercial audits of indirect costs without performing additional audits, except that in the case of companies or business units that have a predominance of cost-type contracts as a percentage of sales, the Defense Contract Audit Agency may audit both direct and indirect costs.".

(2) CLERICAL AMENDMENT.—The table of sections at the beginning of chapter 7 of such title is amended by adding after the item relating to section 189 the following new item:

"190. Defense Cost Accounting Standards Board.".

(c) REPORT.—Not later than December 31, 2019, the Comptroller General of the United States shall submit to the congres-

sional defense committees a report on the adequacy of the method used by the Cost Accounting Standards Board established under section 1501 of title 41, United States Code, to apply cost accounting standards to indirect and fixed price incentive contracts.

(d) EFFECTIVE DATE.—The amendments made by this section shall take effect on October 1, 2018.

SEC. 821. INCREASED MICRO-PURCHASE THRESHOLD APPLICABLE TO DEPARTMENT OF DEFENSE PROCUREMENTS.

(a) INCREASED MICRO-PURCHASE THRESHOLD.—Chapter 137 of title 10, United States Code, is amended by adding at the end the following new section:

"§ 2338. Micro-purchase threshold

"Notwithstanding subsection (a) of section 1902 of title 41, the micro-purchase threshold for the Department of Defense for purposes of such section is $5,000.".

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

"2338. Micro-purchase threshold.".

SEC. 822. ENHANCED COMPETITION REQUIREMENTS.

Section 2306a of title 10, United States Code, is amended—

(1) in subsection (a)(1)(A), by inserting "that is only expected to receive one bid" after "entered into using procedures other than sealed-bid procedures"; and

(2) in subsection (b)—

(A) in paragraph (1)(A)(i), by striking "price competition" and inserting "competition that results in at least two or more responsive and viable competing bids"; and

(B) by adding at the end the following new paragraph:

"(6) DETERMINATION BY PRIME CONTRACTOR.—A prime contractor required to submit certified cost or pricing data under subsection (a) with respect to a prime contract shall be responsible for determining whether a subcontract under such contract qualifies for an exception under paragraph (1)(A) from such requirement.".

SEC. 823. REVISION TO EFFECTIVE DATE OF SENIOR EXECUTIVE BENCHMARK COMPENSATION FOR ALLOWABLE COST LIMITATIONS.

(a) REPEAL OF RETROACTIVE APPLICABILITY.—Section 803(c) of the National Defense Authorization Act for Fiscal Year 2012 (Public Law 112–81; 125 Stat. 1485; 10 U.S.C. 2324 note) is amended by striking "amendments made by" and all that follows and inserting "amendments made by this section shall apply with respect to costs of compensation incurred after January 1, 2012, under contracts entered into on or after December 31, 2011.".

(b) APPLICABILITY.—The amendment made by subsection (a) shall take effect as of December 31, 2011, and shall apply as if included in the National Defense Authorization Act for Fiscal Year 2012 as enacted.

SEC. 824. TREATMENT OF INDEPENDENT RESEARCH AND DEVELOPMENT COSTS ON CERTAIN CONTRACTS.

(a) INDEPENDENT RESEARCH AND DEVELOPMENT COSTS: ALLOWABLE COSTS.—

(1) IN GENERAL.—Section 2372 of title 10, United States Code, is amended to read as follows:

"§ 2372. Independent research and development costs: allowable costs

"(a) REGULATIONS.—The Secretary of Defense shall prescribe regulations governing the payment by the Department of Defense of expenses incurred by contractors for independent research and development costs. Such regulations shall provide that expenses incurred for independent research and development shall be reported independently from other allowable indirect costs.

"(b) COSTS TREATED AS FAIR AND REASONABLE, AND ALLOWABLE, EXPENSES.—The regulations prescribed under subsection (a) shall provide that independent research and development costs shall be considered a fair and reasonable, and allowable, indirect expense on Department of Defense contracts.

"(c) ADDITIONAL CONTROLS.—Subject to subsection (d), the regulations prescribed under subsection (a) may include the following provisions:

"(1) Controls on the reimbursement of costs to the contractor for expenses incurred for independent research and development to ensure that such costs were incurred for independent research and development.

"(2) Implementation of regular methods for transmission—

"(A) from the Department of Defense to contractors, in a reasonable manner, of timely and comprehensive information regarding planned or expected needs of the Department of Defense for future technology and advanced capability; and

"(B) from contractors to the Department of Defense, in a reasonable manner, of information regarding progress by the contractor on the independent research and development programs of the contractor.

"(d) LIMITATIONS ON REGULATIONS.—Regulations prescribed under subsection (a) may not include provisions that would infringe on the independence of a contractor to choose which technologies to pursue in its independent research and development program if the chief executive officer of the contractor determines that expenditures will advance the needs of the Department of Defense for future technology and advanced capability as transmitted pursuant to subsection (c)(3)(A).

"(e) EFFECTIVE DATE.—The regulations prescribed under subsection (a) shall apply to indirect costs incurred on or after October 1, 2017.".

(2) CLERICAL AMENDMENT.—The table of sections at the beginning of chapter 139 is amended by striking the item relating to section 2372 and inserting the following new item:

"2372. Independent research and development costs: allowable costs".

(b) BID AND PROPOSAL COSTS: ALLOWABLE COSTS.—

(1) IN GENERAL.—Chapter 139 of title 10, United States Code, is amended by inserting after section 2372 the following new section:

"§ 2372a. Bid and proposal costs: allowable costs

"(a) REGULATIONS.—The Secretary of Defense shall prescribe regulations governing the payment by the Department of Defense of expenses incurred by contractors for bid and proposal costs. Such regulations shall provide that expenses incurred for bid and proposal costs shall be reported independently from other allowable indirect costs.

"(b) COSTS ALLOWABLE AS INDIRECT EXPENSES.—The regulations prescribed under subsection (a) shall provide that bid and proposal costs shall be allowable as indirect expenses on covered contracts, as defined in section 2324(l) of this title, to the extent that those costs are allocable, reasonable, and not otherwise unallowable by law or under the Federal Acquisition Regulation.

"(c) GOAL FOR REIMBURSABLE BID AND PROPOSAL COSTS.—The Secretary shall establish a goal each fiscal year limiting the amount of reimbursable bid and proposal costs paid by the Department of Defense to an amount equal to not more than one percent of the total aggregate industry sales to the Department of Defense. To achieve such goal, the Secretary may not limit the payment of allowable bid and proposal costs for the covered year.

"(d) PANEL.—(1) If the Department of Defense exceeds the goal established under subsection (c) for a fiscal year, within 180 days after exceeding the goal, the Secretary shall establish an advisory panel. The panel shall be supported by the Defense Acquisition University and the National Defense University, including administrative support.

"(2) The panel shall be composed of nine individuals who are recognized experts in acquisition and procurement policy appointed by the Secretary. In making such appointments, the Secretary shall ensure that the members of the panel reflect diverse experiences in the public and private sector.

"(3) The panel shall review laws, regulations, and practices that contribute to the expenses incurred by contractors for bids and proposals in the fiscal year concerned and recommend changes to such laws, regulations, and practices that may reduce expenses incurred by contractors for bids and proposals.

"(4)(A) Not later than six months after the establishment of the panel, the panel shall submit to the Secretary and the congressional defense committees an interim report on the findings of the panel.

"(B) Not later than one year after the establishment of the panel, the panel shall submit to the Secretary and the congressional defense committees a final report on the findings of the panel.

"(5) The panel shall terminate on the day the panel submits the final report under paragraph (4)(B).

"(6) The Secretary of Defense may use amounts available in the Department of Defense Acquisition Workforce Development Fund established under section 1705 of this title to support the activities of the panel established under this subsection.

"(e) EFFECTIVE DATE.—The regulations prescribed under subsection (a) shall apply to indirect costs incurred on or after October 1, 2017.".

(2) CLERICAL AMENDMENT.—The table of sections at the beginning of chapter 139 of such title is amended by inserting the following new item:

"2372a. Bid and proposal costs: allowable costs".

(c) REPORT ON ELEMENTS CONTRIBUTING TO EXPENSES INCURRED BY CONTRACTORS FOR BIDS AND PROPOSALS.—

(1) IN GENERAL.—Not later than 90 days after the date of the enactment of this Act, the Secretary of Defense shall enter into a contract with an independent entity to study the laws, regulations, and practices relating to expenses incurred by contractors for bids and proposals.

(2) REPORT.—Not later than 180 days after receipt of the contract required by paragraph (1), the independent entity shall submit to the Department of Defense and the congressional defense committees a report on the laws, regulations, or practices relating to expenses incurred by contractors for bids and recommendations for changes to such laws, regulations, or practices that may reduce expenses incurred by contractors for bids and proposals.

(d) DEFENSE CONTRACT AUDIT AGENCY: ANNUAL REPORT.—

(1) IN GENERAL.—Subsection (a) of section 2313a of title 10, United States Code, is amended—

(A) by redesignating paragraphs (4) and (5) as paragraphs (6) and (7), respectively; and

(B) by inserting after paragraph (3) the following new paragraphs:

"(3) a summary, set forth separately by dollar amount and percentage, of indirect costs for independent research and development incurred by contractors in the previous fiscal year;

"(4) a summary, set forth separately by dollar amount and percentage, of indirect costs for bid and proposal costs incurred by contractors in the previous fiscal year;".

(2) EFFECTIVE DATE.—The amendments made by this subsection shall take effect on October 1, 2018.

SEC. 825. EXCEPTION TO REQUIREMENT TO INCLUDE COST OR PRICE TO THE GOVERNMENT AS A FACTOR IN THE EVALUATION OF PROPOSALS FOR CERTAIN MULTIPLE-AWARD TASK OR DELIVERY ORDER CONTRACTS.

(a) EXCEPTION TO REQUIREMENT TO INCLUDE COST OR PRICE AS FACTOR.—Section 2305(a)(3) of title 10, United States Code, is amended—

(1) in subparagraph (A)—

(A) in clause (i), by inserting "(except as provided in subparagraph (C))" after "shall"; and

(B) in clause (ii), by inserting "(except as provided in subparagraph (C))" after "shall"; and

(2) by adding at the end the following new subparagraphs:

"(C) If the head of an agency issues a solicitation for multiple task or delivery order contracts under section 2304a(d)(1)(B) of this title for the same or similar services and intends to make a contract award to each qualifying offeror—

"(i) cost or price to the Federal Government need not, at the Government's discretion, be considered under clause (ii) of subparagraph (A) as an evaluation factor for the contract award; and

"(ii) if, pursuant to clause (i), cost or price to the Federal Government is not considered as an evaluation factor for the contract award—

"(I) the disclosure requirement of clause (iii) of subparagraph (A) shall not apply; and

"(II) cost or price to the Federal Government shall be considered in conjunction with the issuance pursuant to section 2304c(b) of this title of a task or delivery order under any contract resulting from the solicitation.

"(D) In subparagraph (C), the term 'qualifying offeror' means an offeror that—

"(i) is determined to be a responsible source;

"(ii) submits a proposal that conforms to the requirements of the solicitation; and

"(iii) the contracting officer has no reason to believe would likely offer other than fair and reasonable pricing.

"(E) Subparagraph (C) shall not apply to multiple task or delivery order contracts if the solicitation provides for sole source task or delivery order contracts pursuant to section 8(a) of the Small Business Act (15 U.S.C. 637(a)).".

(b) AMENDMENT TO PROCEDURES RELATING TO ORDERS UNDER MULTIPLE-AWARD CONTRACTS.—Section 2304c(b) of title 10, United States Code, is amended—

(1) in paragraph (3), by striking "or" at the end;

(2) in paragraph (4), by striking the period at the end and inserting "; or"; and

(3) by adding at the end the following new paragraph:

"(5) the task or delivery order satisfies one of the exceptions in section 2304(c) of this title to the requirement to use competitive procedures.".

SEC. 826. EXTENSION OF PROGRAM FOR COMPREHENSIVE SMALL BUSINESS CONTRACTING PLANS.

Section 834(e) of the National Defense Authorization Act for Fiscal Years 1990 and 1991 (15 U.S.C. 637 note) is amended by striking "December 31, 2017" and inserting "December 31, 2027".

SEC. 827. TREATMENT OF SIDE-BY-SIDE TESTING OF CERTAIN EQUIPMENT, MUNITIONS, AND TECHNOLOGIES MANUFACTURED AND DEVELOPED UNDER COOPERATIVE RESEARCH AND DEVELOPMENT AGREEMENTS AS USE OF COMPETITIVE PROCEDURES.

Section 2350a(g) of title 10, United States Code, is amended by inserting after paragraph (2) the following new paragraph:

"(3) The use of side-by-side testing under this subsection may be considered to be the use of competitive procedures for purposes of chapter 137 of this title, when procuring items within 5 years after an initial determination that the items have been successfully tested and found to satisfy United States military requirements or to correct operational deficiencies.".

SEC. 828. DEFENSE ACQUISITION CHALLENGE PROGRAM AMENDMENTS.

(a) EXPANSION OF SCOPE TO INCLUDE SYSTEMS-OF-SYSTEMS AND FUNCTIONS.—Paragraph (2) of subsection (a) of section 2359b of title 10, United States Code, is amended by striking "or system" and all that follows through the end of the paragraph and inserting

the following: "system, or system-of-systems level of an existing Department of Defense acquisition program, or to address any broader functional challenge to Department of Defense missions that may not fall within an acquisition program, that would result in improvements in performance, affordability, manufacturability, or operational capability of that acquisition program or function.".

(b) TREATMENT OF CHALLENGE PROPOSAL PROCEDURES AS USE OF COMPETITIVE PROCEDURES.—Such section is further amended—

(1) by redesignating subsections (j) and (k) as subsections (k) and (l), respectively; and

(2) by inserting after subsection (i) the following new subsection:

"(j) TREATMENT OF USE OF CERTAIN PROCEDURES AS USE OF COMPETITIVE PROCEDURES.—The use of general solicitation competitive procedures established under subsection (c) shall be considered to be the use of competitive procedures for purposes of chapter 137 of this title.".

(c) EXTENSION OF SUNSET FOR PILOT PROGRAM FOR PROGRAMS OTHER THAN MAJOR DEFENSE ACQUISITION PROGRAMS.—Such section is further amended in paragraph (5) of subsection (l), as redesignated by subsection (b)(1) of this subsection, by striking "2016" and inserting "2021".

(d) CONFORMING AMENDMENTS.—Such section is further amended—

(1) in subsection (c)(3), by inserting "or functions" after "acquisition programs";

(2) in subsection (c)(4)(A)—

(A) by striking "and" at the end of clause (i);

(B) by striking the period at the end of clause (ii) and inserting "; and"; and

(C) by adding at the end the following new clause:

"(iii) any functional challenges of importance to Department of Defense missions.";

(3) in subsection (c)(5), by adding at the end the following new subparagraph:

"(D) Whether the challenge proposal is likely to result in improvements to any functional challenges of importance to Department of Defense missions, and whether the proposal could be implemented rapidly, at an acceptable cost, and without unacceptable disruption to such missions."; and

(4) in subsection (c)(5)(B) and in subsection (e)(1), by striking "or system" and inserting "system, or system-of-systems".

SEC. 829. PREFERENCE FOR FIXED-PRICE CONTRACTS.

(a) ESTABLISHMENT OF PREFERENCE.—Not later than 180 days after the date of the enactment of this Act, the Defense Federal Acquisition Regulation Supplement shall be revised to establish a preference for fixed-price contracts, including fixed-price incentive fee contracts, in the determination of contract type.

(b) APPROVAL REQUIREMENT FOR CERTAIN COST-TYPE CONTRACTS.—

(1) IN GENERAL.—A contracting officer of the Department of Defense may not enter into a cost-type contract described in paragraph (2) unless the contract is approved by the service acquisition executive of the military department concerned, the

head of the Defense Agency concerned, the commander of the combatant command concerned, or the Under Secretary of Defense for Acquisition, Technology, and Logistics (as applicable).

(2) COVERED CONTRACTS.—A contract described in this paragraph is—

(A) a cost-type contract in excess of $50,000,000, in the case of a contract entered into on or after October 1, 2018, and before October 1, 2019; and

(B) a cost-type contract in excess of $25,000,000, in the case of a contract entered into on or after October 1, 2019.

SEC. 830. REQUIREMENT TO USE FIRM FIXED-PRICE CONTRACTS FOR FOREIGN MILITARY SALES.

(a) REQUIREMENT.—Not later than 180 days after the date of the enactment of this Act, the Secretary of Defense shall prescribe regulations to require the use of firm fixed-price contracts for foreign military sales.

(b) EXCEPTIONS.—The regulations prescribed pursuant to subsection (a) shall include exceptions that may be exercised if the foreign country that is the counterparty to a foreign military sale—

(1) has established in writing a preference for a different contract type; or

(2) requests in writing that a different contract type be used for a specific foreign military sale.

(c) WAIVER AUTHORITY.—The regulations prescribed pursuant to subsection (a) shall include a waiver that may be exercised by the Secretary of Defense or his designee if the Secretary or his designee determines on a case-by-case basis that a different contract type is in the best interest of the United States and American taxpayers.

(d) PILOT PROGRAM FOR ACCELERATION OF FOREIGN MILITARY SALES.—

(1) IN GENERAL.—The Secretary of Defense shall establish a pilot program to reform and accelerate the contracting and pricing processes associated with full rate production of major weapon systems for no more than 10 foreign military sales contracts by—

(A) basing price reasonableness determinations on actual cost and pricing data for purchases of the same product for the Department of Defense; and

(B) reducing the cost and pricing data to be submitted in accordance with section 2306a of title 10, United States Code.

(2) EXPIRATION OF AUTHORITY.—Authority for the pilot program under this subsection expires on January 1, 2020.

SEC. 831. PREFERENCE FOR PERFORMANCE-BASED CONTRACT PAYMENTS.

(a) IN GENERAL.—Section 2307(b) of title 10, United States Code, is amended—

(1) in the subsection heading, by inserting "PREFERENCE FOR" before "PERFORMANCE-BASED";

(2) by redesignating paragraphs (1), (2), and (3) as subparagraphs (A), (B), and (C), respectively;

(3) by striking "Wherever practicable, payment under subsection (a) shall be made" and inserting "(1) Whenever practicable, payments under subsection (a) shall be made using performance-based payments"; and

(4) by adding at the end the following new paragraphs:

"(2) Performance-based payments shall not be conditioned upon costs incurred in contract performance but on the achievement of performance outcomes listed in paragraph (1).

"(3) The Secretary of Defense shall ensure that nontraditional defense contractors and other private sector companies are eligible for performance-based payments, consistent with best commercial practices.

"(4)(A) In order to receive performance-based payments, a contractor's accounting system shall be in compliance with Generally Accepted Accounting Principles, and there shall be no requirement for a contractor to develop Government-unique accounting systems or practices as a prerequisite for agreeing to receive performance-based payments.

"(B) Nothing in this section shall be construed to grant the Defense Contract Audit Agency the authority to audit compliance with Generally Accepted Accounting Principles.".

(b) REGULATIONS.—Not later than 120 days after the date of the enactment of this Act, the Secretary of Defense shall revise the Department of Defense Federal Acquisition Regulation Supplement to conform with section 2307(b) of title 10, United States Code, as amended by subsection (a).

SEC. 832. CONTRACTOR INCENTIVES TO ACHIEVE SAVINGS AND IMPROVE MISSION PERFORMANCE.

Not later than 180 days after the date of the enactment of this Act, the Defense Acquisition University shall develop and implement a training program for Department of Defense acquisition personnel on fixed-priced incentive fee contracts, public-private partnerships, performance-based contracting, and other authorities in law and regulation designed to give incentives to contractors to achieve long-term savings and improve administrative practices and mission performance.

SEC. 833. SUNSET AND REPEAL OF CERTAIN CONTRACTING PROVISIONS.

(a) SUNSETS.—

(1) PLANTATIONS AND FARMS: OPERATION, MAINTENANCE, AND IMPROVEMENT.—Section 2421 of title 10, United States Code, is amended by adding at the end the following new subsection:

"(e) SUNSET.—The authority under this section shall terminate on September 30, 2018.".

(2) REQUIREMENT TO ESTABLISH COST, PERFORMANCE, AND SCHEDULE GOALS FOR MAJOR DEFENSE ACQUISITION PROGRAMS AND EACH PHASE OF RELATED ACQUISITION CYCLES.—Section 2220 of title 10, United States Code, is amended by adding at the end the following new subsection:

"(c) SUNSET.—The authority under this section shall terminate on September 30, 2018.".

(b) REPEALS.—

(1) LIMITATION ON USE OF OPERATION AND MAINTENANCE FUNDS FOR PURCHASE OF INVESTMENT ITEMS.—

(A) IN GENERAL.—Section 2245a of title 10, United States Code, is repealed.

(B) CLERICAL AMENDMENT.—The table of sections at the beginning of subchapter I of chapter 134 of such title is amended by striking the item relating to section 2245a.

(C) CONFORMING AMENDMENT.—Section 166a(e)(1)(A) of such title is amended by striking "the investment unit cost threshold in effect under section 2245a of this title" and inserting "$250,000".

(2) INFORMATION TECHNOLOGY PURCHASES: TRACKING AND MANAGEMENT.—

(A) IN GENERAL.—Section 2225 of title 10, United States Code, is repealed.

(B) CLERICAL AMENDMENT.—The table of sections at the beginning of chapter 131 of such title is amended by striking the item relating to section 2225.

(C) CONFORMING AMENDMENTS.—

(i) Section 812 of the Floyd D. Spence National Defense Authorization Act for Fiscal Year 2001 (Public Law 106–393; 114 Stat. 1654A–213; 10 U.S.C. 2225 note) is amended by striking subsections (b) and (c).

(ii) Section 2330a(j) of title 10, United States Code, is amended—

(I) by striking paragraph (2);

(II) by redesignating paragraphs (3), (4), and (5) as paragraphs (2), (3), and (4), respectively; and

(III) by adding at the end the following new paragraphs:

"(5) SIMPLIFIED ACQUISITION THRESHOLD.—The term 'simplified acquisition threshold' has the meaning given the term in section 134 of title 41.

"(6) SMALL BUSINESS ACT DEFINITIONS.—

"(A) The term 'small business concern' has the meaning given such term under section 3 of the Small Business Act (15 U.S.C. 632).

"(B) The terms 'small business concern owned and controlled by socially and economically disadvantaged individuals' and 'small business concern owned and controlled by women' have the meanings given such terms, respectively, in section 8(d)(3) of the Small Business Act (15 U.S.C. 637(d)(3)).".

(iii) Section 222(d) of the National Defense Authorization Act for Fiscal Year 2012 (Public Law 112–81; 10 U.S.C. 2358 note) is amended by striking "as defined in section 2225(f)(3)" and inserting "as defined in section 2330a(j)".

(3) PROCUREMENT OF COPIER PAPER CONTAINING SPECIFIED PERCENTAGES OF POST-CONSUMER RECYCLED CONTENT.—

(A) IN GENERAL.—Section 2378 of title 10, United States Code, is repealed.

(B) CLERICAL AMENDMENT.—The table of sections at the beginning of chapter 140 of such title is amended by striking the item relating to section 2378.

(4) LIMITATION ON PROCUREMENT OF TABLE AND KITCHEN EQUIPMENT FOR OFFICERS' QUARTERS.—

(A) IN GENERAL.—Section 2387 of title 10, United States Code, is repealed.

(B) CLERICAL AMENDMENT.—The table of sections at the beginning of chapter 141 of such title is amended by striking the item relating to section 2387.

(5) IMPLEMENTATION OF ELECTRONIC COMMERCE CAPABILITY.—

(A) REPEAL.—

(i) Section 2302c of title 10, United States Code, is repealed.

(ii) Section 2301 of title 41, United States Code, is amended by adding at the end the following new subsection:

"(f) INAPPLICABILITY TO DEPARTMENT OF DEFENSE.—In this section, the term 'executive agency' does not include the Department of Defense.".

(B) CLERICAL AMENDMENT.—The table of sections at the beginning of chapter 137 of such title is amended by striking the item relating to section 2302c.

SEC. 834. FLEXIBILITY IN CONTRACTING AWARD PROGRAM.

(a) ESTABLISHMENT OF AWARD PROGRAM.—The Secretary of Defense shall create an award to recognize those acquisition programs and professionals that make the best use of the flexibilities and authorities granted by the Federal Acquisition Regulation and Department of Defense Instruction 5000.02 (Operation of the Defense Acquisition System).

(b) PURPOSE OF AWARD.—The award established under subsection (a) shall recognize outstanding performers whose approach to program management emphasizes innovation and local adaptation, including the use of—

(1) simplified acquisition procedures;

(2) inherent flexibilities within the Federal Acquisition Regulation;

(3) commercial contracting approaches;

(4) public-private partnership agreements and practices;

(5) cost-sharing arrangements;

(6) innovative contractor incentive practices; and

(7) other innovative implementations of acquisition flexibilities.

SEC. 835. PROTECTION OF TASK ORDER COMPETITION.

(a) AMENDMENT TO VALUE OF AUTHORIZED TASK ORDER PROTESTS.—Section 2304c(e)(1)(B) of title 10, United States Code, is amended by striking "$10,000,000" and inserting "$25,000,000".

(b) REPEAL OF EFFECTIVE DATE.—Section 4106(f) of title 41, United States Code, is amended by striking paragraph (3).

SEC. 836. CONTRACT CLOSEOUT AUTHORITY.

(a) AUTHORITY.—The Secretary of Defense may close out a contract or group of contracts as described in subsection (b) through the issuance of one or more modifications to such contracts without completing a reconciliation audit or other corrective action. To accomplish closeout of such contracts—

(1) remaining contract balances may be offset with balances in other contract line items within a contract regardless of the year or type of appropriation obligated to fund each contract

line item and regardless of whether the appropriation for such contract line item has closed; and

(2) remaining contract balances may be offset with balances on other contracts regardless of the year or type of appropriation obligated to fund each contract and regardless of whether the appropriation has closed.

(b) COVERED CONTRACTS.—This section covers any contract or group of contracts between the Department of Defense and a defense contractor, each one of which—

(1) was entered into prior to fiscal year 2000;

(2) has no further supplies or services deliverables due under the terms and conditions of the contract; and

(3) is determined by the Secretary of Defense to be not otherwise reconcilable because—

(A) the records have been destroyed or lost; or

(B) the records are available but the Secretary of Defense has determined that the time or effort required to determine the exact amount owed to the United States Government or amount owed to the contractor is disproportionate to the amount at issue.

(c) NEGOTIATED SETTLEMENT AUTHORITY.—Any contract or group of contracts covered by this section may be closed out through a negotiated settlement with the contractor.

(d) WAIVER AUTHORITY.—

(1) IN GENERAL.—The Secretary of Defense is authorized to waive any provision of acquisition law or regulation to carry out the authority under subsection (a).

(2) NOTIFICATION REQUIREMENT.—The Secretary of Defense shall notify the congressional defense committees not later than 10 days after exercising the authority under subsection (d). The notice shall include an identification of each provision of law or regulation waived.

(e) ADJUSTMENT AND CLOSURE OF RECORDS.—After closeout of any contract described in subsection (b) using the authority under this section, the payment or accounting offices concerned may adjust and close any open finance and accounting records relating to the contract.

(f) NO LIABILITY.—No liability shall attach to any accounting, certifying, or payment official, or any contracting officer, for any adjustments or closeout made pursuant to the authority under this section.

(g) REGULATIONS.—The Secretary of Defense shall prescribe regulations for the administration of the authority under this section.

SEC. 837. CLOSEOUT OF OLD DEPARTMENT OF THE NAVY CONTRACTS.

(a) AUTHORITY.—The Secretary of the Navy may close out contracts described in subsection (b) through the issuance of one or more modifications to such contracts without completing further reconciliation audits or corrective actions other than those described in this section. To accomplish closeout of such contracts—

(1) remaining contract balances may be offset with balances in other contract line items within a contract regardless of the year or type of appropriation obligated to fund each contract line item and regardless of whether the appropriation for such contract line item has closed; and

(2) remaining contract balances may be offset with balances on other contracts regardless of the year or type of appropriation obligated to fund each contract and regardless of whether the appropriation has closed.

(b) CONTRACTS COVERED.—The contracts covered by this section are a group of contracts that are with one contractor and identified by the Secretary, each one of which is a contract—

(1) to design, construct, repair, or support the construction or repair of Navy submarines that—

(A) was entered into between fiscal years 1974 and 1998; and

(B) has no further supply or services deliverables due under the terms and conditions of the contract;

(2) with respect to which the Secretary of the Navy has established the total final contract value; and

(3) with respect to which the Secretary of the Navy has determined that the final allowable cost may have a negative or positive unliquidated obligation balance for which it would be difficult to determine the year or type of appropriation because—

(A) the records for the contract have been destroyed or lost; or

(B) the records for the contract are available but the contracting officer, in collaboration with the certifying official, has determined that a discrepancy is of such a minimal value that the time and effort required to determine the cause of an out-of-balance condition is disproportionate to the amount of the discrepancy.

(c) CLOSEOUT TERMS.—The contracts described in subsection (b) may be closed out—

(1) upon receipt of $581,803 from the contractor to be deposited into the Treasury as miscellaneous receipts;

(2) without seeking further amounts from the contractor; and

(3) without payment to the contractor of any amounts that may be due under any such contracts.

(d) WAIVER AUTHORITY.—

(1) IN GENERAL.—The Secretary of the Navy is authorized to waive any provision of acquisition law or regulation to carry out the authority under subsection (a).

(2) NOTIFICATION REQUIREMENT.—The Secretary of the Navy shall notify the congressional defense committees not later than 10 days after exercising the authority under paragraph (1). The notice shall include an identification of each provision of law or regulation waived.

(e) ADJUSTMENT AND CLOSURE OF RECORDS.—After closeout of any contract described in subsection (b) using the authority under this section, the payment or accounting offices concerned may adjust and close any open finance and accounting records relating to the contract.

(f) NO LIABILITY.—No liability shall attach to any accounting, certifying, or payment official or contracting officer for any adjustments or closeout made pursuant to the authority under this section.

(g) EXPIRATION OF AUTHORITY.—The authority under this section shall expire upon receipt of the funds identified in subsection (c)(1).

Subtitle D—Provisions Relating to Major Defense Acquisition Programs

SEC. 841. CHANGE IN DATE OF SUBMISSION TO CONGRESS OF SELECTED ACQUISITION REPORTS.

Section 2432(f) of title 10, United States Code, is amended by striking "45" the first place it occurs and inserting "30".

SEC. 842. AMENDMENTS RELATING TO INDEPENDENT COST ESTIMATION AND COST ANALYSIS.

(a) AMENDMENTS.—Section 2334 of title 10, United States Code, is amended—

(1) in subsection (a)(3), by striking "selection of confidence levels" both places it appears and inserting "discussion of risk";

(2) in subsection (a)(6)—

(A) by inserting "or approve" after "conduct";

(B) by striking "major defense acquisition programs" and all that follows through "Authority—" and inserting "all major defense acquisition programs and major subprograms—"; and

(C) in subparagraph (B), by striking "or upon the request" and all that follows through the semicolon at the end and inserting ", upon the request of the Under Secretary of Defense for Acquisition, Technology, and Logistics, or upon the request of the milestone decision authority";

(3) by redesignating subsections (b), (c), (d), (e), and (f) as subsections (c), (d), (e), (f), and (h), respectively;

(4) by inserting after subsection (a) the following new subsection (b):

"(b) INDEPENDENT COST ESTIMATE REQUIRED BEFORE APPROVAL.—(1) A milestone decision authority may not approve entering a milestone phase of a major defense acquisition program or major subprogram unless an independent cost estimate has been conducted or approved by the Director of Cost Assessment and Program Evaluation and considered by the milestone decision authority that—

"(A) for the technology maturation and risk reduction phase, includes the identification and sensitivity analysis of key cost drivers that may affect life-cycle costs of the program or subprogram; and

"(B) for the engineering and manufacturing development phase, or production and deployment phase, includes a cost estimate of the full life-cycle cost of the program or subprogram.

"(2) The regulations governing the content and submission of independent cost estimates required by subsection (a) shall require that the independent cost estimate of the full life-cycle cost of a program or subprogram include—

"(A) all costs of development, procurement, military construction, operations and support, and trained manpower to operate, maintain, and support the program or subprogram upon full operational deployment, without regard to funding source or management control; and

"(B) an analysis to support decisionmaking that identifies and evaluates alternative courses of action that may reduce cost and risk, and result in more affordable programs and less costly systems.";

(5) in subsection (d), as so redesignated, in paragraph (3), by striking "confidence level" and inserting "discussion of risk";

(6) in subsection (e), as so redesignated—

(A) by amending the subsection heading to read as follows: "DISCUSSION OF RISK IN COST ESTIMATES.—";

(B) by amending paragraph (1) to read as follows:

"(1) issue guidance requiring a discussion of risk, the potential impacts of risk on program costs, and approaches to mitigate risk in cost estimates for major defense acquisition programs and major subprograms;";

(C) in paragraph (2)—

(i) by striking "such confidence level provides" and inserting "cost estimates are developed, to the extent practicable, based on historical actual cost information that is based on demonstrated contractor and Government performance and that such estimates provide"; and

(ii) by inserting "or subprogram" after "the program"; and

(D) in paragraph (3), by striking "disclosure required by paragraph (1)" and inserting "information required in the guidance under paragraph (1)"; and

(7) by inserting after subsection (f), as so redesignated, the following new subsection:

"(g) GUIDELINES AND COLLECTION OF COST DATA.—(1) The Director of Cost Assessment and Program Evaluation shall, in consultation with the Under Secretary of Defense for Acquisition, Technology, and Logistics, develop policies, procedures, guidance, and a collection method to ensure that quality acquisition cost data are collected to facilitate cost estimation and comparison across acquisition programs.

"(2) The program manager and contracting officer for each acquisition program in an amount greater than $100,000,000, in consultation with the cost estimating component of the relevant military department or Defense Agency, shall ensure that cost data are collected in accordance with the requirements of paragraph (1).

"(3) The requirement under paragraph (1) may be waived only by the Director of Cost Assessment and Program Evaluation.".

(b) CONFORMING AMENDMENTS TO ADD SUBPROGRAMS.—Section 2334 of such title is further amended—

(1) in subsection (a)(2), by inserting "or major subprogram" before "under chapter 144";

(2) in paragraphs (3), (4), and (5) of subsection (a) and in subsection (c)(1) (as redesignated by subsection (a) of this section), by striking "major defense acquisition programs and major automated information system programs" and inserting "major defense acquisition programs and major subprograms" each place it appears;

(3) in paragraphs (1) and (2) of subsection (d) (as so redesignated), and in subsection (f)(4) (as so redesignated), by striking "major defense acquisition program or major automated in-

formation system program" and inserting "major defense acquisition program or major subprogram" each place it appears;

(4) in subsection (d)(4) (as so redesignated), by inserting before the period "or major subprogram";

(5) in subsection (e)(3)(B) (as so redesignated), by inserting "or major subprogram" after "major defense acquisition program"; and

(6) in subsection (f)(3) (as so redesignated), by striking "major defense acquisition program and major automated information system program" and inserting "major defense acquisition program and major subprogram".

(c) REPEAL.—Chapter 144 of such title is amended—

(1) by striking section 2434; and

(2) in the table of sections at the beginning of such chapter, by striking the item relating to such section.

SEC. 843. REVISIONS TO MILESTONE B DETERMINATIONS.

Section 2366b(a)(3) of title 10, United States Code, is amended—

(1) in subparagraph (B), by striking "acquisition cost in" and all that follows through the semicolon, and inserting "lifecycle cost;"; and

(2) in subparagraph (D), by striking "funding is" and all that follows through "made," and inserting "funding is expected to be available to execute the product development and production plan for the program,".

SEC. 844. REVIEW AND REPORT ON SUSTAINMENT PLANNING IN THE ACQUISITION PROCESS.

(a) REQUIREMENT FOR REVIEW.—The Secretary of Defense shall conduct a review of the extent to which sustainment matters are considered in decisions related to the requirements, research and development, acquisition, cost estimating, and programming and budgeting processes for major defense acquisition programs. The review shall include the following:

(1) A determination of whether information related to the operation and sustainment of major defense acquisition programs, including cost data and intellectual property requirements, is available to inform decisions made during those processes.

(2) If such information exists, an evaluation of the completeness, timeliness, quality, and suitability of the information for aiding in decisions made during those processes.

(3) A determination of whether information related to the operation and sustainment of existing major weapon systems is used to forecast the operation and sustainment needs of major weapon systems proposed for or under development.

(4) A description of the potential benefits from improved completeness, timeliness, quality, and suitability of data on operation and support costs and increased consideration of such data.

(5) Recommendations for improving access to, analyses of, and consideration of operation and support cost data.

(6) An assessment of product support strategies for major weapon systems required by section 2337 of title 10, United

States Code, or other similar life-cycle sustainment strategies, including an evaluation of—

(A) the stage at which such strategies are developed during the life of a major weapon system;

(B) the content and completeness of such strategies, including whether such strategies address—

(i) all aspects of total life-cycle management of a major weapon system, including product support, logistics, product support engineering, supply chain integration, maintenance, and software sustainment; and

(ii) the capabilities, capacity, and resource constraints of the organic industrial base and the materiel commands of the military department concerned;

(C) the extent to which such strategies or their elements are or should be incorporated into the acquisition strategy required by section 2431a of title 10, United States Code;

(D) the extent to which such strategies influence the planning for major defense acquisition programs; and

(E) the extent to which such strategies influence decisions related to the life-cycle management and product support of major weapon systems.

(7) An assessment of how effectively the military departments consider sustainment matters at key decision points for acquisition and life-cycle management in accordance with the requirements of sections 2431a, 2366a, 2366b, and 2337 of title 10, United States Code, and section 832 of the National Defense Authorization Act for Fiscal Year 2012 (Public Law 112–81; 10 U.S.C. 2430 note).

(8) Recommendations for improving the consideration of sustainment during the requirements, acquisition, cost estimating, programming and budgeting processes.

(9) An assessment of whether research and development efforts and adoption of commercial technologies is prioritized to reduce sustainment costs.

(10) An assessment of whether alternate financing methods, including share-in-savings approaches, public-private partnerships, and energy savings performance contracts, could be used to encourage the development and adoption of technologies and practices that will reduce sustainment costs.

(11) An assessment of private sector best practices in assessing and reducing sustainment costs for complex systems.

(b) AGREEMENT WITH INDEPENDENT ENTITY.—Not later than 60 days after the date of the enactment of this Act, the Secretary shall enter into an agreement with an independent entity with appropriate expertise to conduct the review required by subsection (a). The Secretary shall ensure that the independent entity has access to all data, information, and personnel required, and is funded, to satisfactorily complete the review required by subsection (a). The agreement also shall require the entity to provide to the Secretary a report on the findings of the entity.

(c) BRIEFING.—Not later than April 1, 2017, the Secretary shall provide a briefing to the Committees on Armed Services of the Senate and House of Representatives on the preliminary findings of the independent entity.

(d) SUBMISSION TO CONGRESS.—Not later than August 1, 2017, the Secretary shall submit to the congressional defense committees a copy of the report of the independent entity, along with comments on the report, proposed revisions or clarifications to laws related to lifecycle management or sustainment planning for major weapon systems, and a description of any actions the Secretary may take to revise or clarify regulations and practices related to life-cycle management or sustainment planning for major weapon systems.

SEC. 845. REVISION TO DISTRIBUTION OF ANNUAL REPORT ON OPERATIONAL TEST AND EVALUATION.

Section 139(h) of title 10, United States Code, is amended—

(1) in paragraph (2)—

(A) by inserting "the Secretaries of the military departments," after "Logistics,"; and

(B) by striking "10 days" and all that follows through "title 31" and inserting "January 31 of each year, through January 31, 2021"; and

(2) in paragraph (5), by inserting after "Secretary" the following: "of Defense and the Secretaries of the military departments".

SEC. 846. REPEAL OF MAJOR AUTOMATED INFORMATION SYSTEMS PROVISIONS.

Effective September 30, 2017—

(1) chapter 144A of title 10, United States Code, is repealed;

(2) the tables of chapters at the beginning of subtitle A of such title, and at the beginning of part IV of subtitle A, are amended by striking the item relating to chapter 144A; and

(3) section 2334(a)(2) of title 10, United States Code, is amended by striking "or a major automated information system under chapter 144A of this title".

SEC. 847. REVISIONS TO DEFINITION OF MAJOR DEFENSE ACQUISITION PROGRAM.

(a) IN GENERAL.—Section 2430 of title 10, United States Code, is amended in subsection (a)—

(1) by redesignating paragraphs (1) and (2) as subparagraphs (A) and (B), respectively;

(2) by striking "In this chapter" and inserting "(1) Except as provided under paragraph (2), in this chapter"; and

(3) by adding at the end the following new paragraph:

"(2) In this chapter, the term 'major defense acquisition program' does not include an acquisition program or project that is carried out using the rapid fielding or rapid prototyping acquisition pathway under section 804 of the National Defense Authorization Act for Fiscal Year 2016 (Public Law 114–92; 10 U.S.C. 2302 note).".

(b) ANNUAL REPORTING.—The Secretary of Defense shall include in each comprehensive annual Selected Acquisition Report submitted under section 2432 of title 10, United States Code, a listing of all programs or projects being developed or procured under the exceptions to the definition of major defense acquisition program set forth in paragraph (2) of section 2430(a) of United States Code, as added by subsection (a)(1)(C) of this section.

SEC. 848. ACQUISITION STRATEGY.

Section 2431a of title 10, United States Code, is amended—

(1) in subsection (b), by inserting ", or the milestone decision authority, when the milestone decision authority is the service acquisition executive of the military department that is managing the program," after "the Under Secretary of Defense for Acquisition, Technology, and Logistics";

(2) in subsection (c)—

(A) in paragraph (1), by inserting ", or the milestone decision authority, when the milestone decision authority is the service acquisition executive of the military department that is managing the program," after "the Under Secretary"; and

(B) in paragraph (2)(C), by striking ", in accordance with section 2431b of this title"; and

(3) in subsection (d)—

(A) in paragraph (1), by striking "(1) Subject to the authority, direction, and control of the Under Secretary of Defense for Acquisition, Technology, and Logistics, the" and inserting "The"; and

(B) in paragraph (2), by inserting "because of a change described in paragraph (1)(F)" after "for a program or system".

SEC. 849. IMPROVED LIFE-CYCLE COST CONTROL.

(a) MODIFIED GUIDANCE FOR RAPID FIELDING PATHWAY.—Section 804(c)(3) of the National Defense Authorization Act for Fiscal Year 2016 (Public Law 114–92; 10 U.S.C. 2302 note) is amended—

(1) in subparagraph (C), by striking "; and" and inserting a semicolon;

(2) in subparagraph (D), by striking the period at the end and inserting "; and"; and

(3) by adding at the end the following new subparagraph:

"(E) a process for identifying and exploiting opportunities to use the rapid fielding pathway to reduce total ownership costs.".

(b) LIFE-CYCLE COST MANAGEMENT.—Section 805(2) of such Act (Public Law 114–92; 10 U.S.C. 2302 note) is amended by inserting "life-cycle cost management," after "budgeting,".

(c) SUSTAINMENT REVIEWS.—

(1) IN GENERAL.—Chapter 144 of title 10, United States Code, is amended by adding at the end the following new section:

"§ 2441. Sustainment reviews

"(a) IN GENERAL.—The Secretary of each military department shall conduct a sustainment review of each major weapon system not later than five years after declaration of initial operational capability of a major defense acquisition program and throughout the life cycle of the weapon system to assess the product support strategy, performance, and operation and support costs of the weapon system. For any review after the first one, the Secretary concerned shall use availability and reliability thresholds and cost estimates as the basis for the circumstances that prompt such a review. The results of the sustainment review shall be documented in a memorandum by the relevant decision authority.

"(b) ELEMENTS.—At a minimum, the review required under subsection (a) shall include the following elements:

"(1) An independent cost estimate for the remainder of the life cycle of the program.

"(2) A comparison of actual costs to the amount of funds budgeted and appropriated in the previous five years, and if funding shortfalls exist, an explanation of the implications on equipment availability.

"(3) A comparison between the assumed and achieved system reliabilities.

"(4) An analysis of the most cost-effective source of repairs and maintenance.

"(5) An evaluation of the cost of consumables and depot-level repairables.

"(6) An evaluation of the costs of information technology, networks, computer hardware, and software maintenance and upgrades.

"(7) As applicable, an assessment of the actual fuel efficiencies compared to the projected fuel efficiencies as demonstrated in tests or operations.

"(8) As applicable, a comparison of actual manpower requirements to previous estimates.

"(9) An analysis of whether accurate and complete data are being reported in the cost systems of the military department concerned, and if deficiencies exist, a plan to update the data and ensure accurate and complete data are submitted in the future.

"(c) COORDINATION.—The review required under subsection (a) shall be conducted in coordination with the requirements of section 2337 of this title and section 832 of the National Defense Authorization Act for Fiscal Year 2012 (Public Law 112–81; 10 U.S.C. 2430 note).".

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

"2441. Sustainment reviews.".

(d) COMMERCIAL OPERATIONAL AND SUPPORT SAVINGS INITIATIVE.—

(1) IN GENERAL.—The Secretary of Defense may establish a commercial operational and support savings initiative to improve readiness and reduce operations and support costs by inserting existing commercial items or technology into military legacy systems through the rapid development of prototypes and fielding of production items based on current commercial technology.

(2) PROGRAM PRIORITY.—The commercial operational and support savings initiative shall fund programs that—

(A) reduce the costs of owning and operating a military system, including the costs of personnel, consumables, goods and services, and sustaining the support and investment associated with the peacetime operation of a weapon system;

(B) take advantage of the commercial sector's technological innovations by inserting commercial technology into fielded weapon systems; and

(C) emphasize prototyping and experimentation with new technologies and concepts of operations.

(3) FUNDING PHASES.—

(A) IN GENERAL.—Projects funded under the commercial operational and support savings initiative shall consist of two phases, Phase I and Phase II.

(B) PHASE I.—(i) Funds made available during Phase I shall be used to perform the non-recurring engineering, testing, and qualification that are typically needed to adapt a commercial item or technology for use in a military system.

(ii) Phase I shall include—

(I) establishment of cost and performance metrics to evaluate project success;

(II) establishment of a transition plan and agreement with a military department or Defense Agency for adoption and sustainment of the technology or system; and

(III) the development, fabrication, and delivery of a demonstrated prototype to a military department for installation into a fielded Department of Defense system.

(iii) Programs shall be terminated if no agreement is established within two years of project initiation.

(iv) The Office of the Secretary of Defense may provide up to 50 percent of Phase I funding for a project. The military department or Defense Agency concerned may provide the remainder of Phase I funding, which may be provided out of operation and maintenance funding.

(v) Phase I funding shall not exceed three years.

(vi) Phase I projects shall be selected based on a merit-based process using criteria to be established by the Secretary of Defense.

(C) PHASE II.—(i) Phase II shall include the purchase of limited production quantities of the prototype kits and transition to a program of record for continued sustainment.

(ii) Phase II awards may be made without competition if general solicitation competitive procedures were used for the selection of parties for participation in a Phase I project.

(iii) Phase II awards may be made as firm fixed-price awards.

(4) TREATMENT AS COMPETITIVE PROCEDURES.—The use of a merit-based process for selection of projects under the commercial operational and support savings initiative shall be considered to be the use of competitive procedures for purposes of chapter 137 of title 10, United States Code.

SEC. 850. AUTHORITY TO DESIGNATE INCREMENTS OR BLOCKS OF ITEMS DELIVERED UNDER MAJOR DEFENSE ACQUISITION PROGRAMS AS MAJOR SUBPROGRAMS FOR PURPOSES OF ACQUISITION REPORTING.

Section 2430a(1)(B) of title 10, United States Code, is amended by striking "major defense acquisition program to purchase satellites requires the delivery of satellites in two or more increments

or blocks" and inserting "major defense acquisition program requires the delivery of two or more increments or blocks".

SEC. 851. REPORTING OF SMALL BUSINESS PARTICIPATION ON DEPARTMENT OF DEFENSE PROGRAMS.

(a) REPORT REQUIREMENT.—Not later than March 31 of each year, the Secretary of Defense shall submit to the congressional defense committees a report covering the following matters for the preceding fiscal year:

(1) For each prime contract goal established by section 15(g)(1)(A) of the Small Business Act (15 U.S.C. 644(g)(1)(A)), the total value and percentage of prime contracts awarded by the Department of Defense and attributed to each prime contract goal for prime contracts awarded for major defense acquisition programs.

(2) For each subcontract goal established by section 15(g)(1)(A) of the Small Business Act (15 U.S.C. 644(g)(1)(A)), the total value and percentage of first tier subcontract awards attributed to each subcontract goal for subcontracts awarded in support of prime contracts awarded by the Department of Defense for major defense acquisition programs.

(3) For the prime contract and subcontract goals negotiated with the Department of Defense pursuant to section 15(g)(2) of the Small Business Act (15 U.S.C. 644(g)(2))—

(A) the information reported by the Department of Defense to the Small Business Administration pursuant to section 15(h)(1) of the Small Business Act (15 U.S.C. 644(h)(1)); and

(B) the information required by subparagraph (A) calculated after excluding—

(i) contracts awarded pursuant to chapter 85 of title 41, United States Code (popularly referred to as the Javits-Wagner-O'Day Act);

(ii) contracts awarded to the American Institute in Taiwan;

(iii) contracts awarded and performed outside of the United States;

(iv) acquisition on behalf of foreign governments, entities, or international organizations; and

(v) contracts for major defense acquisition programs.

(b) SUNSET.—The requirement to submit a report under subsection (a) shall not apply after the Secretary submits the report covering fiscal year 2020.

SEC. 852. WAIVER OF CONGRESSIONAL NOTIFICATION FOR ACQUISITION OF TACTICAL MISSILES AND MUNITIONS GREATER THAN QUANTITY SPECIFIED IN LAW.

Section 2308(c) of title 10, United States Code, is amended—

(1) by inserting "(1)" before "The head";

(2) by inserting ", except as provided in paragraph (2)," after "but"; and

(3) by adding at the end the following new paragraph:

"(2) A notification is not required under paragraph (1) if the end item being acquired in a higher quantity is an end item under a tactical missile program or a munitions program.".

SEC. 853. MULTIPLE PROGRAM MULTIYEAR CONTRACT PILOT DEMONSTRATION PROGRAM.

(a) AUTHORITY.—The Secretary of Defense may conduct a multiyear contract, over a period of up to four years, for the purchase of units for multiple defense programs that are produced at common facilities at a high rate, and which maximize commonality, efficiencies, and quality, in order to provide maximum benefit to the Department of Defense. Contracts awarded under this section should allow for significant savings, as determined consistent with the authority under section 2306b of title 10, United States Code, to be achieved as compared to using separate annual contracts under individual programs to purchase such units, and may include flexible delivery across the overall period of performance.

(b) SCOPE.—The contracts authorized in subsection (a) shall at a minimum provide for the acquisition of units from three discrete programs from two of the military departments.

(c) DOCUMENTATION.—Each contract awarded under subsection (a) shall include the documentation required to be provided for a multiyear contract proposal under section 2306b(i) of title 10.

(d) DEFINITIONS.—In this section:

(1) The term "high rate" means total annual production across the multiple defense programs of more than 200 end-items per year.

(2) The term "common facilities" means production facilities operating within the same general and allowable rate structure.

(e) SUNSET.—No new contracts may be awarded under the authority of this section after September 30, 2021.

SEC. 854. KEY PERFORMANCE PARAMETER REDUCTION PILOT PROGRAM.

(a) IN GENERAL.—The Secretary of Defense may carry out a pilot program under which the Secretary may identify at least one acquisition program in each military department for reduction of the total number of key performance parameters established for the program, for purposes of determining whether operational and programmatic outcomes of the program are improved by such reduction.

(b) LIMITATION ON KEY PERFORMANCE PARAMETERS.—Any acquisition program identified for the pilot program carried out under subsection (a) shall establish no more than three key performance parameters, each of which shall describe a program-specific performance attribute. Any key performance parameters for such a program that are required by statute shall be treated as key system attributes.

SEC. 855. MISSION INTEGRATION MANAGEMENT.

(a) IN GENERAL.—The Secretary of Defense shall establish mission integration management activities for each mission area specified in subsection (b).

(b) COVERED MISSION AREAS.—The mission areas specified in this subsection are mission areas that involve multiple Armed Forces and multiple programs and, at a minimum, include the following:

(1) Close air support.

(2) Air defense and offensive and defensive counter-air.

(3) Interdiction.

(4) Intelligence, surveillance, and reconnaissance.

(5) Any other overlapping mission area of significance, as jointly designated by the Deputy Secretary of Defense and the Vice Chairman of the Joint Chiefs of Staff for purposes of this subsection.

(c) QUALIFICATIONS.—Mission integration management activities shall be performed by qualified personnel from the acquisition and operational communities.

(d) RESPONSIBILITIES.—The mission integration management activities for a mission area under this section shall include—

(1) development of technical infrastructure for engineering, analysis, and test, including data, modeling, analytic tools, and simulations;

(2) the conduct of tests, demonstrations, exercises, and focused experiments for compelling challenges and opportunities;

(3) overseeing the implementation of section 2446c of title 10, United States Code;

(4) sponsoring and overseeing research on and development of (including tests and demonstrations) automated tools for composing systems of systems on demand;

(5) developing mission-based inputs for the requirements process, assessment of concepts, prototypes, design options, budgeting and resource allocation, and program and portfolio management; and

(6) coordinating with commanders of the combatant commands on the development of concepts of operation and operational plans.

(e) SCOPE.—The mission integration management activities for a mission area under this subsection shall extend to the supporting elements for the mission area, such as communications, command and control, electronic warfare, and intelligence.

(f) FUNDING.—There is authorized to be made available annually such amounts as the Secretary of Defense determines appropriate from the Rapid Prototyping Fund established under section 804(d) of the National Defense Authorization Act for Fiscal Year 2016 (Public Law 114–92; 10 U.S.C. 2302 note) for mission integration management activities listed in subsection (d).

(g) STRATEGY.—The Secretary of Defense shall submit to the congressional defense committees, at the same time as the budget for the Department of Defense for fiscal year 2018 is submitted to Congress pursuant to section 1105 of title 31, United States Code, a strategy for mission integration management, including a resourcing strategy for mission integration managers to carry out the responsibilities specified in this section.

Subtitle E—Provisions Relating to Acquisition Workforce

SEC. 861. PROJECT MANAGEMENT.

(a) DEPUTY DIRECTOR FOR MANAGEMENT.—

(1) ADDITIONAL FUNCTIONS.—Section 503 of title 31, United States Code, is amended by adding at the end the following:

"(c) PROGRAM AND PROJECT MANAGEMENT.—

"(1) REQUIREMENT.—Subject to the direction and approval of the Director, the Deputy Director for Management or a designee shall—

"(A) adopt governmentwide standards, policies, and guidelines for program and project management for executive agencies;

"(B) oversee implementation of program and project management for the standards, policies, and guidelines established under subparagraph (A);

"(C) chair the Program Management Policy Council established under section 1126(b);

"(D) establish standards and policies for executive agencies, consistent with widely accepted standards for program and project management planning and delivery;

"(E) engage with the private sector to identify best practices in program and project management that would improve Federal program and project management;

"(F) conduct portfolio reviews to address programs identified as high risk by the Government Accountability Office;

"(G) not less than annually, conduct portfolio reviews of agency programs in coordination with Project Management Improvement Officers designated under section 1126(a)(1) to assess the quality and effectiveness of program management; and

"(H) establish a 5-year strategic plan for program and project management.

"(2) APPLICATION TO DEPARTMENT OF DEFENSE.—Paragraph (1) shall not apply to the Department of Defense to the extent that the provisions of that paragraph are substantially similar to or duplicative of—

"(A) the provisions of chapter 87 of title 10; or

"(B) policy, guidance, or instruction of the Department related to program management.".

(2) DEADLINE FOR STANDARDS, POLICIES, AND GUIDELINES.—Not later than 1 year after the date of enactment of this Act, the Deputy Director for Management of the Office of Management and Budget shall issue the standards, policies, and guidelines required under section 503(c) of title 31, United States Code, as added by paragraph (1).

(3) REGULATIONS.—Not later than 90 days after the date on which the standards, policies, and guidelines are issued under paragraph (2), the Deputy Director for Management of the Office of Management and Budget, in consultation with the Program Management Policy Council established under section 1126(b) of title 31, United States Code, as added by subsection (b)(1), and the Director of the Office of Management and Budget, shall issue any regulations as are necessary to implement the requirements of section 503(c) of title 31, United States Code, as added by paragraph (1).

(b) PROGRAM MANAGEMENT IMPROVEMENT OFFICERS AND PROGRAM MANAGEMENT POLICY COUNCIL.—

(1) AMENDMENT.—Chapter 11 of title 31, United States Code, is amended by adding at the end the following:

"§ 1126. Program Management Improvement Officers and Program Management Policy Council

"(a) PROGRAM MANAGEMENT IMPROVEMENT OFFICERS.—

"(1) DESIGNATION.—The head of each agency described in section 901(b) shall designate a senior executive of the agency as the Program Management Improvement Officer of the agency.

"(2) FUNCTIONS.—The Program Management Improvement Officer of an agency designated under paragraph (1) shall—

"(A) implement program management policies established by the agency under section 503(c); and

"(B) develop a strategy for enhancing the role of program managers within the agency that includes the following:

"(i) Enhanced training and educational opportunities for program managers that shall include—

"(I) training in the relevant competencies encompassed with program and project manager within the private sector for program managers; and

"(II) training that emphasizes cost containment for large projects and programs.

"(ii) Mentoring of current and future program managers by experienced senior executives and program managers within the agency.

"(iii) Improved career paths and career opportunities for program managers.

"(iv) A plan to encourage the recruitment and retention of highly qualified individuals to serve as program managers.

"(v) Improved means of collecting and disseminating best practices and lessons learned to enhance program management across the agency.

"(vi) Common templates and tools to support improved data gathering and analysis for program management and oversight purposes.

"(3) APPLICATION TO DEPARTMENT OF DEFENSE.—This subsection shall not apply to the Department of Defense to the extent that the provisions of this subsection are substantially similar to or duplicative of the provisions of chapter 87 of title 10. For purposes of paragraph (1), the Under Secretary of Defense for Acquisition, Technology, and Logistics (or a designee of the Under Secretary) shall be considered the Program Management Improvement Officer.

"(b) PROGRAM MANAGEMENT POLICY COUNCIL.—

"(1) ESTABLISHMENT.—There is established in the Office of Management and Budget a council to be known as the 'Program Management Policy Council' (in this subsection referred to as the 'Council').

"(2) PURPOSE AND FUNCTIONS.—The Council shall act as the principal interagency forum for improving agency practices related to program and project management. The Council shall—

"(A) advise and assist the Deputy Director for Management of the Office of Management and Budget;

"(B) review programs identified as high risk by the Government Accountability Office and make recommendations for actions to be taken by the Deputy Director for

Management of the Office of Management and Budget or a designee;

"(C) discuss topics of importance to the workforce, including—

"(i) career development and workforce development needs;

"(ii) policy to support continuous improvement in program and project management; and

"(iii) major challenges across agencies in managing programs;

"(D) advise on the development and applicability of standards governmentwide for program management transparency; and

"(E) review the information published on the website of the Office of Management and Budget pursuant to section 1122.

"(3) MEMBERSHIP.—

"(A) COMPOSITION.—The Council shall be composed of the following members:

"(i) Five members from the Office of Management and Budget as follows:

"(I) The Deputy Director for Management.

"(II) The Administrator of the Office of Electronic Government.

"(III) The Administrator of Federal Procurement Policy.

"(IV) The Controller of the Office of Federal Financial Management.

"(V) The Director of the Office of Performance and Personnel Management.

"(ii) The Program Management Improvement Officer from each agency described in section 901(b).

"(iii) Any other full-time or permanent part-time officer or employee of the Federal Government or member of the Armed Forces designated by the Chairperson.

"(B) CHAIRPERSON AND VICE CHAIRPERSON.—

"(i) IN GENERAL.—The Deputy Director for Management of the Office of Management and Budget shall be the Chairperson of the Council. A Vice Chairperson shall be elected by the members and shall serve a term of not more than 1 year.

"(ii) DUTIES.—The Chairperson shall preside at the meetings of the Council, determine the agenda of the Council, direct the work of the Council, and establish and direct subgroups of the Council as appropriate.

"(4) MEETINGS.—The Council shall meet not less than twice per fiscal year and may meet at the call of the Chairperson or a majority of the members of the Council.

"(5) SUPPORT.—The head of each agency with a Project Management Improvement Officer serving on the Council shall provide administrative support to the Council, as appropriate, at the request of the Chairperson.".

(2) REPORT REQUIRED.—Not later than 1 year after the date of the enactment of this Act, the Director of the Office of Management and Budget, in consultation with each Program Man-

agement Improvement Officer designated under section 1126(a)(1) of title 31, United States Code, shall submit to Congress a report containing the strategy developed under section 1126(a)(2)(B) of such title, as added by paragraph (1).

(c) PROGRAM AND PROJECT MANAGEMENT PERSONNEL STANDARDS.—

(1) DEFINITION.—In this subsection, the term "agency" means each agency described in section 901(b) of title 31, United States Code, other than the Department of Defense.

(2) REGULATIONS REQUIRED.—Not later than 180 days after the date on which the standards, policies, and guidelines are issued under section 503(c) of title 31, United States Code, as added by subsection (a)(1), the Director of the Office of Personnel Management, in consultation with the Director of the Office of Management and Budget, shall issue regulations that—

(A) identify key skills and competencies needed for a program and project manager in an agency;

(B) establish a new job series, or update and improve an existing job series, for program and project management within an agency; and

(C) establish a new career path for program and project managers within an agency.

(d) GAO REPORT ON EFFECTIVENESS OF POLICIES ON PROGRAM AND PROJECT MANAGEMENT.—Not later than 3 years after the date of enactment of this Act, the Comptroller General of the United States shall issue, in conjunction with the high risk list of the Government Accountability Office, a report examining the effectiveness of the following on improving Federal program and project management:

(1) The standards, policies, and guidelines for program and project management issued under section 503(c) of title 31, United States Code, as added by subsection (a)(1).

(2) The 5-year strategic plan established under section 503(c)(1)(H) of title 31, United States Code, as added by subsection (a)(1).

(3) Program Management Improvement Officers designated under section 1126(a)(1) of title 31, United States Code, as added by subsection (b)(1).

(4) The Program Management Policy Council established under section 1126(b)(1) of title 31, United States Code, as added by subsection (b)(1).

SEC. 862. AUTHORITY TO WAIVE TENURE REQUIREMENT FOR PROGRAM MANAGERS FOR PROGRAM DEFINITION AND PROGRAM EXECUTION PERIODS.

(a) PROGRAM DEFINITION PERIOD.—Section 826(e) of the National Defense Authorization Act for Fiscal Year 2016 (Public Law 114–92) is amended by striking "The Secretary may waive" and inserting "The service acquisition executive, in the case of a major defense acquisition program of a military department, or the Under Secretary of Defense for Acquisition, Technology, and Logistics, in the case of a Defense-wide or Defense Agency major defense acquisition program, may waive".

(b) PROGRAM EXECUTION PERIOD.—Section 827(e) of the National Defense Authorization Act for Fiscal Year 2016 (Public Law 114–92) is amended by striking "The immediate supervisor of a pro-

gram manager for a major defense acquisition program may waive" and inserting "The service acquisition executive, in the case of a major defense acquisition program of a military department, or the Under Secretary of Defense for Acquisition, Technology, and Logistics, in the case of a Defense-wide or Defense Agency major defense acquisition program, may waive".

SEC. 863. PURPOSES FOR WHICH THE DEPARTMENT OF DEFENSE ACQUISITION WORKFORCE DEVELOPMENT FUND MAY BE USED; ADVISORY PANEL AMENDMENTS.

(a) IN GENERAL.—Section 1705 of title 10, United States Code, is amended—

(1) in subsection (e)—

(A) in paragraph (1), by inserting "and to develop acquisition tools and methodologies, and undertake research and development activities, leading to acquisition policies and practices that will improve the efficiency and effectiveness of defense acquisition efforts" after "workforce of the Department"; and

(B) in paragraph (4), by striking "other than for the purpose of" and all that follows through the period at the end and inserting "other than for the purposes of—

"(A) providing advanced training to Department of Defense employees;

"(B) developing acquisition tools and methodologies and performing research on acquisition policies and best practices that will improve the efficiency and effectiveness of defense acquisition efforts; and

"(C) supporting human capital and talent management of the acquisition workforce, including benchmarking studies, assessments, and requirements planning."; and

(2) in subsection (f), by striking "Each report shall include" and all that follows through the period at the end of paragraph (5).

(b) TECHNICAL AMENDMENTS.—Such section is further amended—

(1) in subsection (d)(2)(C), by striking "in each" and inserting "in such";

(2) in subsection (f)—

(A) by striking "Not later than 120 days after the end of each fiscal year" and inserting "Not later than February 1 each year"; and

(B) by striking "such fiscal year" the first place it appears and inserting "the preceding fiscal year"; and

(3) in subsection (g)(1)—

(A) by striking "of of" and inserting "of"; and

(B) by striking ", as defined in subsection (h),".

(c) LIMITATION ON AVAILABILITY OF FUNDS FOR CERTAIN PURPOSES.—Of the amounts authorized to be appropriated by this Act or otherwise made available for fiscal year 2017, not more than $35,000,000 may be obligated or expended for the purposes set forth in subparagraphs (B) and (C) of section 1705(e)(4) of title 10, United States Code, as added by subsection (a).

(d) AMENDMENTS TO ADVISORY PANEL ON STREAMLINING AND CODIFYING ACQUISITION REGULATIONS.—Section 809 of the Na-

tional Defense Authorization Act for Fiscal Year 2016 (Public Law 114–92; 129 Stat. 889) is amended—

(1) by amending subsection (a) to read as follows:

"(a) ESTABLISHMENT.—The Secretary of Defense shall establish an independent advisory panel on streamlining acquisition regulations. The panel shall be supported by the Defense Acquisition University and the National Defense University, including administrative support."; and

(2) in subsection (d)—

(A) in paragraph (1), by striking "and analysis" and inserting ", analysis, and logistics support"; and

(B) by adding at the end the following new paragraph:

"(3) AUTHORITIES.—The panel shall have the authorities provided in section 3161 of title 5, United States Code.".

SEC. 864. DEPARTMENT OF DEFENSE ACQUISITION WORKFORCE DEVELOPMENT FUND DETERMINATION ADJUSTMENT.

(a) CREDIT TO RAPID PROTOTYPING FUND.—Notwithstanding section 1705(d)(2)(B) of title 10, United States Code, of the funds credited to the Department of Defense Acquisition Workforce Development Fund in fiscal year 2017 pursuant to such section, $225,000,000 shall be transferred to the Rapid Prototyping Fund established under section 804(d) of the National Defense Authorization Act for Fiscal Year 2016 (Public Law 114–92; 10 U.S.C. 2302 note). Of the $225,000,000 so transferred, $75,000,000 shall be credited to each of the military department-specific funds established under section 804(d)(2) of such Act (as added by section 897 of this Act).

(b) TECHNICAL AND CONFORMING AMENDMENTS.—Section 804(d)(1) of the National Defense Authorization Act for Fiscal Year 2016 (Public Law 114–92; 10 U.S.C. 2302 note) is amended—

(1) in the first sentence, by inserting a comma after "may be available";

(2) at the end of the first sentence, by inserting before the period the following: "and other purposes specified in law"; and

(3) in the last sentence, by striking "shall consist of" and all that follows through "this Act." and inserting the following: "shall consist of—

"(i) amounts appropriated to the Fund;

"(ii) amounts credited to the Fund pursuant to section 828 of this Act; and

"(iii) any other amounts appropriated to, credited to, or transferred to the Fund.".

SEC. 865. LIMITATIONS ON FUNDS USED FOR STAFF AUGMENTATION CONTRACTS AT MANAGEMENT HEADQUARTERS OF THE DEPARTMENT OF DEFENSE AND THE MILITARY DEPARTMENTS.

(a) LIMITATIONS.—

(1) FOR FISCAL YEARS 2017 AND 2018.—The total amount obligated by the Department of Defense for fiscal year 2017 or 2018 for contract services for staff augmentation contracts at management headquarters of the Department and the military departments may not exceed an amount equal to the aggregate amount expended by the Department for contract services for staff augmentation contracts at management headquarters of the Department and the military departments in fiscal year

2016 adjusted for net transfers from funding for overseas contingency operations (in this subsection referred to as the "fiscal year 2016 staff augmentation contracts funding amount").

(2) FOR FISCAL YEARS 2018 THROUGH 2022.—The total amount obligated by the Department for any fiscal year after fiscal year 2018 and before fiscal year 2023 for contract services for staff augmentation contracts at management headquarters of the Department and the military departments may not exceed an amount equal to 75 percent of the fiscal year 2016 staff augmentation contracts funding amount.

(b) DEFINITIONS.—In this section:

(1) The term "contract services" has the meaning given that term in section 235 of title 10, United States Code.

(2) The term "staff augmentation contracts" means services contracts for personnel who are physically present in a Government work space on a full-time or permanent part-time basis, for the purpose of advising on, providing support to, or assisting a Government agency in the performance of the agency's missions, including authorized personal services contracts (as that term is defined in section 2330a(g)(5) of title 10, United States Code).

SEC. 866. SENIOR MILITARY ACQUISITION ADVISORS IN THE DEFENSE ACQUISITION CORPS.

(a) POSITIONS.—

(1) IN GENERAL.—Subchapter II of chapter 87 of title 10, United States Code, is amended by adding at the end the following new section:

"§ 1725. Senior Military Acquisition Advisors

"(a) POSITION.—

"(1) IN GENERAL.—The Secretary of Defense may establish in the Defense Acquisition Corps a position to be known as 'Senior Military Acquisition Advisor'.

"(2) APPOINTMENT.—A Senior Military Acquisition Advisor shall be appointed by the President, by and with the advice and consent of the Senate.

"(3) SCOPE OF POSITION.—An officer who is appointed as a Senior Military Acquisition Advisor—

"(A) shall serve as an advisor to, and provide senior level acquisition expertise to, the service acquisition executive of that officer's military department in accordance with this section; and

"(B) shall be assigned as an adjunct professor at the Defense Acquisition University.

"(b) CONTINUATION ON ACTIVE DUTY.—An officer who is appointed as a Senior Military Acquisition Advisor may continue on active duty while serving in such position without regard to any mandatory retirement date that would otherwise be applicable to that officer by reason of years of service or age. An officer who is continued on active duty pursuant to this section is not eligible for consideration for selection for promotion.

"(c) RETIRED GRADE.—Upon retirement, an officer who is a Senior Military Acquisition Advisor may, in the discretion of the President, be retired in the grade of brigadier general or rear admiral (lower half) if—

"(1) the officer has served as a Senior Military Acquisition Advisor for a period of not less than three years; and

"(2) the officer's service as a Senior Military Acquisition Advisor has been distinguished.

"(d) SELECTION AND TENURE.—

"(1) IN GENERAL.—Selection of an officer for recommendation for appointment as a Senior Military Acquisition Advisor shall be made competitively, and shall be based upon demonstrated experience and expertise in acquisition.

"(2) OFFICERS ELIGIBLE.—Officers shall be selected for recommendation for appointment as Senior Military Acquisition Advisors from among officers of the Defense Acquisition Corps who are serving in the grade of colonel or, in the case of the Navy, captain, and who have at least 12 years of acquisition experience. An officer selected for recommendation for appointment as a Senior Military Acquisition Advisor shall have at least 30 years of active commissioned service at the time of appointment.

"(3) TERM.—The appointment of an officer as a Senior Military Acquisition Advisor shall be for a term of not longer than five years.

"(e) LIMITATION.—

"(1) LIMITATION ON NUMBER AND DISTRIBUTION.—There may not be more than 15 Senior Military Acquisition Advisors at any time, of whom—

"(A) not more than five may be officers of the Army;

"(B) not more than five may be officers of the Navy and Marine Corps; and

"(C) not more than five may be officers of the Air Force.

"(2) NUMBER IN EACH MILITARY DEPARTMENT.—Subject to paragraph (1), the number of Senior Military Acquisition Advisors for each military department shall be as required and identified by the service acquisition executive of such military department and approved by the Under Secretary of Defense for Acquisition, Technology, and Logistics.

"(f) ADVICE TO SERVICE ACQUISITION EXECUTIVE.—An officer who is a Senior Military Acquisition Advisor shall have as the officer's primary duty providing strategic, technical, and programmatic advice to the service acquisition executive of the officer's military department on matters pertaining to the Defense Acquisition System, including matters pertaining to procurement, research and development, advanced technology, test and evaluation, production, program management, systems engineering, and lifecycle logistics.".

(2) CLERICAL AMENDMENT.—The table of sections at the beginning of subchapter II of chapter 87 of such title is amended by adding at the end the following new item:

"1725. Senior Military Acquisition Advisors.".

(b) EXCLUSION FROM OFFICER GRADE-STRENGTH LIMITATIONS.—Section 523(b) of such title is amended by adding at the end the following new paragraph:

"(9) Officers who are Senior Military Acquisition Advisors under section 1725 of this title, but not to exceed 15.".

SEC. 867. AUTHORITY OF THE SECRETARY OF DEFENSE UNDER THE ACQUISITION DEMONSTRATION PROJECT.

(a) AMENDMENT.—Section 1762(b) of title 10, United States Code, is amended by adding at the end the following new paragraph:

"(4) The Secretary of Defense shall exercise the authorities granted to the Office of Personnel Management under section 4703 of title 5 for purposes of the demonstration project authorized under this section.".

(b) EFFECTIVE DATE.—Paragraph (4) of section 1762(b) of title 10, United States Code, as added by subsection (a), shall take effect on the first day of the first month beginning 60 days after the date of the enactment of this Act.

Subtitle F—Provisions Relating to Commercial Items

SEC. 871. MARKET RESEARCH FOR DETERMINATION OF PRICE REASONABLENESS IN ACQUISITION OF COMMERCIAL ITEMS.

Section 2377 of title 10, United States Code, is amended—

(1) by redesignating subsection (d) as subsection (e), and in that subsection by striking "subsection (c)" and inserting "subsections (c) and (d)"; and

(2) by inserting after subsection (c) the following new subsection (d):

"(d) MARKET RESEARCH FOR PRICE ANALYSIS.—The Secretary of Defense shall ensure that procurement officials in the Department of Defense conduct or obtain market research to support the determination of the reasonableness of price for commercial items contained in any bid or offer submitted in response to an agency solicitation. To the extent necessary to support such market research, the procurement official for the solicitation—

"(1) in the case of items acquired under section 2379 of this title, shall use information submitted under subsection (d) of that section; and

"(2) in the case of other items, may require the offeror to submit relevant information.".

SEC. 872. VALUE ANALYSIS FOR THE DETERMINATION OF PRICE REASONABLENESS.

Subsection 2379(d) of title 10, United States Code, is amended—

(1) by redesignating paragraph (2) as paragraph (3); and

(2) by inserting after paragraph (1) the following new paragraph (2):

"(2) An offeror may submit information or analysis relating to the value of a commercial item to aid in the determination of the reasonableness of the price of such item. A contracting officer may consider such information or analysis in addition to the information submitted pursuant to paragraphs (1)(A) and (1)(B).".

SEC. 873. CLARIFICATION OF REQUIREMENTS RELATING TO COMMERCIAL ITEM DETERMINATIONS.

Paragraphs (1) and (2) of section 2380 of title 10, United States Code, are amended to read as follows:

"(1) establish and maintain a centralized capability with necessary expertise and resources to provide assistance to the military departments and Defense Agencies in making commercial item determinations, conducting market research, and per-

forming analysis of price reasonableness for the purposes of procurements by the Department of Defense; and

"(2) provide to officials of the Department of Defense access to previous Department of Defense commercial item determinations, market research, and analysis used to determine the reasonableness of price for the purposes of procurements by the Department of Defense.".

SEC. 874. INAPPLICABILITY OF CERTAIN LAWS AND REGULATIONS TO THE ACQUISITION OF COMMERCIAL ITEMS AND COMMERCIALLY AVAILABLE OFF-THE-SHELF ITEMS.

(a) AMENDMENT TO TITLE 10, UNITED STATES CODE.—Section 2375 of title 10, United States Code, is amended to read as follows:

"§ 2375. Relationship of commercial item provisions to other provisions of law

"(a) APPLICABILITY OF GOVERNMENT-WIDE STATUTES.—(1) No contract for the procurement of a commercial item entered into by the head of an agency shall be subject to any law properly listed in the Federal Acquisition Regulation pursuant to section 1906(b) of title 41.

"(2) No subcontract under a contract for the procurement of a commercial item entered into by the head of an agency shall be subject to any law properly listed in the Federal Acquisition Regulation pursuant to section 1906(c) of title 41.

"(3) No contract for the procurement of a commercially available off-the-shelf item entered into by the head of an agency shall be subject to any law properly listed in the Federal Acquisition Regulation pursuant to section 1907 of title 41.

"(b) APPLICABILITY OF DEFENSE-UNIQUE STATUTES TO CONTRACTS FOR COMMERCIAL ITEMS.—(1) The Defense Federal Acquisition Regulation Supplement shall include a list of defense-unique provisions of law and of contract clause requirements based on government-wide acquisition regulations, policies, or executive orders not expressly authorized in law that are inapplicable to contracts for the procurement of commercial items. A provision of law or contract clause requirement properly included on the list pursuant to paragraph (2) does not apply to purchases of commercial items by the Department of Defense. This section does not render a provision of law or contract clause requirement not included on the list inapplicable to contracts for the procurement of commercial items.

"(2) A provision of law or contract clause requirement described in subsection (e) that is enacted after January 1, 2015, shall be included on the list of inapplicable provisions of law and contract clause requirements required by paragraph (1) unless the Under Secretary of Defense for Acquisition, Technology, and Logistics makes a written determination that it would not be in the best interest of the Department of Defense to exempt contracts for the procurement of commercial items from the applicability of the provision or contract clause requirement.

"(c) APPLICABILITY OF DEFENSE-UNIQUE STATUTES TO SUBCONTRACTS FOR COMMERCIAL ITEMS.—(1) The Defense Federal Acquisition Regulation Supplement shall include a list of provisions of law and of contract clause requirements based on government-wide acquisition regulations, policies, or executive orders not expressly authorized in law that are inapplicable to subcontracts

under a Department of Defense contract or subcontract for the procurement of commercial items. A provision of law or contract clause requirement properly included on the list pursuant to paragraph (2) does not apply to those subcontracts. This section does not render a provision of law or contract clause requirement not included on the list inapplicable to subcontracts under a contract for the procurement of commercial items.

"(2) A provision of law or contract clause requirement described in subsection (e) shall be included on the list of inapplicable provisions of law and contract clause requirements required by paragraph (1) unless the Under Secretary of Defense for Acquisition, Technology, and Logistics makes a written determination that it would not be in the best interest of the Department of Defense to exempt subcontracts under a contract for the procurement of commercial items from the applicability of the provision or contract clause requirement.

"(3) In this subsection, the term 'subcontract' includes a transfer of commercial items between divisions, subsidiaries, or affiliates of a contractor or subcontractor. The term does not include agreements entered into by a contractor for the supply of commodities that are intended for use in the performance of multiple contracts with the Department of Defense and other parties and are not identifiable to any particular contract.

"(4) This subsection does not authorize the waiver of the applicability of any provision of law or contract clause requirement with respect to any first-tier subcontract under a contract with a prime contractor reselling or distributing commercial items of another contractor without adding value.

"(d) APPLICABILITY OF DEFENSE-UNIQUE STATUTES TO CONTRACTS FOR COMMERCIALLY AVAILABLE, OFF-THE-SHELF ITEMS.—(1) The Defense Federal Acquisition Regulation Supplement shall include a list of provisions of law and of contract clause requirements based on government-wide acquisition regulations, policies, or executive orders not expressly authorized in law that are inapplicable to contracts for the procurement of commercially available off-the-shelf items. A provision of law or contract clause requirement properly included on the list pursuant to paragraph (2) does not apply to Department of Defense contracts for the procurement of commercially available off-the-shelf items. This section does not render a provision of law or contract clause requirement not included on the list inapplicable to contracts for the procurement of commercially available off-the-shelf items.

"(2) A provision of law or contract clause requirement described in subsection (e) shall be included on the list of inapplicable provisions of law and contract clause requirements required by paragraph (1) unless the Under Secretary of Defense for Acquisition, Technology, and Logistics makes a written determination that it would not be in the best interest of the Department of Defense to exempt contracts for the procurement of commercially available off-the-shelf items from the applicability of the provision or contract clause requirement.

"(e) COVERED PROVISION OF LAW OR CONTRACT CLAUSE REQUIREMENT.—A provision of law or contract clause requirement referred to in subsections (b)(2), (c)(2), and (d)(2) is a provision of law or contract clause requirement that the Under Secretary of Defense

for Acquisition, Technology, and Logistics determines sets forth policies, procedures, requirements, or restrictions for the procurement of property or services by the Federal Government, except for a provision of law or contract clause requirement that—

"(1) provides for criminal or civil penalties;

"(2) requires that certain articles be bought from American sources pursuant to section 2533a of this title, or requires that strategic materials critical to national security be bought from American sources pursuant to section 2533b of this title; or

"(3) specifically refers to this section and provides that, notwithstanding this section, it shall be applicable to contracts for the procurement of commercial items.".

(b) CHANGES TO DEFENSE FEDERAL ACQUISITION REGULATION SUPPLEMENT.—

(1) IN GENERAL.—To the maximum extent practicable, the Under Secretary of Defense for Acquisition, Technology, and Logistics shall ensure that—

(A) the Defense Federal Acquisition Regulation Supplement does not require the inclusion of contract clauses in contracts for the procurement of commercial items or contracts for the procurement of commercially available off-the-shelf items, unless such clauses are—

(i) required to implement provisions of law or executive orders applicable to such contracts; or

(ii) determined to be consistent with standard commercial practice; and

(B) the flow-down of contract clauses to subcontracts under contracts for the procurement of commercial items or commercially available off-the-shelf items is prohibited unless such flow-down is required to implement provisions of law or executive orders applicable to such subcontracts.

(2) SUBCONTRACTS.—In this subsection, the term "subcontract" includes a transfer of commercial items between divisions, subsidiaries, or affiliates of a contractor or subcontractor. The term does not include agreements entered into by a contractor for the supply of commodities that are intended for use in the performance of multiple contracts with the Department of Defense and other parties and are not identifiable to any particular contract.

SEC. 875. USE OF COMMERCIAL OR NON-GOVERNMENT STANDARDS IN LIEU OF MILITARY SPECIFICATIONS AND STANDARDS.

(a) IN GENERAL.—The Secretary of Defense shall ensure that the Department of Defense uses commercial or non-Government specifications and standards in lieu of military specifications and standards, including for procuring new systems, major modifications, upgrades to current systems, non-developmental and commercial items, and programs in all acquisition categories, unless no practical alternative exists to meet user needs. If it is not practicable to use a commercial or non-Government standard, a Government-unique specification may be used.

(b) LIMITED USE OF MILITARY SPECIFICATIONS.—

(1) IN GENERAL.—Military specifications shall be used in procurements only to define an exact design solution when there is no acceptable commercial or non-Government standard or

when the use of a commercial or non-Government standard is not cost effective.

(2) WAIVER.—A waiver for the use of military specifications in accordance with paragraph (1) shall be approved by either the appropriate milestone decision authority, the appropriate service acquisition executive, or the Under Secretary of Defense for Acquisition, Technology, and Logistics.

(c) REVISION TO DFARS.—Not later than 180 days after the date of the enactment of this Act, the Under Secretary of Defense for Acquisition, Technology, and Logistics shall revise the Defense Federal Acquisition Regulation Supplement to encourage contractors to propose commercial or non-Government standards and industry-wide practices that meet the intent of the military specifications and standards.

(d) DEVELOPMENT OF NON-GOVERNMENT STANDARDS.—The Under Secretary for Acquisition, Technology, and Logistics shall form partnerships with appropriate industry associations to develop commercial or non-Government standards for replacement of military specifications and standards where practicable.

(e) EDUCATION, TRAINING, AND GUIDANCE.—The Under Secretary of Defense for Acquisition, Technology, and Logistics shall ensure that training, education, and guidance programs throughout the Department are revised to incorporate specifications and standards reform.

(f) LICENSES.—The Under Secretary of Defense for Acquisition, Technology, and Logistics shall negotiate licenses for standards to be used across the Department of Defense and shall maintain an inventory of such licenses that is accessible to other Department of Defense organizations.

SEC. 876. PREFERENCE FOR COMMERCIAL SERVICES.

Not later than 90 days after the date of the enactment of this Act, the Secretary of Defense shall revise the guidance issued pursuant to section 855 of the National Defense Authorization Act for Fiscal Year 2016 (Public Law 114–92; 10 U.S.C. 2377 note) to provide that—

(1) the head of an agency may not enter into a contract in excess of $10,000,000 for facilities-related services, knowledge-based services (except engineering services), construction services, medical services, or transportation services that are not commercial services unless the service acquisition executive of the military department concerned, the head of the Defense Agency concerned, the commander of the combatant command concerned, or the Under Secretary of Defense for Acquisition, Technology, and Logistics (as applicable) determines in writing that no commercial services are suitable to meet the agency's needs as provided in section 2377(c)(2) of title 10, United States Code; and

(2) the head of an agency may not enter into a contract in an amount above the simplified acquisition threshold and below $10,000,000 for facilities-related services, knowledge-based services (except engineering services), construction services, medical services, or transportation services that are not commercial services unless the contracting officer determines in writing that no commercial services are suitable to meet the agency's needs as provided in section 2377(c)(2) of such title.

SEC. 877. TREATMENT OF COMMINGLED ITEMS PURCHASED BY CONTRACTORS AS COMMERCIAL ITEMS.

(a) IN GENERAL.—Chapter 140 of title 10, United States Code, is amended by adding at the end the following new section:

"§ 2380B. Treatment of commingled items purchased by contractors as commercial items

"Notwithstanding 2376(1) of this title, items valued at less than $10,000 that are purchased by a contractor for use in the performance of multiple contracts with the Department of Defense and other parties and are not identifiable to any particular contract shall be treated as a commercial item for purposed of this chapter.".

(b) CLERICAL AMENDMENT.—The table of sections for such chapter is amended by inserting after the item relating to section 2380A the following new item:

"2380B. Treatment of items purchased prior to release of prime contract requests for proposals as commercial items.".

SEC. 878. TREATMENT OF SERVICES PROVIDED BY NONTRADITIONAL CONTRACTORS AS COMMERCIAL ITEMS.

(a) IN GENERAL.—Section 2380A of title 10, United States Code, is amended—

(1) by striking "Notwithstanding" and inserting the following:

"(a) GOODS AND SERVICES PROVIDED BY NONTRADITIONAL DEFENSE CONTRACTORS.—Notwithstanding"; and

(2) by adding at the end the following new subsection:

"(b) SERVICES PROVIDED BY CERTAIN NONTRADITIONAL CONTRACTORS.—Notwithstanding section 2376(1) of this title, services provided by a business unit that is a nontraditional defense contractor (as that term is defined in section 2302(9) of this title) shall be treated as commercial items for purposes of this chapter, to the extent that such services use the same pool of employees as used for commercial customers and are priced using methodology similar to methodology used for commercial pricing.".

(b) CONFORMING AMENDMENTS.—

(1) SECTION HEADING.—Section 2380A of title 10, United States Code, as amended by subsection (a), is further amended by striking the section heading and inserting the following:

"§ 2380a. Treatment of certain items as commercial items".

(2) TABLE OF SECTIONS.—The table of sections at the beginning of chapter 140 of title 10, United States Code, is amended by striking the item relating to section 2380A and inserting the following new item:

"2380a. Treatment of certain items as commercial items.".

SEC. 879. DEFENSE PILOT PROGRAM FOR AUTHORITY TO ACQUIRE INNOVATIVE COMMERCIAL ITEMS, TECHNOLOGIES, AND SERVICES USING GENERAL SOLICITATION COMPETITIVE PROCEDURES.

(a) AUTHORITY.—The Secretary of Defense and the Secretaries of the military departments may carry out a pilot program, to be known as the "defense commercial solutions opening pilot program", under which the Secretary may acquire innovative commercial items, technologies, and services through a competitive selection of proposals resulting from a general solicitation and the peer review of such proposals.

(b) TREATMENT AS COMPETITIVE PROCEDURES.—Use of general solicitation competitive procedures for the pilot program under subsection (a) shall be considered to be use of competitive procedures for purposes of chapter 137 of title 10, United States Code.

(c) LIMITATIONS.—

(1) IN GENERAL.—The Secretary may not enter into a contract or agreement under the pilot program for an amount in excess of $100,000,000 without a written determination from the Under Secretary for Acquisition, Logistics, and Technology or the relevant service acquisition executive of the efficacy of the effort to meet mission needs of the Department of Defense or the relevant military department.

(2) FIXED-PRICE REQUIREMENT.—Contracts or agreements entered into under the program shall be fixed-price, including fixed-price incentive fee contracts.

(3) TREATMENT AS COMMERCIAL ITEMS.—Notwithstanding section 2376(1) of title 10, United States Code, items, technologies, and services acquired under the pilot program shall be treated as commercial items.

(d) GUIDANCE.—Not later than six months after the date of the enactment of this Act, the Secretary shall issue guidance for the implementation of the pilot program under this section within the Department of Defense. Such guidance shall be issued in consultation with the Director of the Office of Management and Budget and shall be posted for access by the public.

(e) CONGRESSIONAL NOTIFICATION REQUIRED.—

(1) IN GENERAL.—Not later than 45 days after the award of a contract for an amount exceeding $100,000,000 using the authority in subsection (a), the Secretary of Defense shall notify the congressional defense committees of such award.

(2) ELEMENTS.—Notice of an award under paragraph (1) shall include the following:

(A) Description of the innovative commercial item, technology, or service acquired.

(B) Description of the requirement, capability gap, or potential technological advancement with respect to which the innovative commercial item, technology, or service acquired provides a solution or a potential new capability.

(C) Amount of the contract awarded.

(D) Identification of contractor awarded the contract.

(f) DEFINITION.—In this section, the term "innovative" means—

(1) any technology, process, or method, including research and development, that is new as of the date of submission of a proposal; or

(2) any application that is new as of the date of submission of a proposal of a technology, process, or method existing as of such date.

(g) SUNSET.—The authority to enter into contracts under the pilot program shall expire on September 30, 2022.

SEC. 880. PILOT PROGRAMS FOR AUTHORITY TO ACQUIRE INNOVATIVE COMMERCIAL ITEMS USING GENERAL SOLICITATION COMPETITIVE PROCEDURES.

(a) AUTHORITY.—

(1) IN GENERAL.—The head of an agency may carry out a pilot program, to be known as a "commercial solutions opening

pilot program", under which innovative commercial items may be acquired through a competitive selection of proposals resulting from a general solicitation and the peer review of such proposals.

(2) HEAD OF AN AGENCY.—In this section, the term "head of an agency" means the following:

(A) The Secretary of Homeland Security.

(B) The Administrator of General Services.

(3) APPLICABILITY OF SECTION.—This section applies to the following agencies:

(A) The Department of Homeland Security.

(B) The General Services Administration.

(b) TREATMENT AS COMPETITIVE PROCEDURES.—Use of general solicitation competitive procedures for the pilot program under subsection (a) shall be considered, in the case of the Department of Homeland Security and the General Services Administration, to be use of competitive procedures for purposes of division C of title 41, United States Code (as defined in section 152 of such title).

(c) LIMITATION.—The head of an agency may not enter into a contract under the pilot program for an amount in excess of $10,000,000.

(d) GUIDANCE.—The head of an agency shall issue guidance for the implementation of the pilot program under this section within that agency. Such guidance shall be issued in consultation with the Office of Management and Budget and shall be posted for access by the public.

(e) REPORT REQUIRED.—

(1) IN GENERAL.—Not later than three years after the date of the enactment of this Act, the head of an agency shall submit to the congressional committees specified in paragraph (3) a report on the activities the agency carried out under the pilot program.

(2) ELEMENTS OF REPORT.—Each report under this subsection shall include the following:

(A) An assessment of the impact of the pilot program on competition.

(B) A comparison of acquisition timelines for—

(i) procurements made using the pilot program; and

(ii) procurements made using other competitive procedures that do not use general solicitations.

(C) A recommendation on whether the authority for the pilot program should be made permanent.

(3) SPECIFIED CONGRESSIONAL COMMITTEES.—The congressional committees specified in this paragraph are the Committee on Homeland Security and Governmental Affairs of the Senate and the Committee on Oversight and Government Reform of the House of Representatives.

(f) INNOVATIVE DEFINED.—In this section, the term "innovative" means—

(1) any new technology, process, or method, including research and development; or

(2) any new application of an existing technology, process, or method.

(g) TERMINATION.—The authority to enter into a contract under a pilot program under this section terminates on September 30, 2022.

Subtitle G—Industrial Base Matters

SEC. 881. GREATER INTEGRATION OF THE NATIONAL TECHNOLOGY AND INDUSTRIAL BASE.

(a) PLAN REQUIRED.—Not later than January 1, 2018, the Secretary of Defense shall develop a plan to reduce the barriers to the seamless integration between the persons and organizations that comprise the national technology and industrial base (as defined in section 2500 of title 10, United States Code). The plan shall include at a minimum the following elements:

(1) A description of the various components of the national technology and industrial base, including government entities, universities, nonprofit research entities, nontraditional and commercial item contractors, and private contractors that conduct commercial and military research, produce commercial items that could be used by the Department of Defense, and produce items designated and controlled under section 38 of the Arms Export Control Act (also known as the "United States Munitions List").

(2) Identification of the barriers to the seamless integration of the transfer of knowledge, goods, and services among the persons and organizations of the national technology and industrial base.

(3) Identification of current authorities that could contribute to further integration of the persons and organizations of the national technology and industrial base, and a plan to maximize the use of those authorities.

(4) Identification of changes in export control rules, procedures, and laws that would enhance the civil-military integration policy objectives set forth in section 2501(b) of title 10, United States Code, for the national technology and industrial base to increase the access of the Armed Forces to commercial products, services, and research and create incentives necessary for nontraditional and commercial item contractors, universities, and nonprofit research entities to modify commercial products or services to meet Department of Defense requirements.

(5) Recommendations for increasing integration of the national technology and industrial base that supplies defense articles to the Armed Forces and enhancing allied interoperability of forces through changes to the text or the implementation of—

(A) section 126.5 of title 22, Code of Federal Regulations (relating to exemptions that are applicable to Canada under the International Traffic in Arms Regulations);

(B) the Treaty Between the Government of the United States of America and the Government of Australia Concerning Defense Trade Cooperation, done at Sydney on September 5, 2007;

(C) the Treaty Between the Government of the United States of America and the Government of the United Kingdom of Great Britain and Northern Ireland Concerning De-

fense Trade Cooperation, done at Washington and London on June 21 and 26, 2007; and

(D) any other agreements among the countries comprising the national technology and industrial base.

(b) AMENDMENT TO DEFINITION OF NATIONAL TECHNOLOGY AND INDUSTRIAL BASE.—Section 2500(1) of title 10, United States Code, is amended by inserting ", the United Kingdom of Great Britain and Northern Ireland, Australia," after "United States".

(c) REPORTING REQUIREMENT.—The Secretary of Defense shall report on the progress of implementing the plan in subsection (a) in the report required under section 2504 of title 10, United States Code.

SEC. 882. INTEGRATION OF CIVIL AND MILITARY ROLES IN ATTAINING NATIONAL TECHNOLOGY AND INDUSTRIAL BASE OBJECTIVES.

Section 2501(b) of title 10, United States Code, is amended by striking "It is the policy of Congress that the United States attain" and inserting "The Secretary of Defense shall ensure that the United States attains".

SEC. 883. PILOT PROGRAM FOR DISTRIBUTION SUPPORT AND SERVICES FOR WEAPON SYSTEMS CONTRACTORS.

(a) AUTHORITY.—The Secretary of Defense may carry out a six-year pilot program under which the Secretary may make available storage and distribution services support to a contractor in support of the performance by the contractor of a contract for the production, modification, maintenance, or repair of a weapon system that is entered into by the Department of Defense.

(b) SUPPORT CONTRACTS.—

(1) IN GENERAL.—Any storage and distribution services to be provided under the pilot program under this section to a contractor in support of the performance of a contract described in subsection (a) shall be provided under a separate contract that is entered into by the Director of the Defense Logistics Agency with that contractor. The requirements of section 2208(h) of title 10, United States Code, and the regulations prescribed pursuant to such section shall apply to any such separate support contract between the Director of the Defense Logistics Agency and the contractor.

(2) LIMITATION.—Not more than five support contracts between the Director and the contractor may be awarded under the pilot program.

(c) SCOPE OF SUPPORT AND SERVICES.—The storage and distribution support services that may be provided under this section in support of the performance of a contract described in subsection (a) are storage and distribution of materiel and repair parts necessary for the performance of that contract.

(d) REGULATIONS.—Before exercising the authority under the pilot program under this section, the Secretary of Defense shall prescribe in regulations such requirements, conditions, and restrictions as the Secretary determines appropriate to ensure that storage and distribution services are provided under the pilot program only when it is in the best interests of the United States to do so. The regulations shall include, at a minimum, the following:

(1) A requirement for the solicitation of offers for a contract described in subsection (a), for which storage and distribution

services are to be made available under the pilot program, including—

(A) a statement that the storage and distribution services are to be made available under the authority of the pilot program under this section to any contractor awarded the contract, but only on a basis that does not require acceptance of the support and services; and

(B) a description of the range of the storage and distribution services that are to be made available to the contractor.

(2) A requirement for the rates charged a contractor for storage and distribution services provided to a contractor under the pilot program to reflect the full cost to the United States of the resources used in providing the support and services, including the costs of resources used, but not paid for, by the Department of Defense.

(3) With respect to a contract described in subsection (a) that is being performed for a department or agency outside the Department of Defense, a prohibition, in accordance with applicable contracting procedures, on the imposition of any charge on that department or agency for any effort of Department of Defense personnel or the contractor to correct deficiencies in the performance of such contract.

(4) A prohibition on the imposition of any charge on a contractor for any effort of the contractor to correct a deficiency in the performance of storage and distribution services provided to the contractor under this section.

(5) A requirement that storage and distribution services provided under the pilot program may not interfere with the mission of the Defense Logistics Agency or of any military department involved with the pilot program.

(6) A requirement that any support contract for storage and distribution services entered into under the pilot program shall include a clause to indemnify the Government against any failure by the contractor to perform the support contract, and to remain responsible for performance of the primary contract.

(e) RELATIONSHIP TO TREATY OBLIGATIONS.—The Secretary shall ensure that the exercise of authority under the pilot program under this section does not conflict with any obligation of the United States under any treaty or other international agreement.

(f) REPORTS.—

(1) SECRETARY OF DEFENSE.—Not later than the end of the fourth year of operation of the pilot program, the Secretary of Defense shall submit to the Committees on Armed Services of the Senate and House of Representatives a report describing—

(A) the cost effectiveness for both the Government and industry of the pilot program; and

(B) how support contracts under the pilot program affected meeting the requirements of primary contracts.

(2) COMPTROLLER GENERAL.—Not later than the end of the fifth year of operation of the pilot program, the Comptroller General of the United States shall review the report of the Secretary under paragraph (1) for sufficiency and provide such recommendations in a report to the Committees on Armed Services

of the Senate and House of Representatives as the Comptroller General considers appropriate.

(g) SUNSET.—The authority to enter into contracts under the pilot program shall expire six years after the date of the enactment of this Act. Any contracts entered into before such date shall continue in effect according to their terms.

SEC. 884. NONTRADITIONAL AND SMALL CONTRACTOR INNOVATION PROTOTYPING PROGRAM.

(a) IN GENERAL.—The Secretary of Defense shall conduct a pilot program for nontraditional defense contractors and small business concerns to design, develop, and demonstrate innovative prototype military platforms of significant scope for the purpose of demonstrating new capabilities that could provide alternatives to existing acquisition programs and assets. The Secretary shall establish the pilot program within the Departments of the Army, Navy, and Air Force, the Missile Defense Agency, and the United States Special Operations Command.

(b) FUNDING.—There is authorized to be made available $250,000,000 from the Rapid Prototyping Fund established under section 804(d) of the National Defense Authorization Act for Fiscal Year 2016 (Public Law 114–92; 10 U.S.C. 2302 note) to carry out the pilot program.

(c) PLAN.—

(1) IN GENERAL.—The Secretary of Defense shall submit to the congressional defense committees, concurrent with the budget for the Department of Defense for fiscal year 2018, as submitted to Congress pursuant to section 1105 of title 31, United States Code, a plan to fund and carry out the pilot program in future years.

(2) ELEMENTS.—The plan submitted under paragraph (1) shall consider maximizing use of—

(A) broad agency announcements or other merit-based selection procedures;

(B) the Department of Defense Acquisition Challenge Program authorized under section 2359b of title 10, United States Code;

(C) the foreign comparative test program;

(D) projects carried out under the Rapid Innovation Program of the Department of Defense or pursuant to a Phase III agreement (as defined in section 9(r)(2) of the Small Business Act (15 U.S.C. 638(r)(2))); and

(E) streamlined procedures for acquisition provided under section 804 of the National Defense Authorization Act for Fiscal Year 2016 (Public Law 114–92; 10 U.S.C. 2302 note) and procedures for alternative acquisition pathways established under section 805 of such Act (10 U.S.C. 2302 note).

(d) PROGRAMS TO BE INCLUDED.—As part of the pilot program, the Secretary of Defense shall allocate up to $50,000,000 on a fixed price contractual basis for fiscal year 2017 or pursuant to the plan submitted under subsection (c) for demonstrations of the following capabilities:

(1) Swarming of multiple unmanned air vehicles.

(2) Unmanned, modular fixed-wing aircraft that can be rapidly adapted to multiple missions and serve as a fifth generation weapons augmentation platform.

(3) Vertical takeoff and landing tiltrotor aircraft.

(4) Integration of a directed energy weapon on an air, sea, or ground platform.

(5) Swarming of multiple unmanned underwater vehicles.

(6) Commercial small synthetic aperture radar (SAR) satellites with on-board machine learning for automated, real-time feature extraction and predictive analytics.

(7) Active protection system to defend against rocket-propelled grenades and anti-tank missiles.

(8) Defense against hypersonic weapons, including sensors.

(9) Other systems as designated by the Secretary.

(e) DEFINITIONS.—In this section:

(1) NONTRADITIONAL DEFENSE CONTRACTOR.—The term "nontraditional defense contractor" has the meaning given the term in section 2302(9) of title 10, United States Code.

(2) SMALL BUSINESS CONCERN.—The term "small business concern" has the meaning given the term in section 3 of the Small Business Act (15 U.S.C. 632).

(f) SUNSET.—The authority under this section expires at the close of September 30, 2026.

Subtitle H—Other Matters

SEC. 885. REPORT ON BID PROTESTS.

(a) REPORT REQUIRED.—Not later than 270 days after the date of the enactment of this Act, the Secretary of Defense shall enter into a contract with an independent research entity that is a not-for-profit entity or a federally funded research and development center with appropriate expertise and analytical capability to carry out a comprehensive study on the prevalence and impact of bid protests on Department of Defense acquisitions, including protests filed with contracting agencies, the Government Accountability Office, and the Court of Federal Claims.

(b) ELEMENTS.—The report required by subsection (a) shall cover Department of Defense contracts and include, at a minimum, the following elements:

(1) For employees of the Department, including the contracting officers, program executive officers, and program managers, the extent and manner in which the bid protest system affects or is perceived to affect—

(A) the development of a procurement to avoid protests rather than improve acquisition;

(B) the quality or quantity of pre-proposal discussions, discussions of proposals, or post-award debriefings;

(C) the decision to use lowest price technically acceptable procurement methods;

(D) the decision to make multiple awards or encourage teaming;

(E) the ability to meet an operational or mission need or address important requirements;

(F) the decision to use sole source award methods; and

(G) the decision to exercise options on existing contracts.

(2) With respect to a company bidding on contracts or task or delivery orders, the extent and manner in which the bid protest system affects or is perceived to affect—

(A) the decision to offer a bid or proposal on single award or multiple award contracts when the company is the incumbent contractor;

(B) the decision to offer a bid or proposal on single award or multiple award contracts when the company is not the incumbent contractor;

(C) the ability to engage in pre-proposal discussions, discussions of proposals, or post -award debriefings;

(D) the decision to participate in a team or joint venture; and

(E) the decision to file a protest with the agency concerned, the Government Accountability Office, or the Court of Federal Claims.

(3) A description of trends in the number of bid protests filed with agencies, the Government Accountability Office, and Federal courts, the effectiveness of each forum for contracts and task or delivery orders, and the rate of such bid protests compared to contract obligations and the number of contracts.

(4) An analysis of bid protests filed by incumbent contractors, including—

(A) the rate at which such protesters are awarded bridge contracts or contract extensions over the period that the protest remains unresolved; and

(B) an assessment of the cost and schedule impact of successful and unsuccessful bid protests filed by incumbent contractors on contracts for services with a value in excess of $100,000,000.

(5) A comparison of the number of protests, the values of contested orders or contracts, and the outcome of protests for—

(A) awards of contracts compared to awards of task or delivery orders;

(B) contracts or orders primarily for products, compared to contracts or orders primarily for services;

(C) protests filed pre-award to challenge the solicitation compared to those filed post- award;

(D) contracts or awards with single protestors compared to multiple protestors; and

(E) contracts with single awards compared to multiple award contracts.

(6) An analysis of the number and disposition of protests filed with the contracting agency.

(7) A description of trends in the number of bid protests filed as a percentage of contracts and as a percentage of task or delivery orders awarded during the same period of time, overall and set forth separately by the value of the contract or order, as follows:

(A) Contracts valued in excess of $3,000,000,000.

(B) Contracts valued between $500,000,000 and $3,000,000,000.

(C) Contracts valued between $50,000,000 and $500,000,000.

(D) Contracts valued between $10,000,000 and $50,000,000.

(E) Contracts valued under $10,000,000.

(8) An assessment of the cost and schedule impact of successful and unsuccessful bid protests filed on contracts valued in excess of $3,000,000,000.

(9) An analysis of how often protestors are awarded the contract that was the subject of the bid protest.

(10) A summary of the results of protests in which the contracting agencies took unilateral corrective action, including—

(A) at what point in the bid protest process the agency agreed to take corrective action;

(B) the average time for remedial action to be completed; and

(C) a determination regarding—

(i) whether or to what extent the decision to take the corrective action was a result of a determination by the agency that there had been a probable violation of law or regulation; or

(ii) whether or to what extent such corrective action was a result of some other factor.

(11) A description of the time it takes agencies to implement corrective actions after a ruling or decision, and the percentage of those corrective actions that are subsequently protested, including the outcome of any subsequent protest.

(12) An analysis of those contracts with respect to which a company files a protest (referred to as the "initial protest") and later files another protest (referred to as the "subsequent protest"), analyzed by the forum of the initial protest and the subsequent protest, including any difference in the outcome, between the forums.

(13) An analysis of the effect of the quantity and quality of debriefings on the frequency of bid protests.

(14) An analysis of the time spent at each phase of the procurement process attempting to prevent a protest, addressing a protest, or taking corrective action in response to a protest, including the efficacy of any actions attempted to prevent the occurrence of a protest.

(c) BRIEFING.—Not later than March 1, 2017, the Secretary, or his designee, shall brief the Committees on Armed Services of the Senate and House of Representatives on interim findings of the independent entity.

(d) REPORT.—Not later than one year after the date of the enactment of this Act, the independent entity that conducts the study under subsection (a) shall provide to the Secretary of Defense and the congressional defense committees a report on the results of the study, along with any related recommendations.

SEC. 886. REVIEW AND REPORT ON INDEFINITE DELIVERY CONTRACTS.

(a) REPORT.—The Comptroller General of the United States shall deliver, not later than March 31, 2018, a report to Congress on the use by the Department of Defense of indefinite delivery contracts entered into during fiscal years 2015, 2016, and 2017.

(b) ELEMENTS.—The report under subsection (a) shall address, at a minimum, the following:

(1) A review of Department of Defense policies for entering into and using indefinite delivery contracts, including requirements for competition, as well as the guidance, if any, on the appropriate number of vendors that should receive multiple award indefinite delivery contracts.

(2) The number and value of all indefinite delivery contracts entered into by the Department of Defense, including the number and value of such contracts entered into with a single vendor.

(3) An assessment of the number and value of indefinite delivery contracts entered into by the Department of Defense that included competition between multiple vendors.

(4) Selected case studies of indefinite delivery contracts, including an assessment of whether any such contracts may have limited future opportunities for competition for the services or items required.

(5) Recommendations for potential changes to current law or Department of Defense acquisition regulations or guidance to promote competition with respect to indefinite delivery contracts.

SEC. 887. REVIEW AND REPORT ON CONTRACTUAL FLOW-DOWN PROVISIONS.

(a) REVIEW REQUIRED.—The Secretary of Defense shall conduct a review of contractual flow-down provisions related to major defense acquisition programs on contractors and suppliers, including small businesses, contractors for commercial items, nontraditional defense contractors, universities, and not-for-profit research institutions. The review shall—

(1) identify the flow-down provisions that exist in the Federal Acquisition Regulation and the Defense Federal Acquisition Regulation Supplement;

(2) identify the flow-down provisions that are critical for national security;

(3) examine the extent to which clauses in contracts with the Department of Defense are being applied inappropriately in subcontracts under the contracts;

(4) assess the applicability of flow-down provisions for the purchase of commodity items that are acquired in bulk for multiple acquisition programs;

(5) determine the unnecessary costs or burdens, if any, of flow-down provisions on the supply chain;

(6) determine the effect, if any, of flow-down provisions on the participation rate of small businesses, contractors for commercial items, nontraditional defense contractors, universities, and not-for-profit research organizations in defense acquisition efforts; and

(7) determine the effect, if any, of flow-down provisions on Department of Defense access to advanced research and technology capabilities available in the private sector.

(b) CONTRACT.—Not later than 60 days after the date of the enactment of this Act, the Secretary of Defense shall enter into a contract with an independent entity with appropriate expertise to conduct the review required by subsection (a).

(c) REPORT.—Not later than August 1, 2017, the Secretary shall submit to the congressional defense committees a report on the find-

ings of the independent entity, along with a description of any actions that the Secretary proposes to address the findings of the independent entity.

SEC. 888. REQUIREMENT AND REVIEW RELATING TO USE OF BRAND NAMES OR BRAND-NAME OR EQUIVALENT DESCRIPTIONS IN SOLICITATIONS.

(a) REQUIREMENT.—The Secretary of Defense shall ensure that competition in Department of Defense contracts is not limited through the use of specifying brand names or brand-name or equivalent descriptions, or proprietary specifications or standards, in solicitations unless a justification for such specification is provided and approved in accordance with section 2304(f) of title 10, United States Code.

(b) REVIEW OF ANTI-COMPETITIVE SPECIFICATIONS IN INFORMATION TECHNOLOGY ACQUISITIONS.—

(1) REVIEW REQUIRED.—Not later than 180 days after the date of the enactment of this Act, the Under Secretary of Defense for Acquisition, Technology, and Logistics shall conduct a review of the policy, guidance, regulations, and training related to specifications included in information technology acquisitions to ensure current policies eliminate the unjustified use of potentially anti-competitive specifications. In conducting the review, the Under Secretary shall examine the use of brand names or proprietary specifications or standards in solicitations for procurements of goods and services, as well as the current acquisition training curriculum related to those areas.

(2) BRIEFING REQUIRED.—Not later than 270 days after the date of the enactment of this Act, the Under Secretary shall provide a briefing to the Committees on Armed Services of the Senate and House of Representatives on the results of the review required by paragraph (1).

(3) ADDITIONAL GUIDANCE.—Not later than one year after the date of the enactment of this Act, the Under Secretary shall revise policies, guidance, and training to incorporate such recommendations as the Under Secretary considers appropriate from the review required by paragraph (1).

SEC. 889. INCLUSION OF INFORMATION ON COMMON GROUNDS FOR SUSTAINING BID PROTESTS IN ANNUAL GOVERNMENT ACCOUNTABILITY OFFICE REPORTS TO CONGRESS.

The Comptroller General of the United States shall include in the annual report to Congress on the Government Accountability Office each year a list of the most common grounds for sustaining protests relating to bids for contracts during such year.

SEC. 890. STUDY AND REPORT ON CONTRACTS AWARDED TO MINORITY-OWNED AND WOMEN-OWNED BUSINESSES.

(a) STUDY.—The Comptroller General of the United States shall carry out a study on the number and types of contracts for the procurement of goods or services for the Department of Defense awarded to minority-owned and women-owned businesses during fiscal years 2010 through 2015. In conducting the study, the Comptroller General shall identify minority-owned businesses according to the categories identified in the Federal Procurement Data System (described in section 1122(a)(4)(A) of title 41, United States Code).

(b) REPORT.—Not later than 1 year after the date of the enactment of this Act, the Comptroller General shall submit to the con-

gressional defense committees a report on the results of the study under subsection (a).

SEC. 891. AUTHORITY TO PROVIDE REIMBURSABLE AUDITING SERVICES TO CERTAIN NON-DEFENSE AGENCIES.

Section 893(a) of the National Defense Authorization Act for Fiscal Year 2016 (Public Law 114–92; 10 U.S.C. 2313 note) is amended—

(1) in paragraph (1), by inserting "except as provided in paragraph (2)," after "this Act,"; and

(2) by amending paragraph (2) to read as follows:

"(2) EXCEPTION FOR NATIONAL NUCLEAR SECURITY ADMINISTRATION.—Notwithstanding paragraph (1), the Defense Contract Audit Agency may provide audit support on a reimbursable basis for the National Nuclear Security Administration.".

SEC. 892. SELECTION OF SERVICE PROVIDERS FOR AUDITING SERVICES AND AUDIT READINESS SERVICES.

The Department of Defense shall select service providers for auditing services and audit readiness services based on the best value to the Department, as determined by the resource sponsor for an auditing contract, rather than based on the lowest price technically acceptable service provider.

SEC. 893. AMENDMENTS TO CONTRACTOR BUSINESS SYSTEM REQUIREMENTS.

(a) BUSINESS SYSTEM REQUIREMENTS.—Section 893 of the Ike Skelton National Defense Authorization Act for Fiscal Year 2011 (Public Law 111–383; 10 U.S.C. 2302 note) is amended in subsection (b)(1), by striking "system requirements" and inserting "clear and specific business system requirements that are identified and made publicly available".

(b) THIRD-PARTY INDEPENDENT AUDITOR REVIEWS.—Section 893 of such Act is further amended—

(1) by redesignating subsections (c), (d), (e), (f), and (g) as subsections (d), (e), (f), (g), and (h), respectively; and

(2) by inserting after subsection (b) the following new subsection (c):

"(c) REVIEW BY THIRD-PARTY INDEPENDENT AUDITORS.—The review process for contractor business systems pursuant to subsection (b)(2) shall—

"(1) if a registered public accounting firm attests to the internal control assessment of a contractor, pursuant to section 404(b) of the Sarbanes-Oxley Act of 2002 (15 U.S.C. 7262(b)), allow the contractor, subject to paragraph (3), to submit certified documentation from such registered public accounting firm that the contractor business systems of the contractor meet the business system requirements referred to in subsection (b)(1) and to thereby eliminate the need for further review of the contractor business systems by the Secretary of Defense;

"(2) limit the review, subject to paragraph (3), of the contractor business systems of a contractor that is not a covered contractor to confirming that the contractor uses the same contractor business system for its Government and commercial work and that the outputs of the contractor business system based on statistical sampling are reasonable; and

"(3) allow a milestone decision authority to require a review of a contractor business system of a contractor that submits documentation pursuant to paragraph (1) or that is not a covered contractor after determining in writing that such a review is necessary to appropriately manage contractual risk.".

(c) AMENDMENT TO DEFINITION OF COVERED CONTRACTOR.—Section 893 of such Act is further amended in subsection (g), as so redesignated, by striking "means a contractor" and all that follows and inserting "means a contractor that has covered contracts with the United States Government accounting for greater than 1 percent of its total gross revenue, except that the term does not include any contractor that is exempt, under section 1502 of title 41, United States Code, or regulations implementing that section, from using full cost accounting standards established in that section.".

(d) REPEAL OF OBSOLETE DEADLINE.—Section 893 of such Act is further amended in subsection (a) by striking "Not later than 270 days after the date of the enactment of this Act, the" and inserting "The".

SEC. 894. IMPROVED MANAGEMENT PRACTICES TO REDUCE COST AND IMPROVE PERFORMANCE OF CERTAIN DEPARTMENT OF DEFENSE ORGANIZATIONS.

(a) IN GENERAL.—Beginning not later than 180 days after the date of the enactment of this Act, the Secretary of Defense shall designate units, subunits, or entities of the Department of Defense, other than Centers of Industrial and Technical Excellence designated pursuant to section 2474 of title 10, United States Code, that conduct work that is commercial in nature or is not inherently governmental to prioritize efforts to conduct business operations in a manner that uses modern, commercial management practices and principles to reduce the costs and improve the performance of such organizations.

(b) ADOPTION OF MODERN BUSINESS PRACTICES.—The Secretary shall ensure that each such unit, subunit, or entity of the Department described in subsection (a) is authorized to adopt and implement best commercial and business management practices to achieve the goals described in such subsection.

(c) WAIVERS.—The Secretary shall authorize waivers of Department of Defense, military service, and Defense Agency regulations, as appropriate, to achieve the goals in subsection (a), including in the following areas:

(1) Financial management.

(2) Human resources.

(3) Facility and plant management.

(4) Acquisition and contracting.

(5) Partnerships with the private sector.

(6) Other business and management areas as identified by the Secretary.

(d) GOALS.—The Secretary of Defense shall identify savings goals to be achieved through the implementation of the commercial and business management practices adopted under subsection (b), and establish a schedule for achieving the savings.

(e) BUDGET ADJUSTMENT.—The Secretary shall establish policies to adjust organizational budget allocations, at the Secretary's discretion, for purposes of—

(1) using savings derived from implementation of best commercial and business management practices for high priority military missions of the Department of Defense;

(2) creating incentives for the most efficient and effective development and adoption of new commercial and business management practices by organizations; and

(3) investing in the development of new commercial and business management practices that will result in further savings to the Department of Defense.

(f) BUDGET BASELINES.—Beginning not later than one year after the date of the enactment of this Act, each such unit, subunit, or entity of the Department described in subsection (a) shall, in accordance with such guidance as the Secretary of Defense shall establish for purposes of this section—

(1) establish an annual baseline cost estimate of its operations; and

(2) certify that costs estimated pursuant to paragraph (1) are wholly accounted for and presented in a format that is comparable to the format for the presentation of such costs for other elements of the Department or consistent with best commercial practices.

SEC. 895. EXEMPTION FROM REQUIREMENT FOR CAPITAL PLANNING AND INVESTMENT CONTROL FOR INFORMATION TECHNOLOGY EQUIPMENT INCLUDED AS INTEGRAL PART OF A WEAPON OR WEAPON SYSTEM.

(a) WAIVER AUTHORITY.—Notwithstanding subsection (c)(2) of section 11103 of title 40, United States Code, a national security system described in subsection (a)(1)(D) of such section shall not be subject to the requirements of paragraphs (2) through (5) of section 11312(b) of such title unless the milestone decision authority determines in writing that application of such requirements is appropriate and in the best interests of the Department of Defense.

(b) MILESTONE DECISION AUTHORITY DEFINED.—In this section, the term "milestone decision authority" has the meaning given the term in section 2366a(d)(7) of title 10, United States Code.

SEC. 896. MODIFICATIONS TO PILOT PROGRAM FOR STREAMLINING AWARDS FOR INNOVATIVE TECHNOLOGY PROJECTS.

Section 873 of the National Defense Authorization Act for Fiscal Year 2016 (Public Law 114–92; 10 U.S.C. 2306a note) is amended—

(1) in subsection (a)(2), by inserting "or Small Business Technology Transfer Program" after "Small Business Innovation Research Program";

(2) in subsection (b)—

(A) by inserting "subparagraphs (A), (B), and (C) of section 2313(a)(2) of title 10, United States Code, and" before "subsection (b) of section 2313"; and

(B) in paragraph (2), by inserting ", and if such performance audit is initiated within 18 months of the contract completion" before the period at the end;

(3) by redesignating subsections (c), (d), and (e) as subsections (f), (g), and (h), respectively; and

(4) by inserting after subsection (b) the following new subsections:

"(c) TREATMENT AS COMPETITIVE PROCEDURES.—Use of a technical, merit-based selection procedure or the Small Business Inno-

vation Research Program or Small Business Technology Transfer Program for the pilot program under this section shall be considered to be use of competitive procedures for purposes of chapter 137 of title 10, United States Code.

"(d) DISCRETION TO USE NON-CERTIFIED ACCOUNTING SYSTEMS.—In executing programs under this pilot program, the Secretary of Defense shall establish procedures under which a small business or nontraditional contractor may engage an independent certified public accountant for the review and certification of its accounting system for the purposes of any audits required by regulation, unless the head of the agency determines that this is not appropriate based on past performance of the specific small business or nontraditional defense contractor, or based on analysis of other information specific to the award.

"(e) GUIDANCE AND TRAINING.—The Secretary of Defense shall ensure that acquisition and auditing officials are provided guidance and training on the flexible use and tailoring of authorities under the pilot program to maximize efficiency and effectiveness.".

SEC. 897. RAPID PROTOTYPING FUNDS FOR THE MILITARY DEPARTMENTS.

Section 804(d) of the National Defense Authorization Act for Fiscal Year 2016 (Public Law 114–92; 10 U.S.C. 2302 note), as amended by section 864 of this Act, is further amended—

(1) in the subsection heading, by striking "FUND" and inserting "FUNDS";

(2) in paragraph (1), by striking "IN GENERAL.—The Secretary" and inserting the following: "DEPARTMENT OF DEFENSE RAPID PROTOTYPING FUND.—

"(A) IN GENERAL.—The Secretary";

(3) by redesignating paragraphs (2) and (3) as subparagraphs (B) and (C), respectively, and moving such subparagraphs, as so redesignated, two ems to the right;

(4) in subparagraph (B), as redesignated by paragraph (3), by striking "this subsection" and inserting "this paragraph"; and

(5) by inserting after paragraph (1) the following new paragraph:

"(2) RAPID PROTOTYPING FUNDS FOR THE MILITARY DEPARTMENTS.—The Secretary of each military department may establish a military department-specific fund (and, in the case of the Secretary of the Navy, including the Marine Corps) to provide funds, in addition to other funds that may be available to the military department concerned, for acquisition programs under the rapid fielding and prototyping pathways established pursuant to this section. Each military department-specific fund shall consist of amounts appropriated or credited to the fund.".

SEC. 898. ESTABLISHMENT OF PANEL ON DEPARTMENT OF DEFENSE AND ABILITYONE CONTRACTING OVERSIGHT, ACCOUNTABILITY, AND INTEGRITY; DEFENSE ACQUISITION UNIVERSITY TRAINING.

(a) ESTABLISHMENT OF PANEL ON DEPARTMENT OF DEFENSE AND ABILITYONE CONTRACTING OVERSIGHT, ACCOUNTABILITY, AND INTEGRITY.—

(1) IN GENERAL.—The Secretary of Defense shall establish a panel to be known as the "Panel on Department of Defense

and AbilityOne Contracting Oversight, Accountability, and Integrity" (hereafter in this section referred to as the "Panel"). The Panel shall be supported by the Defense Acquisition University, established under section 1746 of title 10, United States Code, and the National Defense University, including administrative support.

(2) COMPOSITION.—The Panel shall be composed of the following:

(A) A representative of the Under Secretary of Defense for Acquisition, Technology, and Logistics, who shall be the chairman of the Panel.

(B) A representative from the AbilityOne Commission.

(C) A representative of the service acquisition executive of each military department and Defense Agency (as such terms are defined, respectively, in section 101 of title 10, United States Code).

(D) A representative of the Under Secretary of Defense (Comptroller).

(E) A representative of the Inspector General of the Department of Defense and the AbilityOne Commission.

(F) A representative from each of the Army Audit Agency, the Navy Audit Service, the Air Force Audit Agency, and the Defense Contract Audit Agency.

(G) The President of the Defense Acquisition University, or a designated representative.

(H) One or more subject matter experts on veterans employment from a veterans service organization.

(I) A representative of the Commission Directorate of Veteran Employment of the AbilityOne Commission whose duties include maximizing opportunities to employ significantly disabled veterans in accordance with the regulations of the AbilityOne Commission.

(J) One or more representatives from the Department of Justice who are subject matter experts on compliance with disability rights laws applicable to contracts of the Department of Defense and the AbilityOne Commission.

(K) One or more representatives from the Department of Justice who are subject matter experts on Department of Defense contracts, Federal Prison Industries, and the requirements of the Javits-Wagner-O'Day Act.

(L) Such other representatives as may be determined appropriate by the Under Secretary of Defense for Acquisition, Technology, and Logistics.

(b) MEETINGS.—The Panel shall meet as determined necessary by the chairman of the Panel, but not less often than once every three months.

(c) DUTIES.—The Panel shall—

(1) review the status of and progress relating to the implementation of the recommendations of report number DODIG–2016–097 of the Inspector General of the Department of Defense titled "DoD Generally Provided Effective Oversight of AbilityOne Contracts", published on June 17, 2016;

(2) recommend actions the Department of Defense and the AbilityOne Commission may take to eliminate waste, fraud,

and abuse with respect to contracts of the Department of Defense and the AbilityOne Commission;

(3) recommend actions the Department of Defense and the AbilityOne Commission may take to ensure opportunities for the employment of significantly disabled veterans and the blind and other severely disabled individuals;

(4) recommend changes to law, regulations, and policy that the Panel determines necessary to eliminate vulnerability to waste, fraud, and abuse with respect to the performance of contracts of the Department of Defense;

(5) recommend criteria for veterans with disabilities to be eligible for employment opportunities through the programs of the AbilityOne Commission that considers the definitions of disability used by the Secretary of Veterans Affairs and the AbilityOne Commission;

(6) recommend ways the Department of Defense and the AbilityOne Commission may explore opportunities for competition among qualified nonprofit agencies or central nonprofit agencies and ensure an equitable selection and allocation of work to qualified nonprofit agencies;

(7) recommend changes to business practices, information systems, and training necessary to ensure that—

(A) the AbilityOne Commission complies with regulatory requirements related to the establishment and maintenance of the procurement list established pursuant to section 8503 of title 41, United States Code; and

(B) the Department of Defense complies with the statutory and regulatory requirements for use of such procurement list; and

(8) any other duties determined necessary by the Secretary of Defense.

(d) CONSULTATION.—To carry out the duties described in subsection (c), the Panel may consult or contract with other executive agencies and with experts from qualified nonprofit agencies or central nonprofit agencies on—

(1) compliance with disability rights laws applicable to contracts of the Department of Defense and the AbilityOne Commission;

(2) employment of significantly disabled veterans; and

(3) vocational rehabilitation.

(e) AUTHORITY.—To carry out the duties described in subsection (c), the Panel may request documentation or other information needed from the AbilityOne Commission, central nonprofit agencies, and qualified nonprofit agencies.

(f) PANEL RECOMMENDATIONS AND MILESTONE DATES.—

(1) MILESTONE DATES FOR IMPLEMENTING RECOMMENDATIONS.—After consulting with central nonprofit agencies and qualified nonprofit agencies, the Panel shall suggest milestone dates for the implementation of the recommendations made under subsection (c) and shall notify the congressional defense committees, the Committee on Oversight and Government Reform of the House of Representatives, the Committee on Homeland Security and Governmental Affairs of the Senate, qualified nonprofit agencies, and central nonprofit agencies of such dates.

(2) NOTIFICATION OF IMPLEMENTATION OF RECOMMENDATIONS.—After the establishment of milestone dates under paragraph (1), the Panel may review the activities, including contracts, of the AbilityOne Commission, the central nonprofit agencies, and the relevant qualified nonprofit agencies to determine if the recommendations made under subsection (c) are being substantially implemented in good faith by the AbilityOne Commission or such agencies. If the Panel determines that the AbilityOne Commission or any such agency is not implementing the recommendations, the Panel shall notify the Secretary of Defense, the congressional defense committees, the Committee on Oversight and Government Reform of the House of Representatives, and the Committee on Homeland Security and Governmental Affairs of the Senate.

(g) REMEDIES.—

(1) IN GENERAL.—Upon receiving notification under subsection (f)(2) and subject to the limitation in paragraph (2), the Secretary of Defense may take one of the following actions:

(A) With respect to a notification relating to the AbilityOne Commission, the Secretary may suspend compliance with the requirement to procure a product or service in section 8504 of title 41, United States Code, until the date on which the Secretary notifies Congress, in writing, that the AbilityOne Commission is substantially implementing the recommendations made under subsection (c).

(B) With respect to a notification relating to a qualified nonprofit agency, the Secretary may terminate a contract with such agency that is in existence on the date of receipt of such notification, or elect to not enter into a contract with such agency after such date, until the date on which the AbilityOne Commission certifies to the Secretary that such agency is substantially implementing the recommendations made under subsection (c).

(C) With respect to a notification relating to a central nonprofit agency, the Secretary may include a term in a contract entered into after the date of receipt of such notification with a qualified nonprofit agency that is under such central nonprofit agency that states that such qualified nonprofit agency shall not pay a fee to such central nonprofit agency until the date on which the AbilityOne Commission certifies to the Secretary that such central nonprofit agency is substantially implementing the recommendations made under subsection (c).

(2) LIMITATION.—If the Secretary of Defense takes any of the actions described in paragraph (1), the Secretary shall coordinate with the AbilityOne Commission or the relevant central nonprofit agency, as appropriate, to fully implement the recommendations made under subsection (c). On the date on which such recommendations are fully implemented, the Secretary shall notify Congress, in writing, and the Secretary's authority under paragraph (1) shall terminate.

(h) PROGRESS REPORTS.—

(1) CONSULTATION ON RECOMMENDATIONS.—Before submitting the progress report required under paragraph (2), the Panel shall consult with the AbilityOne Commission on draft

recommendations made pursuant to subsection (c). The Panel shall include any recommendations of the AbilityOne Commission in the progress report submitted under paragraph (2).

(2) PROGRESS REPORT.—Not later than 180 days after the date of the enactment of this Act, the Panel shall submit to the Secretary of Defense, the Chairman of the AbilityOne Commission, the congressional defense committees, the Committee on Oversight and Government Reform of the House of Representatives, and the Committee on Homeland Security and Governmental Affairs of the Senate a progress report on the activities of the Panel.

(i) ANNUAL REPORT.—

(1) CONSULTATION ON REPORT.—Before submitting the annual report required under paragraph (2), the Panel shall consult with the AbilityOne Commission on the contents of the report. The Panel shall include any recommendations of the AbilityOne Commission in the report submitted under paragraph (2).

(2) REPORT.—Not later than September 30, 2017, and annually thereafter for the next three years, the Panel shall submit to the Secretary of Defense, the Chairman of the AbilityOne Commission, the congressional defense committees, the Committee on Oversight and Government Reform of the House of Representatives, and the Committee on Homeland Security and Governmental Affairs of the Senate a report that includes—

(A) a summary of findings and recommendations for the year covered by the report;

(B) a summary of the progress of the relevant qualified nonprofit agencies or central nonprofit agencies in implementing recommendations of the previous year's report, if applicable;

(C) an examination of the current structure of the AbilityOne Commission to eliminate waste, fraud, and abuse and to ensure contracting integrity and accountability for any violations of law or regulations;

(D) recommendations for any changes to the acquisition and contracting practices of the Department of Defense and the AbilityOne Commission to improve the delivery of goods and services to the Department of Defense; and

(E) recommendations for administrative safeguards to ensure the Department of Defense and the AbilityOne Commission are in compliance with the requirements of the Javits-Wagner-O'Day Act, Federal civil rights law, and regulations and policy related to the performance of contracts of the Department of Defense with qualified nonprofit agencies and the contracts of the AbilityOne Commission with central nonprofit agencies.

(j) SUNSET.—The Panel shall terminate on the date of submission of the last annual report required under subsection (i).

(k) INAPPLICABILITY OF FACA.—The requirements of the Federal Advisory Committee Act (5 U.S.C. App.) shall not apply to the Panel established pursuant to subsection (a).

(l) DEFENSE ACQUISITION UNIVERSITY TRAINING.—

(1) IN GENERAL.—The Secretary of Defense shall establish a training program at the Defense Acquisition University estab-

lished under section 1746 of title 10, United States Code. Such training shall include—

(A) information about—

(i) the mission of the AbilityOne Commission;

(ii) the employment of significantly disabled veterans through contracts from the procurement list maintained by the AbilityOne Commission;

(iii) reasonable accommodations and accessibility requirements for the blind and other severely disabled individuals; and

(iv) Executive orders and other subjects related to the blind and other severely disabled individuals, as determined by the Secretary of Defense; and

(B) procurement, acquisition, program management, and other training specific to procuring goods and services for the Department of Defense pursuant to the Javits-Wagner-O'Day Act.

(2) ACQUISITION WORKFORCE ASSIGNMENT.—Members of the acquisition workforce (as defined in section 101 of title 10, United States Code) who have participated in the training described in paragraph (1) are eligible for a detail to the AbilityOne Commission.

(3) ABILITYONE COMMISSION ASSIGNMENT.—Career employees of the AbilityOne Commission may participate in the training program described in paragraph (1) on a non-reimbursable basis for up to three years and on a non-reimbursable or reimbursable basis thereafter.

(4) FUNDING.—Amounts from the Department of Defense Acquisition Workforce Development Fund established under section 1705 of title 10, United States Code, are authorized for use for the detail of members of the acquisition workforce to the AbilityOne Commission.

(m) DEFINITIONS.—In this section:

(1) The term "AbilityOne Commission" means the Committee for Purchase From People Who Are Blind or Severely Disabled established under section 8502 of title 41, United States Code.

(2) The terms "blind", "qualified nonprofit agency for the blind", "qualified nonprofit agency for other severely disabled", and "severely disabled individual" have the meanings given such terms under section 8501 of such title.

(3) The term "central nonprofit agency" means a central nonprofit agency designated under section 8503(c) of such title.

(4) The term "executive agency" has the meaning given such term in section 133 of such title.

(5) The term "Javits-Wagner-O'Day Act" means chapter 85 of such title.

(6) The term "qualified nonprofit agency" means—

(A) a qualified nonprofit agency for the blind; or

(B) a qualified nonprofit agency for other severely disabled.

(7) The term "significantly disabled veteran" means a veteran (as defined in section 101 of title 38, United States Code) who is a severely disabled individual.

SEC. 899. COAST GUARD MAJOR ACQUISITION PROGRAMS.

(a) FUNCTIONS OF CHIEF ACQUISITION OFFICER.—Section 56(c) of title 14, United States Code, is amended by striking "and" after the semicolon at the end of paragraph (8), striking the period at the end of paragraph (9) and inserting "; and", and adding at the end the following:

"(10)(A) keeping the Commandant informed of the progress of major acquisition programs (as that term is defined in section 581);

"(B) informing the Commandant on a continuing basis of any developments on such programs that may require new or revisited trade-offs among cost, schedule, technical feasibility, and performance, including—

"(i) significant cost growth or schedule slippage; and

"(ii) requirements creep (as that term is defined in section 2547(c)(1) of title 10); and

"(C) ensuring that the views of the Commandant regarding such programs on cost, schedule, technical feasibility, and performance trade-offs are strongly considered by program managers and program executive officers in all phases of the acquisition process.".

(b) CUSTOMER SERVICE MISSION OF DIRECTORATE.—

(1) IN GENERAL.—Chapter 15 of title 14, United States Code, is amended—

(A) in section 561(b)—

(i) in paragraph (1), by striking "; and" and inserting a semicolon;

(ii) in paragraph (2), by striking the period and inserting "; and"; and

(iii) by adding at the end the following:

"(3) to meet the needs of customers of major acquisition programs in the most cost-effective manner practicable.";

(B) in section 562, by repealing subsection (b) and redesignating subsections (c), (d), (f), and (g) as subsections (b), (c), (d), and (e), respectively;

(C) in section 563, by striking "Not later than 180 days after the date of enactment of the Coast Guard Authorization Act of 2010, the Commandant shall commence implementation of" and inserting "The Commandant shall maintain";

(D) by adding at the end of section 564 the following:

"(c) ACQUISITION OF UNMANNED AERIAL SYSTEMS.—

"(1) IN GENERAL.—During any fiscal year for which funds are appropriated for the design or construction of the Offshore Patrol Cutter, the Commandant—

"(A) may not award a contract for design of an unmanned aerial system for use by the Coast Guard; and

"(B) may acquire an unmanned aerial system only—

"(i) if such a system has been acquired by, or has been used by, the Department of Defense or the Department of Homeland Security, or a component thereof, before the date on which the Commandant acquires the system; and

"(ii) through an agreement with such a department or component, unless the unmanned aerial system can

be obtained at less cost through independent contract action.

"(2) LIMITATIONS ON APPLICATION.—

"(A) SMALL UNMANNED AERIAL SYSTEMS.—The limitations in paragraph (1)(B) do not apply to any small unmanned aerial system that consists of—

"(i) an unmanned aircraft weighing less than 55 pounds on takeoff, including all components and equipment on board or otherwise attached to the aircraft; and

"(ii) associated elements (including communication links and the components that control such aircraft) that are required for the safe and efficient operation of such aircraft.

"(B) PREVIOUSLY FUNDED SYSTEMS.—The limitations in paragraph (1) do not apply to the design or acquisition of an unmanned aerial system for which funds for research, development, test, and evaluation have been received from the Department of Defense or the Department of Homeland Security";

(E) in subchapter II, by adding at the end the following:

"§ 578. Role of Vice Commandant in major acquisition programs

"The Vice Commandant—

"(1) shall represent the customer of a major acquisition program with regard to trade-offs made among cost, schedule, technical feasibility, and performance with respect to such program; and

"(2) shall advise the Commandant in decisions regarding the balancing of resources against priorities, and associated trade-offs referred to in paragraph (1), on behalf of the customer of a major acquisition program.

"§ 579. Extension of major acquisition program contracts

"(a) IN GENERAL.—Notwithstanding section 564(a)(2) of this title and section 2304 of title 10, and subject to subsections (b) and (c) of this section, the Secretary may acquire additional units procured under a Coast Guard major acquisition program contract, by extension of such contract without competition, if the Director of the Cost Analysis Division of the Department of Homeland Security determines that the costs that would be saved through award of a new contract in accordance with such sections would not exceed the costs of such an award.

"(b) LIMITATION ON NUMBER OF ADDITIONAL UNITS.—The number of additional units acquired under a contract extension under this section may not exceed the number of additional units for which such determination is made.

"(c) DETERMINATION OF COSTS UPON REQUEST.—The Director of the Cost Analysis Division of the Department of Homeland Security shall, at the request of the Secretary, determine for purposes of this section—

"(1) the costs that would be saved through award of a new major acquisition program contract in accordance with section

564(a)(2) for the acquisition of a number of additional units specified by the Secretary; and

"(2) the costs of such award, including the costs that would be incurred due to acquisition schedule delays and asset design changes associated with such award.

"(d) NUMBER OF EXTENSIONS.—A contract may be extended under this section more than once."; and

(F) in section 581—

(i) by redesignating paragraphs (7) through (10) as paragraphs (9) through (12), respectively, and by redesignating paragraphs (3) through (6) as paragraphs (4) through (7), respectively;

(ii) by inserting after paragraph (2) the following:

"(3) CUSTOMER OF A MAJOR ACQUISITION PROGRAM.—The term 'customer of a major acquisition program' means the operating field unit of the Coast Guard that will field the system or systems acquired under a major acquisition program."; and

(iii) by inserting after paragraph (7), as so redesignated, the following:

"(8) MAJOR ACQUISITION PROGRAM.—The term 'major acquisition program' means an ongoing acquisition undertaken by the Coast Guard with a life-cycle cost estimate greater than or equal to $300,000,000.".

(2) CLERICAL AMENDMENT.—The analysis at the beginning of such chapter is amended by adding at the end of the items relating to subchapter II the following:

"578. Role of Vice Commandant in major acquisition programs.
"579. Extension of major acquisition program contracts.".

(c) REVIEW REQUIRED.—

(1) REQUIREMENT.—The Commandant of the Coast Guard shall conduct a review of—

(A) the authorities provided to the Commandant in chapter 15 of title 14, United States Code, and other relevant statutes and regulations related to Coast Guard acquisitions, including developing recommendations to ensure that the Commandant plays an appropriate role in the development of requirements, acquisition processes, and the associated budget practices;

(B) implementation of the strategy prepared in accordance with section 562(b)(2) of title 14, United States Code, as in effect before the enactment of the National Defense Authorization Act for Fiscal Year 2017; and

(C) acquisition policies, directives, and regulations of the Coast Guard to ensure such policies, directives, and regulations establish a customer-oriented acquisition system.

(2) REPORT.—Not later than March 1, 2017, the Commandant shall submit to the Committee on Transportation and Infrastructure of the House of Representatives and the Committee on Commerce, Science, and Transportation of the Senate a report containing, at a minimum, the following:

(A) The recommendations developed by the Commandant under paragraph (1) and other results of the review conducted under such paragraph.

(B) The actions the Commandant is taking, if any, within the Commandant's existing authority to implement such recommendations.

(3) MODIFICATION OF POLICIES, DIRECTIVES, AND REGULATIONS.—Not later than one year after the date of the enactment of this Act, the Commandant of the Coast Guard shall modify the acquisition policies, directives, and regulations of the Coast Guard as necessary to ensure the development and implementation of a customer-oriented acquisition system, pursuant to the review under paragraph (1)(C).

(d) ANALYSIS OF USING MULTIYEAR CONTRACTING.—

(1) IN GENERAL.—No later than one year after the date of the enactment of this Act, the Secretary of the department in which the Coast Guard is operating shall submit to the Committee on Transportation and Infrastructure of the House of Representatives and the Committee on Commerce, Science, and Transportation of the Senate an analysis of the use of multiyear contracting, including procurement authority provided under section 2306b of title 10, United States Code, and authority similar to that granted to the Navy under section 121(b) of the National Defense Authorization Act for Fiscal Year 1998 (Public Law 105–85; 111 Stat. 1648) and section 150 of the Continuing Appropriations Act, 2011 (Public Law 111–242; 124 Stat. 3519), to acquire any combination of at least five—

(A) Fast Response Cutters, beginning with hull 43; and

(B) Offshore Patrol Cutters, beginning with hull 5.

(2) CONTENTS.—The analysis under paragraph (1) shall include the costs and benefits of using multiyear contracting, the impact of multiyear contracting on delivery timelines, and whether the acquisitions examined would meet the tests for the use of multiyear procurement authorities.

SEC. 899A. ENHANCED AUTHORITY TO ACQUIRE PRODUCTS AND SERVICES PRODUCED IN AFRICA IN SUPPORT OF CERTAIN ACTIVITIES.

(a) IN GENERAL.—Except as provided in subsection (c), in the case of a product or service to be acquired in support of covered activities in a covered African country for which the Secretary of Defense makes a determination described in subsection (b), the Secretary may conduct a procurement in which—

(1) competition is limited to products or services from the host nation;

(2) a preference is provided for products or services from the host nation; or

(3) a preference is provided for products or services from a covered African country, other than the host nation.

(b) DETERMINATION.—

(1) IN GENERAL.—A determination described in this subsection is a determination by the Secretary of any of the following:

(A) That the product or service concerned is to be used only in support of covered activities.

(B) That it is in the national security interests of the United States to limit competition or provide a preference as described in subsection (a) because such limitation or preference is necessary—

(i) to reduce overall United States transportation costs and risks in shipping products in support of operations, exercises, theater security cooperation activities, and other missions in the African region;

(ii) to reduce delivery times in support of covered activities; or

(iii) to promote regional security and stability in Africa.

(C) That the product or service is of equivalent quality to a product or service that would have otherwise been acquired without such limitation or preference.

(2) REQUIREMENT FOR EFFECTIVENESS OF ANY PARTICULAR DETERMINATION.—A determination under paragraph (1) shall not be effective for purposes of a limitation or preference under subsection (a) unless the Secretary also determines that—

(A) the limitation or preference will not adversely affect—

(i) United States military operations or stability operations in the African region; or

(ii) the United States industrial base; and

(B) in the case of air transportation, an air carrier holding a certificate under section 41102 of title 49, United States Code, is not reasonably available to provide the air transportation.

(c) INAPPLICABILITY OF AUTHORITY TO PROCUREMENT OF ITEMS ON ABILITYONE PROCUREMENT CATALOG.—The authority under subsection (a) may not be used for the procurement of any good that is contained in the procurement list described in section 8503(a) of title 41, United States Code, if such good can be produced and delivered by a qualified non profit agency for the blind or a nonprofit agency for other severely disabled in a timely fashion to support mission requirements.

(d) REPORT ON USE OF AUTHORITY.—Not later than December 31, 2017, the Secretary shall submit to the congressional defense committees a report on the use of the authority in subsection (a). The report shall include, but not be limited to, the following:

(1) The number of determinations made by the Secretary pursuant to subsection (b).

(2) A list of the countries providing products or services as a result of determinations made pursuant to subsection (b).

(3) A description of the products and services acquired using the authority.

(4) The extent to which the use of the authority has met the one or more of the objectives specified in clause (i), (ii), or (iii) of subsection (b)(1)(B).

(5) Such recommendations for improvements to the authority as the Secretary considers appropriate.

(6) Such other matters as the Secretary considers appropriate.

(e) DEFINITIONS.—In this section:

(1) COVERED ACTIVITIES.—The term "covered activities" means Department of Defense activities in the African region or a regional neighbor.

(2) COVERED AFRICAN COUNTRY.—The term "covered African country" means a country in Africa that has signed a long-

term agreement with the United States related to the basing or operational needs of the United States Armed Forces.

(3) HOST NATION.—The term "host nation" means a nation that allows the Armed Forces and supplies of the United States to be located on, to operate in, or to be transported through its territory.

(4) PRODUCT OR SERVICE OF A COVERED AFRICAN COUNTRY.—The term "product or service of a covered African country" means the following:

(A) A product from a covered African country that is wholly grown, mined, manufactured, or produced in the covered African country.

(B) A service from a covered African country that is performed by a person or entity that—

(i) is properly licensed or registered by appropriate authorities of the covered African country; and

(ii) as determined by the Chief of Mission concerned—

(I) is operating primarily in the covered African country; or

(II) is making a significant contribution to the economy of the covered African country through payment of taxes or use of products, materials, or labor that are primarily grown, mined, manufactured, produced, or sourced from the covered African country.

(f) CONFORMING AMENDMENT.—Section 1263 of the National Defense Authorization Act for Fiscal Year 2015 (Public Law 113–291; 128 Stat. 3581) is repealed.

TITLE IX—DEPARTMENT OF DEFENSE ORGANIZATION AND MANAGEMENT

Subtitle A—Office of the Secretary of Defense and Related Matters

SEC. 901. ORGANIZATION OF THE OFFICE OF THE SECRETARY OF DEFENSE.

(a) UNDER SECRETARY OF DEFENSE FOR RESEARCH AND ENGINEERING.—

(1) IN GENERAL.—Effective on February 1, 2018, chapter 4 of title 10, United States Code, is amended by striking section 133 and inserting the following new section:

"§ 133a. Under Secretary of Defense for Research and Engineering

"(a) UNDER SECRETARY OF DEFENSE.—There is an Under Secretary of Defense for Research and Engineering, appointed from civilian life by the President, by and with the advice and consent of the Senate. The Under Secretary shall be appointed from among persons who have an extensive technology, science, or engineering background and experience with managing complex or advanced technological programs. A person may not be appointed as Under Secretary within seven years after relief from active duty as a commissioned officer of a regular component of an armed force.

"(b) DUTIES AND POWERS.—Subject to the authority, direction, and control of the Secretary of Defense, the Under Secretary shall perform such duties and exercise such powers as the Secretary may prescribe, including—

"(1) serving as the chief technology officer of the Department of Defense with the mission of advancing technology and innovation for the armed forces (and the Department);

"(2) establishing policies on, and supervising, all defense research and engineering, technology development, technology

transition, prototyping, experimentation, and developmental testing activities and programs, including the allocation of resources for defense research and engineering, and unifying defense research and engineering efforts across the Department; and

"(3) serving as the principal advisor to the Secretary on all research, engineering, and technology development activities and programs in the Department.

"(c) PRECEDENCE IN DEPARTMENT OF DEFENSE.—

"(1) PRECEDENCE IN MATTERS OF RESPONSIBILITY.—With regard to all matters for which the Under Secretary has responsibility by the direction of the Secretary of Defense or by law, the Under Secretary takes precedence in the Department of Defense after the Secretary and the Deputy Secretary of Defense.

"(2) PRECEDENCE IN OTHER MATTERS.—With regard to all matters other than the matters for which the Under Secretary has responsibility by the direction of the Secretary or by law, the Under Secretary takes precedence in the Department of Defense after the Secretary, the Deputy Secretary, and the Secretaries of the military departments.".

(2) SERVICE OF INCUMBENT USD FOR ATL IN POSITION.—The individual serving as Under Secretary of Defense for Acquisition, Technology, and Logistics under section 133 of title 10, United States Code, as of February 1, 2018, may continue to serve as Under Secretary of Defense for Research and Engineering commencing as of that date, without further appointment under section 133a of such title, as added by paragraph (1).

(b) UNDER SECRETARY OF DEFENSE FOR ACQUISITION AND SUSTAINMENT.—Effective on February 1, 2018, chapter 4 of title 10, United States Code, is further amended by inserting after section 133a, as added by subsection (a), the following new section:

"§ 133b. Under Secretary of Defense for Acquisition and Sustainment

"(a) UNDER SECRETARY OF DEFENSE.—There is an Under Secretary of Defense for Acquisition and Sustainment, appointed from civilian life by the President, by and with the advice and consent of the Senate. The Under Secretary shall be appointed from among persons who have an extensive system development, engineering, production, or management background and experience with managing complex programs. A person may not be appointed as Under Secretary within seven years after relief from active duty as a commissioned officer of a regular component of an armed force.

"(b) DUTIES AND POWERS.—Subject to the authority, direction, and control of the Secretary of Defense, the Under Secretary shall perform such duties and exercise such powers as the Secretary may prescribe, including—

"(1) serving as the chief acquisition and sustainment officer of the Department of Defense with the mission of delivering and sustaining timely, cost-effective capabilities for the armed forces (and the Department);

"(2) establishing policies on, and supervising, all elements of the Department relating to acquisition (including system design, development, and production, and procurement of goods

and services) and sustainment (including logistics, maintenance, and materiel readiness);

"(3) establishing policies for access to, and maintenance of, the defense industrial base and materials critical to national security, and policies on contract administration;

"(4) serving as—

"(A) the principal advisor to the Secretary on acquisition and sustainment in the Department;

"(B) the senior procurement executive for the Department for the purposes of section 1702(c) of title 41; and

"(C) the Defense Acquisition Executive for purposes of regulations and procedures of the Department providing for a Defense Acquisition Executive;

"(5) overseeing the modernization of nuclear forces and the development of capabilities to counter weapons of mass destruction, and serving as the chairman of the Nuclear Weapons Council and the co-chairman of the Council on Oversight of the National Leadership Command, Control, and Communications System;

"(6) the authority to direct the Secretaries of the military departments and the heads of all other elements of the Department with regard to matters for which the Under Secretary has responsibility, except that the Under Secretary shall exercise supervisory authority over service acquisition programs for which the service acquisition executive is the milestone decision authority; and

"(7) to the extent directed by the Secretary, exercising overall supervision of all personnel (civilian and military) in the Office of the Secretary of Defense with regard to matters for which the Under Secretary has responsibility, unless otherwise provided by law.

"(c) PRECEDENCE IN DEPARTMENT OF DEFENSE.—

"(1) PRECEDENCE IN MATTERS OF RESPONSIBILITY.—With regard to all matters for which the Under Secretary has responsibility by the direction of the Secretary of Defense or by law, the Under Secretary takes precedence in the Department of Defense after the Secretary, the Deputy Secretary of Defense, and the Under Secretary of Defense for Research and Engineering.

"(2) PRECEDENCE IN OTHER MATTERS.—With regard to all matters other than the matters for which the Under Secretary has responsibility by the direction of the Secretary or by law, the Under Secretary takes precedence in the Department of Defense after the Secretary, the Deputy Secretary, the Under Secretary of Defense for Research and Engineering, and the Secretaries of the military departments.".

(c) CHIEF MANAGEMENT OFFICER.—

(1) IN GENERAL.—Effective on February 1, 2018, there is a Chief Management Officer of the Department of Defense.

(2) APPOINTMENT.—The Chief Management Officer shall be appointed from civilian life by the President, by and with the advice and consent of the Senate. The Chief Management Officer shall be appointed from among persons who have an extensive management or business background and experience with managing large or complex organizations. A person may not be appointed as Chief Management Officer within seven years after

relief from active duty as a commissioned officer of a regular component of an Armed Force

(3) DUTIES AND POWERS.—Subject to the authority, direction, and control of the Secretary of Defense, the Chief Management Officer shall perform such duties and exercise such powers as the Secretary may prescribe, including—

(A) serving as the chief management officer of the Department of Defense with the mission of managing the business operations of the Department;

(B) establishing policies on, and supervising, all business operations of the Department, including business transformation, business planning and processes, performance management, and business information technology management and improvement activities and programs, including the allocation of resources for business operations, and unifying business management efforts across the Department;

(C) serving as the principal advisor to the Secretary on all business operations activities and programs in the Department; and

(D) the authority to direct the Secretaries of the military departments and the heads of all other elements of the Department with regard to matters for which the Chief Management Officer has responsibility.

(4) CONFORMING AMENDMENTS.—Effective on February 1, 2018, section 132 of title 10, United States Code, is amended—

(A) by striking subsection (c); and

(B) by redesignating subsections (d) and (e) as subsections (c) and (d), respectively.

(d) REPEAL OF PENDING AUTHORITY TO ESTABLISH UNDER SECRETARY OF DEFENSE FOR BUSINESS MANAGEMENT AND INFORMATION.—Subsection (a) of section 901 of the Carl Levin and Howard P. "Buck" McKeon National Defense Authorization Act for Fiscal Year 2015 (Public Law 113–291; 128 Stat. 3462) is repealed.

(e) REPEAL OF CERTAIN ASD AND DIRECTOR POSITIONS.—Chapter 4 of title 10, United States Code, is further amended—

(1) in section 138(b)—

(A) by striking paragraphs (6), (7), (8), and (9); and

(B) by redesignating paragraph (10) as paragraph (6); and

(2) by striking sections 139b and 139c.

(f) OFFICE OF THE SECRETARY OF DEFENSE.—Effective on February 1, 2018, section 131(b)(2) of title 10, United States Code, is amended—

(1) by redesignating subparagraphs (B) through (E) as subparagraphs (C) through (F), respectively; and

(2) by striking subparagraph (A) and inserting the following new subparagraphs:

"(A) The Under Secretary of Defense for Research and Engineering.

"(B) The Under Secretary of Defense for Acquisition and Sustainment.".

(g) TABLE OF SECTION AMENDMENTS.—

(1) TABLE OF SECTIONS EFFECTIVE ON ENACTMENT.—The table of sections at the beginning of chapter 4 of title 10, United

States Code, is amended by striking the items relating to sections 139b and 139c.

(2) TABLE OF SECTIONS EFFECTIVE ON DELAYED EFFECTIVE DATE.—Effective on February 1, 2018, the table of sections at the beginning of chapter 4 of such title is further amended by striking the item relating to section 133 and inserting the following new items:

"133a. Under Secretary of Defense for Research and Engineering.
"133b. Under Secretary of Defense for Acquisition and Sustainment.".

(h) EXECUTIVE SCHEDULE LEVEL II.—Effective on February 1, 2018, section 5313 of title 5, United States Code, is amended by striking the item relating to the Under Secretary of Defense for Acquisition, Technology, and Logistics and inserting the following new items:

"Under Secretary of Defense for Research and Engineering.
"Under Secretary of Defense for Acquisition and Sustainment.".

(i) REVIEW REQUIRED.—

(1) IN GENERAL.—The Secretary of Defense shall conduct a review and identify a recommended organizational and management structure for the Department of Defense that implements the organizational policy guidance expressed in this section and the amendments made by this section.

(2) ELEMENTS .—The review and recommendations shall address, but not be limited to, the following:

(A) The organizational and management structure of the Department including the disposition of leadership positions, subordinate organizations, and defined relationships across such leadership positions and organizations.

(B) The recommended disposition within the Office of the Secretary of Defense of the various Assistant Secretaries of Defense, Deputy Assistant Secretaries of Defense, and Directors affected by the organizational policy guidance.

(C) The specific delineation of roles, responsibilities, and authorities, as directed by the Secretary, for the organizational and management structure covered by subparagraph (A).

(j) REPORTS.—

(1) INTERIM REPORT.—Not later than March 1, 2017, the Secretary of Defense shall submit to the congressional defense committees an interim report on the review and recommended organizational and management structure for the Department of Defense as required by subsection (i).

(2) FINAL REPORT.—Not later than August 1, 2017, the Secretary shall submit to the congressional defense committees a final report on the review and recommended organizational and management structure, including—

(A) a proposed implementation plan for how the Department would implement its recommendations;

(B) recommendations for revisions to appointments and qualifications, duties and powers, and precedent in the Department;

(C) recommendations for such legislative and administrative action, including conforming and other amendments