

Amendment ____ Require disposal of DOD excess property by public sale or auction

The Department of Defense gives away millions of dollars worth of new, unused, or excellent-condition equipment to state and local federal agencies.

It gave away around \$300 million worth of equipment annually to state agencies in Fiscal Year 2012, the latest year figures are available.

Since 2008 over \$1.5 billion in DOD excess property has been transferred or donated at no cost to federal, state or local agencies.

This amendment saves money for the taxpayer by requiring the Department of Defense to sell perfectly good equipment at a market price, rather than give it away for free.

Assuming a 25 percent resell rate for this equipment, changing the rules could save over \$700 million the next decade.

This program of “free” transfer was initiated before the attacks of September 11, and before the introduction of literally hundreds of grant programs through the Department of Homeland Security for the acquisition of emergency equipment.

The Department of Defense, under current rules, is allowed to transfer new, unused, and high quality equipment to other federal agencies, state, and local governments at no charge. Excess Department of Defense property is any property that is no longer required by one of the military services and does not have national security implications for its reuse.

This creates a perverse incentive for federal agencies and state and local governments to acquire equipment because it is free, not because they need it.

Similarly, this “market” for “free” equipment provides DOD a perverse incentive to continue with purchases of equipment it knows it doesn’t need and doesn’t plan to use. The Defense Logistics Agency’s Defense Reutilization and Marketing Service (DRMS) is giving away items for free or selling them for pennies on the dollar, even while the Department of Defense continues to purchase these items.

In a 2005 audit the Government Accountability Office (GAO) noted the military had some trouble executing this program. GAO identified at least \$400 million of fiscal year 2002 and 2003 commodity purchases when identical new, unused, and excellent condition items were available for reutilization.¹ GAO also identified hundreds of

¹ GAO Report 05-729T, —DOD Excess Property: Management Control Breakdowns Result in Substantial Waste and Efficiency, Government Accountability Office, June 7, 2005, <http://www.gao.gov/new.items/d05729t.pdf>.

millions of dollars in reported lost, damaged, or stolen excess property, including sensitive military technology items, which contributed to reutilization program waste and inefficiency.² In another instance, GAO found that the Defense Reutilization and Marketing Service may have provided over \$100 million in equipment for free to government organizations that were not entitled to them.³

State and local governments often receive hundreds of thousands of dollars' worth of equipment at no cost to them.⁴ However, some state and local governments haven't even used the equipment they've received, and the state and local governments pay for storage, upgrades, and ongoing maintenance costs for all the "free" equipment they've accumulated.⁵

The amendment adds a section of law to require that any new, unused, or high quality excess equipment that is not needed by another agency within the Department of Defense must be put up for public auction and awarded to the highest bidder.

There is already a mechanism in place for public sales of new, unused, or high quality excess inventory equipment.

The majority (>50%) of all new, unused, and excellent condition excess equipment, supplies, and inventory are already sold to the public.⁶

There would not need to be any additional mechanisms or costs in order for the sales to occur for federal agencies, state, and local governments. The federal agencies, state, and local governments will not be precluded from obtaining excess equipment, supplies and inventory from the Department of Defense. They will still pay much less for this equipment than if they purchased it retail.

Given the massive federal debt the nation faces, the Department of Defense should sell their new, unused, and excellent quality condition excess inventory to all interested parties, and not give quality equipment away to federal agencies, state, and local governments.

² GAO Report 05-729T, "DOD Excess Property: Management Control Breakdowns Result in Substantial Waste and Efficiency," Government Accountability Office, June 7, 2005, <http://www.gao.gov/new.items/d05729t.pdf>.

³ GAO Report OSI/NSIAD-00-147, "Inventory Management: Better Controls Needed to Prevent Misuse of Excess DOD Property," Government Accountability Office, April 2000, <http://www.gao.gov/new.items/o400147.pdf>.

⁴ <http://lubbockonline.com/local-news/2013-06-04/wolfforth-police-obtain-dump-trucks-mobile-command-unit-free>

⁵ <http://www.wired.com/dangerroom/2012/06/cops-military-gear/all/>

⁶ GAO Report 05-729T, "DOD Excess Property: Management Control Breakdowns Result in Substantial Waste and Efficiency," Government Accountability Office, June 7, 2005, <http://www.gao.gov/new.items/d05729t.pdf>.