

## Subtitle E—Commissary and Nonappropriated Fund Instrumentality Benefits and Operations

### SEC. 661. PROTECTION AND ENHANCEMENT OF ACCESS TO AND SAVINGS AT COMMISSARIES AND EXCHANGES.

(a) OPTIMIZATION STRATEGY.—Section 2481(c) of title 10, United States Code, is amended by adding at the end the following paragraph:

“(3)(A) The Secretary of Defense shall develop and implement a comprehensive strategy to optimize management practices across the defense commissary system and the exchange system that reduce reliance of those systems on appropriated funding without reducing benefits to the patrons of those systems or the revenue generated by non- appropriated fund entities or instrumentalities of the Department of Defense for the morale, welfare, and recreation of members of the armed forces.

“(B) The Secretary shall ensure that savings generated due to such optimization practices are shared by the defense commissary system and the exchange system through contracts or agreements that appropriately reflect the participation of the systems in the development and implementation of such practices.

“(C) If the Secretary determines that the reduced reliance on appropriated funding pursuant to subparagraph (A) is insufficient to maintain the benefits to the patrons of the defense commissary system, and if the Secretary converts the defense commissary system to a nonappropriated fund entity or instrumentality pursuant to paragraph (1) of section 2484(j) of this title, the Secretary shall transfer appropriated funds pursuant to paragraph (2) of such section to ensure the maintenance of such benefits.

“(4) On not less than a quarterly basis, the Secretary shall provide to the congressional defense committees a briefing on the defense commissary system, including—

“(A) an assessment of the savings the system provides patrons;

“(B) the status of implementing section 2484(i) of this title;

“(C) the status of implementing section 2484(j) of this title, including whether the system requires any appropriated funds pursuant to paragraph (2) of such section;

“(D) the status of carrying out a program for such system to sell private label merchandise; and

“(E) any other matters the Secretary considers appropriate.”.

(b) **AUTHORIZATION TO SUPPLEMENT APPROPRIATIONS THROUGH BUSINESS OPTIMIZATION.**—Section 2483(c) of such title is amended by adding at the end the following new sentence: “Such appropriated amounts may also be supplemented with additional funds derived from improved management practices implemented pursuant to sections 2481(c)(3) and 2487(c) of this title and the variable pricing program implemented pursuant to section 2484(i) of this title.”.

(c) **VARIABLE PRICING PILOT PROGRAM.**—Section 2484 of such title is amended by adding at the end the following new subsections:

(i) **VARIABLE PRICING PROGRAM.**—(1) Notwithstanding subsection (e), and subject to subsection (k), the Secretary of Defense may establish a variable pricing program pursuant to which prices may be established in response to market conditions and customer demand, in accordance with the requirements of this subsection. Notwithstanding the amount of the uniform surcharge assessed in subsection (d), the Secretary may provide for an alternative surcharge of not more than five percent of sales proceeds under the variable pricing program to be made available for the purposes specified in subsection (h).

“(2) Subject to subsection (k), before establishing a variable pricing program under this subsection, the Secretary shall establish the following:

“(A) Specific, measurable benchmarks for success in the provision of high quality grocery merchandise, discount savings to patrons, and levels of customer satisfaction while achieving savings for the Department of Defense.

(B) A baseline of overall savings to patrons achieved by commissary stores prior to the initiation of the variable pricing program, based on a comparison of prices charged by those stores on a regional basis with prices charged by relevant local competitors for a representative market basket of goods. “(3) The Secretary shall ensure that the defense commissary system implements the variable pricing program by conducting price comparisons using the methodology established for paragraph (2)(B) and adjusting pricing as necessary to ensure that pricing in the variable pricing program achieves overall savings to patrons that are consistent with the baseline savings established for the relevant region pursuant to such paragraph.

“(j) **CONVERSION TO NONAPPROPRIATED FUND ENTITY OR INSTRUMENTALITY.**—(1) Subject to subsection

(k), if the Secretary of Defense determines that the variable pricing program has met the benchmarks for success established pursuant to paragraph (2)(A) of subsection (i) and the savings requirements established pursuant to paragraph (3) of such subsection over a period of at least six months, the Secretary may convert the defense commissary system to a nonappropriated fund entity or instrumentality, with operating expenses financed in whole or in part by receipts from the sale of products and the sale of services. Upon such conversion, appropriated funds shall be transferred to the defense commissary system only in accordance with paragraph (2) or section 2491 of this title. The requirements of section 2483 of this title shall not apply to the defense commissary system operating as a nonappropriated fund entity or instrumentality.

“(2) If the Secretary determines that the defense commissary system operating as a nonappropriated fund entity or instrumentality is likely to incur a loss in any fiscal year as a result of compliance with the savings requirement established in subsection (i), the Secretary shall authorize a transfer of appropriated funds available for such purpose to the commissary system in an amount sufficient to offset the anticipated loss. Any funds so transferred shall be considered to be nonappropriated funds for such purpose.

“(3)(A) The Secretary may identify positions of employees in the defense commissary system who are paid with appropriated funds whose status may be converted to the status of an employee of a nonappropriated fund entity or instrumentality.

“(B) The status and conversion of employees in a position identified by the Secretary under subparagraph (A) shall be addressed as provided in section 2491(c) of this title for employees in morale, welfare, and recreation programs, including with respect to requiring the consent of such employee to be so converted.

“(C) No individual who is an employee of the defense commissary system as of the date of the enactment of this subsection shall suffer any loss of or decrease in pay as a result of a conversion made under this paragraph.

“(k) OVERSIGHT REQUIRED TO ENSURE CONTINUED BENEFIT TO PATRONS.—(1) With respect to each action described in paragraph (2), the Secretary of Defense may not carry out such action until—

“(A) the Secretary provides to the congressional defense committees a briefing on such action, including a justification for such action; and

“(B) a period of 30 days has elapsed following such briefing.

“(2) The actions described in this paragraph are the

following:

“(A) Establishing the representative marketbasket of goods pursuant to subsection (i)(2)(B). “(B) Establishing the variable pricing program under subsection (i)(1).

“(C) Converting the defense commissary system to a nonappropriated fund entity or instrumentality under subsection (j)(1).”.

(d) ESTABLISHMENT OF COMMON BUSINESS PRACTICES.—Section 2487 of such title is amended—

(1) by redesignating subsection (c) as subsection (d); and

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

“(c) COMMON BUSINESS PRACTICES.—(1) Notwithstanding subsections (a) and (b), the Secretary of Defense may establish common business processes, practices, and systems—

“(A) to exploit synergies between the defense commissary system and the exchange system; and

“(B) to optimize the operations of the defense retail systems as a whole and the benefits provided by the commissaries and exchanges.

“(2) The Secretary may authorize the defense commissary system and the exchange system to enter into contracts or other agreements—

“(A) for products and services that are shared by the defense commissary system and the exchange system; and

“(B) for the acquisition of supplies, resale goods, and services on behalf of both the defense commissary system and the exchange system.

“(3) For the purpose of a contract or agreement authorized under paragraph (2), the Secretary may—

“(A) use funds appropriated pursuant to section 2483 of this title to reimburse a nonappropriated fund entity or instrumentality for the portion of the cost of a contract or agreement entered by the nonappropriated fund entity or instrumentality that is attributable to the defense commissary system; and

“(B) authorize the defense commissary system to accept reimbursement from a nonappropriated fund entity or instrumentality for the portion of the cost of a contract or agreement entered by the defense commissary system that is attributable to the nonappropriated fund entity or instrumentality.”.

(e) **AUTHORITY FOR EXPERT COMMERCIAL ADVICE.**—Section 2485 of such title is amended by adding at the end the following new subsection:

“(i) **EXPERT COMMERCIAL ADVICE.**—The Secretary of Defense may enter into a contract with an entity to obtain expert commercial advice, commercial assistance, or other similar services not otherwise carried out by the Defense Commissary Agency, to implement section 2481(c), subsections (i) and (j) of section 2484, and section 2487(c) of this title.”.

(f) **CLARIFICATION OF REFERENCES TO “THE EXCHANGE SYSTEM”.**—Section 2481(a) of such title is amended by adding at the end the following new sentence: “Any reference in this chapter to ‘the exchange system shall be treated as referring to each separate administrative entity within the Department of Defense through which the Secretary has implemented the requirement under this subsection for a world-wide system of exchange stores.’”.

(g) **OPERATION OF DEFENSE COMMISSARY SYSTEM AS A NONAPPROPRIATED FUND ENTITY.**—In the event that the defense commissary system is converted to a nonappropriated fund entity or instrumentality as authorized by section 2484(j)(1) of title 10, United States Code, as added by subsection (c) of this section, the Secretary of Defense may—

(1) provide for the transfer of commissary assets, including inventory and available funds, to the nonappropriated fund entity or instrumentality; and (2) ensure that revenues accruing to the defense commissary system are appropriately credited to the nonappropriated fund entity or instrumentality.

(h) **CONFORMING CHANGE.**—Section 2643(b) of such title is amended by adding at the end the following new sentence: “Such appropriated funds may be supplemented with additional funds derived from improved management practices implemented pursuant to sections 2481(c)(3) and 2487(c) of this title.”.

**SEC. 662. ACCEPTANCE OF MILITARY STAR CARD AT COMMISSARIES.**

(a) **IN GENERAL.**—The Secretary of Defense shall ensure that commissary stores accept as payment the Military Star Card; and

(2) any financial liability of the United States relating to such acceptance as payment be assumed by the Army and Air Force Exchange Service.

(b) **MILITARY STAR CARD DEFINED.**—In this section, the term “Military Star Card” means a credit card administered under the Exchange Credit Program by the Army and Air Force Exchange Service.