



OFFICE OF THE SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301

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MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
COMMANDER IN CHIEF, SPECIAL OPERATIONS COMMAND
DIRECTORS OF THE DEFENSE AGENCIES

SUBJECT: Multiyear Leasing of Capital Assets

Leasing has several potential benefits to the Department and provides greater flexibility in dealing with changing requirements. The Department needs to use multiyear leases as a means of acquiring capital assets where it makes good business sense.

Despite these potential benefits, multiyear leases have been rarely used by the Department due to statutory and regulatory impediments. The Department plans to propose some or all of the following statutory and regulatory changes to eliminate the most serious impediments to the greater use of multiyear leases:

- Repeal of the statutory limits upon the length of leases and enactment of authority to enter into long-term leases funded with annual appropriations.
- Eliminate the legislative requirement that funds be reserved to cover termination liabilities, allowing each year's budget to be only for the lease payments that have to be made in that year.
- Change budget scorekeeping rules for leases in OMB Circular A-11.
- Change methodology of the lease-purchase analysis required by OMB Circular A-94 to permit more of the advantages of leasing to be factored into the calculations.

If you know of other statutory or regulatory changes that would facilitate an increased use of leases, we ask that you identify them to us promptly.

We are jointly establishing a Leasing Review Panel and request that you identify candidate programs for acquisition by means of multiyear leases.

The Panel will review all lease proposals projected to cost a total of \$250 million or more over the life of the lease. It will also review leasing proposals that are being considered as an alternative to the acquisition of potential Major Defense Acquisition Programs (MDAPs) or Major Automated Information Systems (MAIS's) or upgrades to existing MDAPs or MAIS's. We envision the Panel operating in a manner similar to the Defense Acquisition Board. In the instances when leasing proposals are being considered as alternatives to potential MDAPs or MAIS's, or upgrades to MDAPs or MAIS's, the proposals must be submitted through the appropriate Overarching Integrating Product Team Leader from either the Office of the Under Secretary of Defense (Acquisition, Technology, and Logistics) or the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence). After review of the proposals,

the Panel will make recommendations to the Defense Acquisition Board (DAB) or the DoD Chief Information Officer (CIO).

Questions concerning this initiative should be addressed to Wayne Schroeder, Deputy Under Secretary of Defense (Resource Planning/Management), telephone (703) 693-8083 or to Nancy Spruill, Director, Acquisition Resources and Analysis, telephone (703) 614-5737.



E. C. Aldridge, Jr.
Under Secretary of Defense
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Dov S. Zakheim
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