

105TH CONGRESS  
1ST SESSION

# H. R. 925

To prohibit the Department of Defense from allowing defense contractors to recoup merger-related restructuring costs from the taxpayers.

---

## IN THE HOUSE OF REPRESENTATIVES

MARCH 5, 1997

Mr. SMITH of New Jersey (for himself, Mr. SANDERS, Mr. DeFAZIO, Mr. KLUG, Mr. DICKEY, Mr. NEUMANN, Mr. ACKERMAN, Mr. BARRETT of Nebraska, Mr. LIPINSKI, Mr. FRANKS of New Jersey, Mrs. MALONEY of New York, Mr. CHABOT, Mrs. KENNELLY of Connecticut, Mr. WATTS of Oklahoma, Mr. STARK, Mr. HOEKSTRA, Ms. JACKSON-LEE of Texas, Mr. LOBIONDO, Mr. EVANS, Ms. NORTON, Mr. FRANK of Massachusetts, Ms. STABENOW, Mr. LEWIS of Georgia, Mrs. CARSON, and Mr. BLUMENAUER) introduced the following bill; which was referred to the Committee on National Security

---

## A BILL

To prohibit the Department of Defense from allowing defense contractors to recoup merger-related restructuring costs from the taxpayers.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Payoffs-for-Layoffs  
5 Corporate Welfare Elimination Act of 1997”.

---

1 **SEC. 2. PROHIBITION ON PAYMENTS UNDER DEFENSE CON-**  
2 **TRACTS FOR RESTRUCTURING COSTS OF A**  
3 **DEFENSE CONTRACTOR MERGER OR ACQUI-**  
4 **SITION.**

5 (a) PROHIBITION.—No funds appropriated or other-  
6 wise made available to the Department of Defense may  
7 be obligated or expended under section 2324 of title 10,  
8 United States Code, for payment of any restructuring cost  
9 associated with a merger or acquisition that is incurred  
10 by a contractor under contract with the Department of  
11 Defense.

12 (b) APPLICABILITY.—(1) The prohibition in sub-  
13 section (a) applies with respect to any merger or acquisi-  
14 tion occurring on or after the date of the enactment of  
15 this Act.

16 (2) In the case of a merger or acquisition that oc-  
17 curred before the date of the enactment of this Act, funds  
18 appropriated or otherwise made available to the Depart-  
19 ment of Defense may be used to process or pay a claim  
20 for restructuring costs associated with the merger or ac-  
21 quisition only if the relevant contract or advance agree-  
22 ment specifies that payment for such costs may be made  
23 under the contract or agreement using funds appropriated  
24 or otherwise made available to the Department of Defense.

25 (c) CONFORMING REPEAL.—Subsection (a) of section  
26 818 of the National Defense Authorization Act for Fiscal

1 Year 1995 (Public Law 103–337; 10 U.S.C. 2324 note)  
2 is repealed.

3 (d) REPORTS BY SECRETARY OF DEFENSE.—Sub-  
4 section (e) of such section is amended—

5 (1) in the matter preceding paragraph (1), by  
6 striking out “and 1997” and inserting in lieu there-  
7 of “1997, 1998, 1999, and 2000”; and

8 (2) by adding at the end of paragraph (3) the  
9 following:

10 “(F) An analysis of the dollar amount of  
11 any windfalls achieved by the combining defense  
12 contractors which results from the reduction of  
13 overhead on fixed-price type contracts from the  
14 Department of Defense that existed before the  
15 business combination.

16 “(G) A list of each major weapons system  
17 purchased by the Department of Defense since  
18 July 21, 1993, for which actual prices have ac-  
19 tually been reduced that are attributable to the  
20 contractors’ restructuring efforts.

21 “(H) The total number of pending restruc-  
22 turing proposals submitted to the Department  
23 of Defense as of the date of the report and the  
24 total dollar amount of the requests for restruc-  
25 turing costs contained in those proposals.”.

1 (e) COMPTROLLER GENERAL REPORT.—Subsection  
2 (g)(3) of such section is amended by adding at the end  
3 the following: “The report shall include an estimate and  
4 detailed description of the net effect on the Federal budget  
5 of reimbursing defense contractors for their merger-relat-  
6 ed restructuring costs, including the following:

7 “(A) The payment by the Department of De-  
8 fense of restructuring costs resulting from business  
9 combinations of defense contractors.

10 “(B) The reduction of Federal tax revenues  
11 from unemployment resulting from business com-  
12 binations of defense contractors who have been reim-  
13 bursed for their merger-related restructuring costs.

14 “(C) The increase in Federal expenditures in  
15 other Federal adjustment programs from unemploy-  
16 ment resulting from business combinations of de-  
17 fense contractors who have been reimbursed for  
18 their merger-related restructuring costs, including  
19 food stamps, housing and energy assistance, and any  
20 other programs the Comptroller General determines  
21 that unemployed persons are likely to use at a rate  
22 higher than employed persons.

1           “(D) The increase in Federal grants of cash  
2           and in-kind assistance to States and local commu-  
3           nities that have experienced significant layoffs or fa-  
4           cility relocation (or both) resulting from the business  
5           combination, that are attributable to losses in the  
6           State and local tax base and increased the use of  
7           State and local government services similar to those  
8           described in subparagraph (C).

9           “(E) The effect of reduced competition result-  
10          ing from business combinations on the prices the  
11          Department of Defense pays for military equipment  
12          and services.”.

13          (f) DEFINITIONS.—Such section is further amended  
14          by adding at the end the following new subsection:

15          “(h) DEFINITIONS.—For purposes of this section:

16                 “(1) The term ‘windfall’ means the savings, ei-  
17                 ther actually realized or anticipated, by the combin-  
18                 ing defense contractors as a result of reducing over-  
19                 head through merger-related restructuring which are  
20                 foregone by the Government because certain defense  
21                 contracts are fixed-price type contracts that existed  
22                 before the business combination and cannot be ad-  
23                 justed to reflect the contractor’s reduced overhead.

24                 “(2) The term ‘significant layoffs’ means a situ-  
25                 ation in which the number of layoffs exceed 500 full-

1       time equivalent employees or in which one of the  
2       combining defense contractors previously represented  
3       the fifth largest employer or greater in the relevant  
4       State or local community.”.

○