



United States Department of Agriculture

Office of the Secretary
Washington, D.C. 20250

FEB - 9 2006

The Honorable J. Dennis Hastert
Speaker of the House
U.S. House of Representatives
H-232 Capitol Building
Washington, D.C. 20515

Dear Mr. Speaker:

In accordance with Section 647(b) of Division F of the Consolidated Appropriations Act, Fiscal Year (FY) 2004, P.L. 108-199, the Department of Agriculture's (USDA) Report to Congress on FY 2005 Competitive Sourcing Efforts is enclosed. USDA conducts competitive sourcing competitions according to the Office of Management and Budget Circular No. A-76, "Performance of Commercial Activities."

In FY 2005, USDA completed 2 competitive sourcing studies on 270 full-time equivalent positions. The estimated gross savings were \$8.1 million over a 5-year period with annualized savings of \$1.62 million and actual savings of \$568,000 in FY 2005.

The Forest Service (FS) implemented the public-private competition of Information Technology services, which is expected to save \$146.7 million over 5-years, demonstrating the Department's ability to use the competitive sourcing management tool to achieve positive results. FS achieved actual savings of \$16.8 million in FY 2005.

USDA strives to implement the Administration's Competitive Sourcing Initiative in a fair and equitable way. During the past 2 years, USDA has worked with its agencies to ensure that studies reflect broader, more strategically grouped and related functional areas. Based on these significant improvements, we urge the elimination of the cap in the Interior Appropriations Act that currently restricts the amount of resources that the FS may spend on competitive sourcing.

Sincerely,

A handwritten signature in black ink, appearing to read "Mike Johanns", written in a cursive style.

Mike Johanns
Secretary

Enclosures

**The United States Department of Agriculture
Report to Congress on Fiscal Year (FY) 2005
Competitive Sourcing Activities**

USDA is working to ensure that the studies it conducts reflect strategically grouped and related functions to maximize the initiative's impact. The Department issued internal guidance to ensure that feasibility analysis, including cost-benefit analysis, is performed before activities are scheduled for competition. The goal of the feasibility analysis is to ensure that functions selected for public-private sector competitions will result in an organization implemented with lower costs and increased management efficiencies.

USDA's competitive sourcing decision-making process aligns with our strategic work plan by enabling the Department and its agencies to be more effective and efficient. The Department is working to develop standard inventory definitions and use competitive sourcing, where appropriate, to address core competency and skills gaps. The work in this area is expected to cultivate information that will enable agencies' managers to make decisions about workforce restructuring and the use of competitive sourcing.

In FY 2005, USDA completed 2 competitive sourcing studies on 270 full-time equivalent positions. The estimated gross savings is \$8.1 million over a 5-year period with annualized savings of \$1.62 million. USDA's progress is reflected in the attached FY 2005 Competitive Sourcing Activities Summary Completed Competitions (Attachment I) and the FY 2003 and FY 2004 Competitive Sourcing Activities Savings and Performance Update (Attachment II).

USDA anticipates a phased-planning approach to competitive sourcing. This approach will include an annual analysis of the USDA Federal Activities Inventory by functional areas. This will continue until all commercial activities have been analyzed for possible future competitive sourcing studies.

In FY 2006, USDA will conduct feasibility studies covering approximately 3,540 FTEs. If the results of the feasibility studies indicate a favorable return on investment and market research indicates potential qualified vendors exist, then an A-76 competition will be conducted. If the results are not favorable, competitions will not be conducted.

**UNITED STATES DEPARTMENT OF AGRICULTURE
FY 2005 COMPETITIVE SOURCING ACTIVITIES SUMMARY SHEET**

COMPLETED COMPETITIONS
(Dollars in Millions)

Competition Description																	Savings and/or Performance Improvements								
Agency	Bureau	Primary Activity Code	Secondary Activity Code	Additional Activity Code	Description of Activity Competed	Type of Competition	Location (State)	# of FTE in study	# of Bids Received	Start Date (MM/DD/YYYY)	End Date (MM/DD/YYYY)	Expected Phase-In Completion Date (MM/DD/YYYY)	Actual Phase-In Completion Date (MM/DD/YYYY)	Source Selection Strategy Used	Winning Provider	FY 2005 Costs	Total Cost - All Years	Estimated Savings	Period of Est. Savings (Performance Period--in years)	Annualized Savings	Actual Savings (if available)	Saving Methodology: Calculation/ Proxy	Quantifiable Description of Improvements in Service or Performance (if appropriate)		
STREAMLINED COMPETITIONS																									
									N/A								0.000						N.D.		
									N/A								0.000							N.D.	
									N/A								0.000							N.D.	
									N/A								0.000							N.D.	
									N/A								0.000							N.D.	
SUBTOTAL, STREAMLINED COMPETITIONS								0	0							0.000	0.000	0.000		0.000	0.000				
STANDARD COMPETITIONS																									
USDA	REE-ARS	R140 Management and Support to R&D			Facilities Ops and Maintenance	Standard competition conducted under a deviation	MD	189	3	6/27/2003	12/20/2004	5/15/2005	5/15/2005	lowest price technically acceptable evaluation	in-house government personnel (I/H)	0.165	0.638	4.700	5.0	0.940	0.424	Calculation			
USDA	REE-ARS	R900 Operation and Maintenance of Physical Plant	S717 Motor Vehicle Maintenance	S999 Other Installation Services	Research Farming Support	Standard competition conducted under a deviation	MD	81	1	6/27/2003	12/20/2004	5/15/2005	5/15/2005	lowest price technically acceptable evaluation	in-house government personnel (I/H)	0.046	0.312	3.400	5.0	0.680	0.144	Calculation			
																	0.000							N.D.	
																	0.000							N.D.	
																	0.000							N.D.	
SUBTOTAL, STANDARD COMPETITIONS								270	4							0.211	0.950	8.100		1.620	0.568				
TOTAL, ALL COMPETITIONS								270	4									0.211	0.950	8.100		1.620	0.568		

FY 2005 FIXED COSTS*

1.191

*Note: These costs are not competition-specific

**United States Department of Agriculture
FY 2003 and FY 2004 COMPETITIVE SOURCING ACTIVITIES**

SAVINGS & PERFORMANCE UPDATE

(Dollars in Millions)

Agency	Bureau	Function Competed	Type of Competition	Total Estimated Savings (As reported to Congress in past 647 reports)	Total Performance Period (in years)	Actual Phase-In Completion Date (MM/DD/YYYY)	Actual Accrued Savings FY 2002	Actual Accrued Savings FY 2003	Actual Accrued Savings FY 2004	Actual Accrued Savings FY 2005	Total Actual Accrued Savings	Pd Over Which Actual Savings Accrued (In Years)	Savings Methodology/ Proxy	Quantifiable Description of Improvements in Service or Performance (if appropriate)
STREAMLINED COMPETITIONS														
USDA	REE-ARS	Security Services	Streamlined competition with MEO conducted under a deviation	1.120	5	1/4/2004				0.257	0.257	1	Calculation	
USDA	NRCS	Clerical	Streamlined competition with MEO	0.143	5	1/1/2004			0.023	0.037	0.060	1.75	Calculation	
USDA	FS	Olympic NF Road Maint.	Streamlined cost comparison (old circular)	0.420	3	4/1/2004			0.052	0.065	0.117	1.5	Calculation	
SUBTOTAL, STREAMLINED COMPETITIONS				1.683							0.434			
STANDARD COMPETITIONS														
USDA	REE-ARS	Facilities Ops & Maintenance	Standard competition conducted under a deviation	0.000	5	5/15/2005				0.424	0.424	0.4	Calculation	
USDA	REE-ARS	Research Farming Support	Standard competition conducted under a deviation	0.000	5	5/15/2005				0.144	0.144	0.4	Calculation	
USDA	NRCS	Cartography	Standard competition	11.450	5	11/10/2004								
USDA	FS	IT Infrastructure	Standard competition	146.700	5	2/6/2005				16.800	16.800	0.7	Calculation	
USDA	FS	R5 Road Maint.	Standard competition	14.200	5	7/7/2004			0.670	0.998	1.668	1.2	Calculation	
USDA	FS	R5 Fleet Maint.	Standard competition	5.700	4.5	2/22/2005				1.610	1.610	0.7	Calculation	
SUBTOTAL, STANDARD COMPETITIONS				178.050							20.646			
TOTAL, ALL COMPETITIONS				179.733							21.080			