

OMB's "Best Value" Rules Help Improve Government Operations

A recently released OMB analysis shows that agencies are taking effective advantage of best value tradeoffs in their public-private competitions to improve performance and lower the cost of federal programs. Traditionally, Circular A-76 has required that agencies choose between the government and private sector *solely based on lowest cost*. The 2003 revisions to OMB's Circular A-76 allow agencies to select the best value solution after comparing *both the quality and cost* of offers by federal employees to those made by private sector contractors.

Over the past two years, ten agencies have used the Circular's best value tradeoffs in 14 separate competitions to evaluate the best approach for performing a range of activities, including flight services, information technology support, payment processing, human resources training, and visual and medical arts.

- The most significant benefit of the tradeoff process is measured in the transformational improvements that are made possible when the government needs to fundamentally change the way service is provided to its customers and has the ability to choose the best overall solution. Measuring value in more ways than just cost reduction gives offerors more options for proposing solutions that are both high quality and cost effective.
- Cost savings have been a significant factor in tradeoffs. Expected savings per FTE studied were 2-3 times the amount anticipated per FTE competed on the basis of cost alone – i.e., \$68,000 per FTE under best-value tradeoffs (or \$47,000 per FTE excluding FAA's competition for automated flight services) as opposed to \$24,000 per FTE under cost-only competitions. In every instance where work was converted to private sector performance, the agency concluded that the conversion would result in a savings of at least 10 percent or \$10 million when compared to the cost of performance by the agency's most efficient organization (MEO).

While cost-only comparisons between the MEO and the best private sector provider generally work well for competitions that involve routine needs, such as building or lawn maintenance, solutions prepared with the expectation of being evaluated only on cost typically perpetuate the status quo and rarely offer innovation or capital investment when it is needed.

OMB has urged Congress to repeal restrictions in section 842 of P.L. 109-115 (the FY 2006 Transportation, Treasury, Housing and Urban Development Appropriations Act) that marginalize the consideration of quality in competitions and force agencies to choose between the government and private sector solely based on lowest cost. The tradeoff authority provided in the Circular has already proven to be an impartial and transparent tool that promotes both responsible stewardship and facilitates innovative and cost-effective solutions to meet taxpayer needs.

Additional information on the benefits of best-value decision-making can be found in OMB's *Report on the Use of Best Value Tradeoffs in Public-Private Competitions*, available on this website. Other results of agencies' competitive sourcing efforts for FY 2005 are discussed in *Report on Competitive Sourcing Results, Fiscal Year 2005*.

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