

COMPETITIVE SOURCING

Report on Competitive Sourcing Results Fiscal Year 2006



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*Executive Office of the President
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Executive Summary

This report discusses the use of competitive sourcing (i.e., public-private competition) in FY 2006 by agencies tracked under the President's Management Agenda (PMA). The report also analyzes trends over the four-year period that the Office of Management and Budget (OMB) has prepared annual reports on competitive sourcing activities. This report is based on data collected by the PMA agencies. Key results are described below.

FY 2006

1.7 percent of commercial work competed. Agencies completed 183 competitions involving the commercial workload of 6,678 full-time-equivalent employees (FTEs), or about 1.7 percent of the total commercial workforce. Competitions were conducted for a wide-range of commercial activities. Similar to prior years, information technology and maintenance and property management were the most popular activities for competition.

Projected savings continue to be impressive. Improvements set in motion by competitions completed in FY 2006 are expected to generate net savings or cost avoidances of \$1.3 billion over the next five to ten years.

Federal employees fare well. Federal employees have been selected to perform 87 percent of the work competed in FY 2006. This statistic affirms again that employees are highly successful in using the competition process to eliminate operational inefficiencies and create most efficient organizations (MEOs).

Statutory ban on best-value tradeoffs limits results. Savings would likely be even higher if Congress lifted the existing ban on best-value tradeoff competitions. Before they were prohibited, best-value tradeoff competitions – i.e., where both cost and quality (as opposed to just cost alone) are taken into account in selecting a provider – produced expected savings of \$68,000 per FTE, which is more than two and a half times the average expected net savings from all competitions.

FYs 2003 - 2006

Approximately 12 percent of commercial work competed. Over the past four fiscal years, agencies have conducted 1,243 competitions (313 standard competitions and 930 streamlined competitions) involving a total of 46,825 FTEs, which represents approximately 12 percent of the commercial activities identified as suitable for competition by agencies in their workforce inventories – but only about 3 percent of all government activities.

Cumulative estimated net savings approach \$7 billion.

Competitions completed in FYs 2003 – 2006 are estimated to save taxpayers \$6.9 billion. The majority of these savings are expected to be realized over the next three to five years.

Annualized expected savings surpass \$1 billion. Total annualized expected savings have increased almost five-fold between FY 2003 and FY 2006 as the total number of successfully completed competitions generating savings continues to rise.

High returns expected on investment. One-time, out-of-pocket expenses for competitions completed in FYs 2003 – 2006 were \$226 million. This means our taxpayers get a \$31 return for every dollar spent on competition.

Actual savings achieved. Agencies are tracking and reviewing the actual costs incurred by their selected service providers for each performance period. To date, actual savings – i.e., baseline costs less actual costs – are close to \$1 billion. OMB has asked all PMA agencies to establish validation plans on a reasonable sampling of competitions to ensure that cost savings and performance improvements are being realized as promised.

**Competitive Sourcing at a Glance
Investments and Results: FYs 2003 – 2006**

Cumulative results

Factor	Four-Year Total*
FTE competed	46,825
Number of competitions conducted	1,243
FTE competed under standard competitions	36,696**
Incremental cost	\$230 million
Estimated net savings	\$6.9 billion
Estimated annualized savings	\$1.1 billion

* Dollar savings figures are rounded to nearest \$100 million.

**Standard competitions require head-to-head competition between the public and private sectors and the development of an MEO staffing plan by the federal incumbent provider.

Four-year averages

Factor	Four-Year Average
FTE per competition	38
Work competed through standard competitions (as a percentage of total FTEs competed)	78%*
Incremental cost of a competition per FTE competed	\$5,000**
Net annual savings per FTE competed	\$25,000
Competitions where federal agency selected to perform work (as a percentage of total FTEs competed)	83%

* Standard competitions require head-to-head competition between the public and private sectors and the development of an MEO staffing plan by the federal incumbent provider.

**Incremental cost figures are rounded to nearest thousand.

Introduction

In the summer of 2001, as part of the President's Management Agenda, the Office of Management and Budget (OMB) called on agencies to use public-private competition as a management tool for improving mission performance and lowering costs for taxpayers. When the PMA was first announced, few, if any agencies, other than the Department of Defense (DOD) had a significant history of using competitive sourcing. Today, the picture is far different. Over twenty civilian agencies have joined DOD in using competition to improve many of their day-to-day commercial support operations through the strategic application of public-private competition.

Using Public-Private Competition as a Management Tool

Defense and civilian agencies have ensured the reasoned and responsible use of competition through:

- Customized plans developed by the agency to identify where public-private competition will be most beneficial to its unique mission and workforce mix;
- Dedicated high-level management support to promote sound and accountable decision making; and
- Improved processes for the fair and efficient conduct of public-private competition and sufficient oversight to ensure promised results are delivered.

This report discusses the use of competitive sourcing in FY 2006 by agencies tracked under the PMA. The report also analyzes trends over the four-year period that OMB has prepared annual reports on competitive sourcing activities.¹

Information in this report is based on data collected by the PMA agencies in accordance with OMB Memorandum M-07-01, *Report to Congress on FY 2006 Competitive Sourcing Efforts* (October 5, 2006), available at www.omb.gov. OMB's guidance is intended to ensure consistent and clear agency reporting. It provides a standard reporting format and describes how agencies should calculate savings and costs, including the incremental cost of a specific competition and the fixed costs associated with overseeing an agency's competitive sourcing efforts.

I. The big picture

Competitive sourcing enables agencies to better ensure tax dollars are focused on mission needs. Public-private competitions completed in FY 2006, like those completed in prior years, are helping agencies save resources to spend directly on their mission by making the commercial services that support their programs more efficient.

¹ For prior year reports go to http://www.whitehouse.gov/omb/procurement/index_comp_sourcing.html.

Projected savings from completed competitions are significant for the relatively small percentage of the total workforce that has been competed. While only 1.7% of the commercial activities (one-half of one percent of all government activities) was competed in FY 2006, these competitions will save taxpayers almost \$1.3 billion over the next five to ten years, which brings the cumulative total net savings from competitions conducted since FY 2003 to \$6.9 billion. Federal employees continue to receive the vast majority of work – 87 percent in FY 2006 – by creating “most efficient organizations” to eliminate inefficiencies from the federal workplace.

Competitive Sourcing in FY 2006

Factor	FY 2006 Total
Completed Competitions	
Number of PMA agencies completing competitions	20
Number of competitions completed	183
Number of FTEs competed	6,678
Total estimated net savings	\$1.3 billion*
Estimated annualized savings	\$220 million
Competitions where federal agency selected to perform work (as a percentage of total FTEs competed)**	87%
Announced Competitions	
Number of competitions announced	86
Number of FTEs announced	9,691

* Figure rounded to nearest \$100 million.

**Calculated by FTEs competed.

Competitive Sourcing between FYs 2003 – 2006

Factor	FY 2003 – 2006 Total*
Number of PMA agencies completing competitions	25
Number of competitions completed	1,243
Number of FTEs competed	46,825
Total estimated net savings	\$6.9 billion
Estimated annualized savings	\$1.1 billion
Competitions where federal agency selected to perform work (as a percentage of total FTEs competed)**	83%

* Dollar savings figures are rounded to nearest \$100 million.

**Calculated by FTEs competed

II. How public-private competition was used in FY 2006

Basic Facts About How Agencies Use Competitive Sourcing

Competitions in FY 2006, like those conducted between FYs 2003 – 2005 show that agencies:

- Focus on highly commercial functions that are readily available from and can be suitably performed by the private sector, such as IT support, logistics, and property management.
- Compete only a small portion of their commercial activities – about 1.7 percent in FY 2006 (12 percent between FYs 2003 – 2006) – and only about 3 percent of all government activities.
 - All *inherently governmental* activities are automatically excluded from consideration for competition.
 - According to agency inventories prepared under the Federal Activities Inventory Reform Act, a substantial number of commercial activities are excluded from consideration for competition in order to preserve in-house core capabilities.
 - Additional commercial positions are excluded from consideration for competition for other business reasons (e.g., private sector interest unlikely).
- Complete most streamlined competitions in a three-month period and standard competitions in a 12- to 18-month period under OMB's revised Circular A-76.
- Give in-house teams the resources necessary to compete effectively.
- Select in-house teams when they develop most efficient organizations (MEOs) that eliminate waste and compare favorably to private sector solutions; in-house teams were selected to perform 87 percent of all work awarded in FY 2006 (83 percent of all work awarded between FY 2003 – 2006).
- Make concerted efforts to provide soft landings for affected employees.
 - Only 2.3 percent of the civilian positions in DOD competitions reaching final decision between FYs 2003 – 2006 were subject to involuntary separation, which is less than half of DOD's historical average of about 5 percent.

A. Anticipated benefits from competition in FY 2006

Agency competitions completed in FY 2006 will help agencies reduce costs and improve the efficiency of a wide range of commercial support activities. Agencies project that competitions completed in FY 2006 will help them achieve net savings, or cost avoidances, totaling approximately \$1.3 billion over the next five to ten years.² One-time, out-of-pocket expenses for conducting competitions in FY 2006 were less than \$15 million and fixed costs to provide central direction and oversight of the competitive sourcing program were less than \$39 million. See the Appendices for a breakdown by agency on incremental costs, fixed costs, and estimated savings.

Anticipated Benefits from Competitions Completed in FY 2006

Modernization of printing & publishing activities at the Department of State.

- New standards for global graphic publishing will allow State to communicate its public diplomacy message in a more timely, compelling, and visually interesting way.
- Adoption of industry best-practices will improve customer care and lower costs by one-third, translating to approximately \$80 million in taxpayer savings over ten years.

More efficient provision of Information Technology (IT) support throughout Army Corps of Engineers

- Consolidation of redundant IT activities, currently performed at more than 50 locations, will help the in-house provider reduce costs by \$950 million over six years.³

More cost-effective performance of installation services support at the Defense Logistics Agency (DLA)

- Contract performance of installations services support under DLA's supervision, is projected to reduce costs for facilities management activities by almost 50 percent. The contractor will be required to meet the same quality standards as would have been applied to the in-house team.

Improved facilities management at the Agency for International Development (AID)

- More efficient space planning, maintenance coordination and general office support will help AID reduce costs for these activities by 25 percent.

² All savings figures for FY 2006 include approximately \$35 million in savings from the Internal Revenue Service *Files* competition completed in FY 2005. Data from this competition was not available at the time of the FY 2005 report. See COMPETITIVE SOURCING: Report on Competitive Sourcing Results, Fiscal Year 2005 (April 2006), footnote 19, at http://www.whitehouse.gov/omb/procurement/comp_src/cs_annual_report_fy2005_results.pdf.

³ The Army Corps of Engineers has increased its savings projection for the IT competition. DOD's report to Congress on FY 2006 activities identified an estimated savings of \$430 million. The Corps has since increased the estimated savings figure to \$950 million. Further adjustments may be made after additional analysis.

Anticipated Benefits from Competitions Announced in FY 2006 *

More effective non-guard security support services at the Navy

- Enterprise-wide competition encompasses functions in over 20 states and Guam.
- Competition will help the Navy identify innovative approaches and develop more effective and efficient program-centric business practices across the Department.

Improved aircraft maintenance support for the Air Force

- Competition at the 57th Maintenance Group at Nellis Air Force Base will improve aircraft maintenance support for more than 100 aircraft of multiple airframes.
- Covered functions include avionics, armament, fuel, aircraft and structural repair, egress, munitions, propulsion and aircraft phase inspection support.

More efficient administrative support services at the Department of Labor (DOL)

- Competition of administrative support from 6 functional areas across 11 agencies will help to make administrative support more cost-efficient.

More efficient environmental analytical services at the Department of the Interior (DOI)

- Competition at the National Water Quality Laboratory (NWQL) in the United States Geological Survey (USGS) will allow both the in-house team of science and chemistry lab technicians and private contractors to demonstrate who can best perform research and analysis regarding emerging contaminants in surface and ground water supplies throughout the country.
- Prior to announcing the competition, USGS, like other agencies, conducted a feasibility study to determine if competition could improve the efficiency of current operations and if the private sector has the capability and capacity to perform the work. USGS identified private sector contractors that may provide high-quality environmental analytical services to support NWQL.

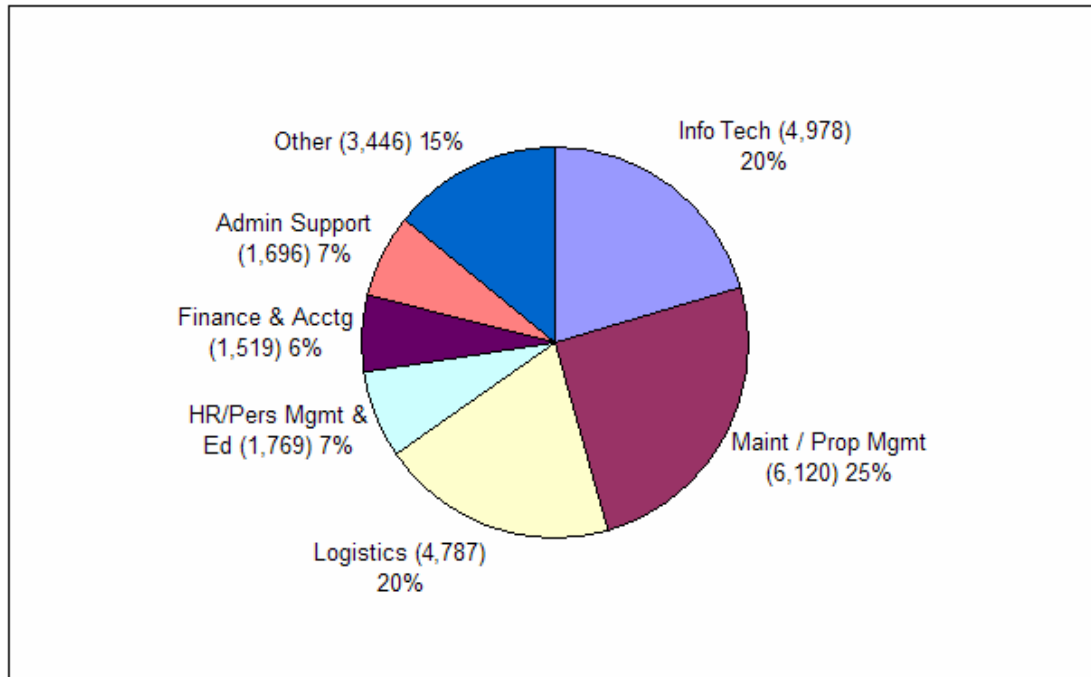
* These competitions were in-progress at the end of FY 2006.

B. Activities competed

In FY 2006, over half of the FTEs competed fell within one of the following three categories: (1) maintenance and property management, (2) IT, or (3) logistics. This focus is similar to prior years. Between FYs 2004-2006, 65 percent of the FTEs competed fell within the same three categories. Human resources (HR)/education, finance & accounting, and administrative support represented 20 percent of the remaining activities competed between

FYs 2004 – 2006. Figure 1 shows the relative popularity of these activities in competitions completed in FYs 2004 – 2006. Table 1 shows a breakdown by fiscal year. For an-agency-by-agency breakout on types of activities competed or announced see the Appendices.

Figure 1. Activities competed most frequently in FYs 2004 – 2006



^a Data does not reflect NASA science competitions, which were conducted pursuant to a deviation, or competitions with no savings data at the time of the compilation of this report.

Table 1. Popular activities for competition: FYs 2004 – 2006^a

Activity	FY 2004 FTE	FY 2005 FTE	FY 2006 FTE	Total FY 04 – 06	
				FTE	%
Maintenance/property management	4,138	1,321	661	6,120	25
Information technology	2,207	1,055	1,716	4,978	20
Logistics	1,448	2,987	352	4,787	20
HR / personnel management & education	1,209	169	391	1,769	7
Administrative support	315	763	618	1,696	7
Finance & accounting	968	210	341	1,519	6
Other ^b	1,609	708	1,130	3,446	15

^a Data does not reflect NASA science competitions, which were conducted pursuant to a deviation, or competitions with no savings data at the time of the compilation of this report.

^b Activities in this category include: regulatory and program management support services (3.3%); research, development, test & evaluation (1.2%); depot activities (0.8%); and procurement (2.4%).

C. Overall level of competition

In FY 2006, agencies completed 183 competitions covering 6,678 FTEs and announced an additional 86 competitions with 9,691 FTEs that were ongoing at the end of the fiscal year. See Table 2. Although the number of FTEs competed in FY 2006 decreased from FY 2005, the number of FTEs covered in competitions announced by DOD was up significantly in FY 2006 from the prior year. In FY 2006, DOD announced competitions involving more than 7,500 FTEs, an almost six-fold increase from FY 2005.

Table 2. FTEs involved in competitions completed or announced in FY 2006

Agency	FTEs in Completed Competitions ^a	FTEs in Announced Competitions ^b	Total
Agriculture	34	133	167
Commerce	0	0	0
Defense	454	7,381	7,835
Education	0	0	0
Energy	176	19	195
EPA	123	62	185
HHS	711	361	1,072
Homeland	184	121	305
HUD	287	0	287
Interior	608	330	938
Justice	138	0	138
Labor	144	636	780
State	199	0	199
DOT	21	0	21
Treasury	0	0	0
VA	0	0	0
AID	4	5	9
Corps	1,596	0	1,596
GSA	245	0	245
NASA	1,469	643	2,112
NSF	22	0	22
OMB	0	0	0
OPM	31	0	31
SBA	175	0	175
Smithsonian	0	0	0
SSA	57	0	57
GOVERNMENTWIDE^c	6,678	9,691	16,369

a. Includes competitions completed in FY 2006 irrespective of when they were initiated.

b. Includes competitions announced but not completed in FY 2006, including competitions conducted under deviations.

c. Governmentwide FTE numbers reflect the actual total FTEs competed, and may not match the sum of the rounded agency totals in each column.

See the Appendices for a complete agency-by-agency breakdown on the numbers of competitions conducted and FTEs covered in FY 2006 and a listing, by agency, of the number of FTEs in competitions planned for FY 2007.

In most cases, FTE projections for planned competition are estimates subject to adjustment based on the results of agency analyses – e.g., business case analysis, cost-benefit analysis. For example, agencies projected that they would announce competitions involving more than 26,000 FTEs in FY 2006, but they announced competitions involving less than this amount.

D. Length of competition

The average length of time for competitions completed in FY 2006 was just over 13 months for standard competitions and just over 3 months for streamlined competitions. See Table 3.

Table 3. Average length of competitions completed in FY 2006*

Type of Competition	Average Length of Competition (in months)
Streamlined without MEO	2.4
Streamlined with MEO	3.6
Standard	13.4

* Figures include standard and streamlined competitions with time limit waivers.

The figures in Table 3 reflect the time between the date the agency publicly announced the competition and the date of the performance decision. This is a noteworthy improvement over the general timeframes documented before Circular A-76 was revised in 2003. Under the old Circular, standard competitions were taking 2-3 years on average, which lessens the accountability for results and increases employee uncertainty.⁴

Agencies are generally completing competitions in a timely manner.

Waivers have been used where a competition is complex and requires additional time to complete the source selection evaluation in a reasoned and responsible manner. For example, DOD used waivers to ensure the Army Corps of Engineers had sufficient time to conduct and complete analyses associated with its command-wide competition for information management and IT services. Even with the waivers, the Corps was able to reach a performance decision in just 21 months that will result in the consolidation of redundant IT activities, currently performed at more than 50 locations, and help the selected in-house provider reduce costs by \$950 million over six years. The competition represents the largest DOD competition completed to date under OMB's revised Circular A-76.

⁴ See Final Report of the Commercial Activities Panel: *Improving the Sourcing Decisions of the Government* (April 2002) at p. 23.

Timely Competition Facilitates the Transformation of IT Services at the Army Corps of Engineers

- In just 21 months, the Army completed a complex competition that will transform how information management (IM) and IT support is performed at the Corps of Engineers.
- The competition involved over 1,400 government positions and 2,000 contract positions – one of the largest competitions ever conducted by the Army.
- The competition was conducted using the revised version of OMB Circular A-76. The revisions, which OMB implemented in 2003, significantly improve the efficiency and quality of the competition process. They also hold agency officials accountable for timely decision-making and achievement of results.
- During the competition, Corps leadership authorized District Offices to use temporary and term employees as well as short term contracts to minimize disruption to service delivery.
- The Corps selected the government's MEO to accomplish the transformation. The Corps estimates \$950 million in savings over six years and improved service delivery through implementation of the MEO. Features of the new end-state organization include:
 - A unified enterprise quality management system with defined metrics, performance measures, and standardized IM/IT business processes.
 - Leveraged enterprise-wide purchasing, which will enable greater compatibility in IT solutions and will reduce the time and cost of equipment maintenance and replacement across the Command.
 - Virtual teams that allow local commands to draw upon a greater breadth of knowledge and capabilities than could be done under the old command-by-command approach.
 - A residual in-house organization of federal employees to monitor and manage the MEO's performance.
 - A formal, documented process for evaluating and approving changes in requirements as circumstances warrant.

E. Provider of service

In FY 2006, agencies determined that in-house organizations would provide the best service when compared to the private sector for 87 percent of the FTEs

competed.⁵ Over the last four years, Federal employees were selected to perform 83 percent of the work competed. This figure remains well above the historical average of between 50-60 percent⁶ and continues to show that agencies are giving federal employees meaningful opportunities to increase efficiency and the overall value of the operation to the taxpayer.

Federal Employees Fare Well in Public-Private Competition

The development of MEO plans to eliminate operational waste has been a large factor in the success of in-house providers, who received:

- 87 percent of the work competed in FY 2006; and
- 83 percent of the work competed between FYs 2003 – 2006.

Agencies continue to make concerted efforts to provide soft landings for affected employees, including buyouts, early retirements, reassignment to priority programs within the agency or at another agency, and priority consideration for employment with the contractor where work has been converted to private sector performance.

Soft Landings for Federal Employees

- The Army Corps of Engineers anticipates minimal, if any, involuntary separations from their Command-wide IT competition involving over 1,400 government positions. Many of the labor-related reductions have been achieved through attrition.
- Only 2.3 percent of positions at DOD were subject to involuntary separation of the approximately 24,000 civilian positions in competitions reaching final decision at DOD between FY 2003 – 2006. This is significantly below DOD's already low historical average of 5.4 percent, reflecting final decisions reached between FYs 1995 – 2006.
- Approximately 1,200 former government personnel remain with the new contract provider of automated flight services at the Federal Aviation Administration (FAA) to reduce program risk and ensure a smooth transition as requirements continue to stabilize.
- DOL launched a new HR community intranet website to provide a one-stop location for technical guidance and information on HR policies, procedures, and best practices, including information and tools for HR support of competitive sourcing activities.
- HHS is implementing a Placement Assistance Website for affected employees to search for placement opportunities in any of the HHS operating divisions.

⁵ See Appendix D for the percentage of work to be performed by each sector based on performance decisions made by each PMA agencies.

⁶ These figures are derived from data collected by DOD since 1978 tracking the results of its public-private competitions over the years.

Continued actions to integrate competitive sourcing with human capital planning, as envisioned by the PMA, are helping to ensure agencies consider the strengths and needs of the federal workforce.

- DOI created a team of IT, human resources, and competitive sourcing experts who meet on a monthly basis to discuss IT skill imbalances, competency gaps, and organizational redundancies. This cross-functional team is also tasked with considering the relative strengths of management strategies – including possible competition – to close performance gaps.
- HHS sponsored a human resources and competitive sourcing forum in November 2005 to review the objectives and expectations of the human resources advisor (HRA) and perspectives and lessons learned by stakeholders. The HRA plays a key role in assisting the agency tender official (ATO) and the MEO team in addressing workforce considerations associated with preparing an agency tender, such as position classification restrictions, market analyses to determine the availability of sufficient labor to staff the MEO, and development of an employee transition plan. The HRA also supports management with personnel issues arising during the transition and implementation of an MEO that has received work as the result of a public-private competition.

Competition Helps In-House Providers Find Better Solutions⁷

“Despite the stress and challenges, participating on an MEO team has many rewards . . . it is an opportunity to explore new avenues for achieving efficiencies that normal Federal bureaucracy might discourage or at least make difficult to accomplish. It is an opportunity to work with a team that is highly motivated and faithfully committed to putting together a winning solution.”

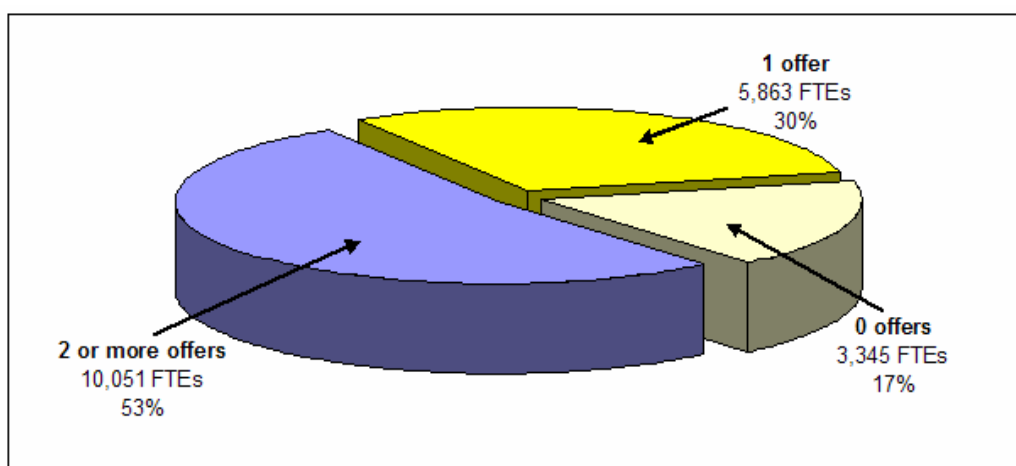
-- Agency tender officials
IT Support Services Competition
Department of Justice

⁷ See *Most Efficient Organization Team's Lessons Learned & Best Practices: U.S. Department of Justice A-76 Standard Competition Information Technology (IT) Services* at p. 2, available at http://www.govexec.com/pdfs/DOJ_Lessons_Learned.doc

F. Level of participation.⁸

Results regarding private sector participation were mixed in FY 2006. One or more private sector offers were received in 95 percent of the standard competitions completed in FY 2006 (as measured by the number of FTEs competed). The three-year average is 83 percent. However, two or more private sector offers were received in only 30 percent of the standard competitions completed in FY 2006 versus 53 percent on average during the three-year period. Three-year averages are shown in Figure 2.

Figure 2. Level of private sector competition by FTEs competed from FYs 2004 – 2006^a



^a Data does not reflect NASA science competitions, which were conducted pursuant to a deviation.

Agencies identified a number of steps taken to encourage a more competitive environment. Efforts have included holding public forums to obtain feedback from interested sources and providing opportunities for interested parties to identify potential teaming partners. Agencies also reported consulting with potential service providers if no offers were received to determine if the solicitation is vague, confusing, or restrictive. OMB will continue to work with agencies to ensure their competitive sourcing practices encourage participation by both the public and private sectors.

⁸ OMB began keeping track of the level of participation in public-private competitions in FY 2004. Agencies now collect data on the number of offers received from private sector contractors and public reimbursable providers in response to a solicitation issued in connection with a standard competition.

III. Cumulative benefits of public-private competition since FY 2003

A. Estimated savings

Basic Facts About Estimated Savings from Competitive Sourcing

Agencies project that:

- Competitions completed between FYs 2003 – 2006 will save taxpayers \$6.9 billion, with the majority of savings to be realized over the next five years.
- Annualized expected savings have surpassed \$1 billion. Savings will continue to grow as more competitions are conducted and cost control and other performance improvements are applied to more of our commercial activities.
- The average net savings per FTE competed over the last four fiscal years is \$25,000, approximately a 28 percent return for each position competed.⁹
- The incremental cost (i.e., one time, out-of-pocket expense) for competitions conducted between FYs 2003 – 2006 was \$226 million, meaning taxpayers will receive a return of about \$31 for every dollar spent on competition.

Total annualized expected savings have increased almost five-fold between FYs 2003 – 2006, from \$237 million to \$1.12 billion, as the total number of successfully completed competitions has risen. See Table 4.

Total annualized savings projected from FY 2006 competitions is less than that projected from competitions completed in FYs 2003 – 2005 due to a decrease in the number of FTEs competed. However, the cost savings per FTE competed (\$34,500) exceeds the four-year average (\$25,000). As a result, the expected return from competition for the work studied remains strong, approximately a 36 percent return for each position competed.¹⁰

Returns on investment for the most frequently competed activities remain strong. Three-year savings averages per FTE studied in the areas of HR, finance and accounting, IT, logistics, and property management range from \$20,000 to \$63,000, with the highest returns for IT. See Figure 3.

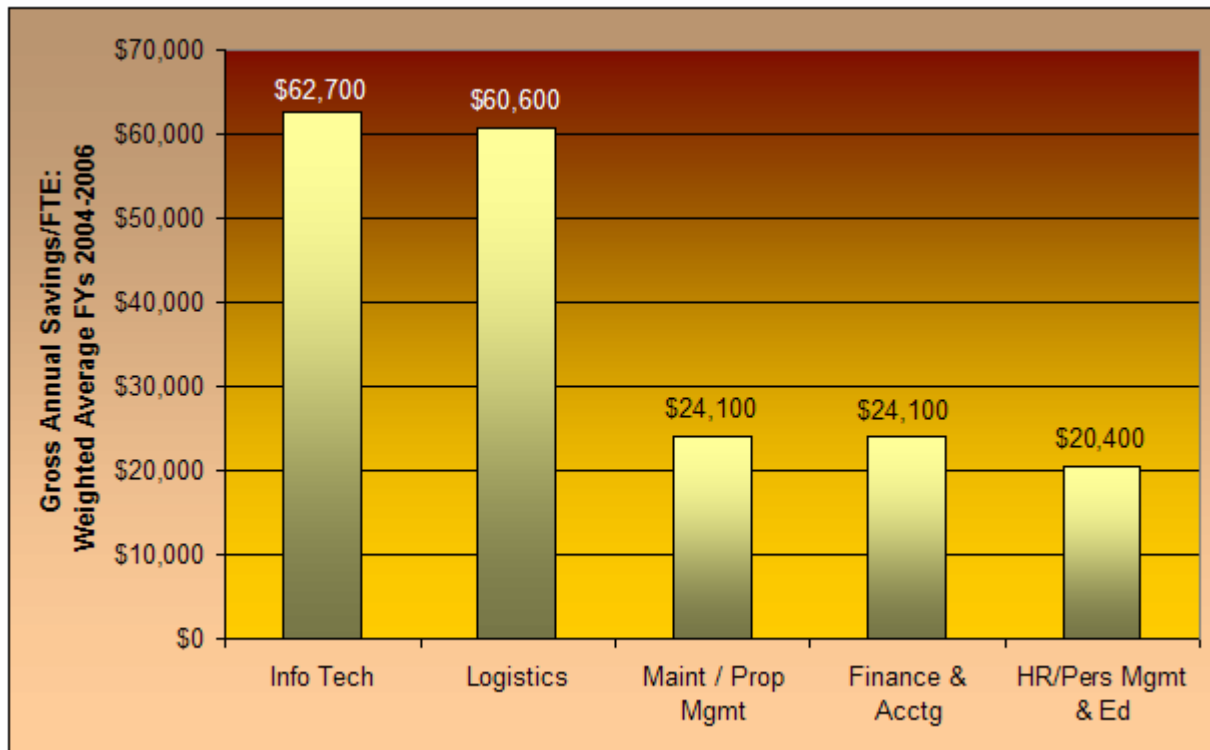
⁹ This figure assumes the government paid roughly \$90,000 in annual salary and benefits per FTE, on average, during these four years. This assumption is based on actual costs for executive branch personnel (excluding US Postal Service and DOD uniformed personnel) total compensation & benefits and FTEs in FYs 2003-2006, as reported in *Analytical Perspectives, Budget of the U.S. Government, FYs 2005-2008*.

¹⁰ This figure assumes the government paid roughly \$97,000 in annual salary and benefits per FTE in FY 2006. This assumption is based on actual costs for executive branch personnel (excluding US Postal Service and DOD uniformed personnel) total compensation & benefits and FTEs in FYs 2006, as reported in *Analytical Perspectives, Budget of the U.S. Government, FY 2008*.

Table 4. Estimated savings from completed competitions: FYs 2003 – 2006

Savings	FY 2003	FY 2004	FY 2005	FY 2006	Four-Year Total
Gross	\$1.2 B	\$1.5 B	\$3.1 B	\$1.3 B	\$7.1 B
Net ^a	\$1.1 B	\$1.4 B	\$3.1 B	\$1.3 B	\$6.9 B
Annualized gross	\$237 M	\$285 M	\$375 M	\$220 M	\$1.12 B

^a Net savings = gross savings less incremental costs (i.e., out-of-pocket expenses). Incremental costs attributable to completed competitions were \$88 million in FY 2003, \$74 million in FY 2004, \$50 million in FY 2005, and \$15 million in FY 2006. Net savings reflect adjustments for fixed costs in FYs 2006, 2005 and 2004, the first year OMB started to collect such costs. Adjustments have not been made for transition costs.

Figure 3. Popular activities for competition and associated annualized gross savings per FTE*

*See Figure 1 and Table 1 for information regarding the level of competition activity in each of these categories.

B. Performance and savings achievements

1. Performance achievements. Competitions completed prior to FY 2006 have helped agencies achieve a number of performance objectives that are making government programs more efficient. As the examples below illustrate, efficiencies, especially in the larger and more successful competitions, are achieved in a number of ways – not simply through workforce realignments and reductions in labor costs. Competition has brought about improved performance standards, the adoption of new technologies, the consolidation of operations and other process reengineering, and lower contract support costs.

Performance Milestones Achieved through Public-Private Competition

Modernization of flight services systems and facilities at FAA

- New automations system and communications system being implemented to route pilot calls to the best qualified available specialist and automate manual processes.
- Transition underway to consolidate from 58 to 19 facilities.
- Improved response times for retrieving weather reports, filing flight plans, and initiating communications validated by FAA's in-house Quality Assurance team.
 - Average time for initiating radio service for pilots decreased from 37 seconds to 13 seconds in FY 2006.
- Effective controls in place during initial transition of flight services to contractor, according to Transportation Inspector General.
- In-house team of federal safety evaluators ensures new flight service operations continue to meet or exceed all requirements for safe air flight.

More efficient support operations for Internal Revenue Service (IRS) activities and customer service

- The newly created national distribution center has reduced the need for costly handling of printed tax-related materials through the use of digital technology to access tax forms and publications.
- Taxpayers saved \$4 million through IRS's cancellation of almost 400,000 square feet of underutilized leased space.
- In-house printing needs for tax-related data and processing reduced by almost 100 million pages (25 percent) in one year through improvements to on-line viewing capabilities.

Reengineering of printing and duplicating activities at DOD

- Document Automation and Production Service infrastructure consolidated from 225 to 145 on-site production facilities.
- Printing and duplicating activities migrated to digital on-line products and services, such as electronic document management and on-line digital proofing, helping to reduce customer rework.
- Project turnaround times shortened – 99 percent on-time delivery – and 98 percent customer satisfaction rate.
- New efficiencies implemented by the MEO have helped DOD achieve savings of \$112 million to date.

**Performance Milestones Achieved
through Public-Private Competition (con't.)**

Better IT Support and Improved Disability Claims Processing

- The reengineering of help desk activities at the Social Security Administration has generated nearly \$14 million in savings that have been reinvested in systems development to improve service delivery, including improved disability claims processing.

More Efficient Road Maintenance at the Bureau of Land Management

- Savings and cost avoidances realized by sharing and upgrading equipment, eliminating redundant organizational structures, and leveraging the buying power of multiple maintenance offices.

2. Actual savings. Total accrued actual savings and cost avoidances from competitions completed between FYs 2003 – 2005 are \$958 million.

Table 5. Total accrued actual savings from competitions completed in FYs 2003 – 2005

Agency	Total Accrued Actual Savings (in millions)
Agriculture	\$46.4
Commerce	\$7.9
Defense	\$701.4
Education	\$21.4
Energy	\$9.9
EPA	\$0.7
HHS	\$84.0
Homeland	\$2.8
HUD	\$0.9
Interior	\$11.5
Justice	\$0.0
Labor	\$3.7
State	\$0.3
DOT	\$2.3
Treasury	\$8.9
VA	\$23.7
AID	\$0.0
Corps	\$0.0
GSA	\$7.5
NASA	\$1.6
NSF	\$0.0
OMB	\$0.0
OPM	\$4.6
SBA	\$4.6
Smithsonian	\$0.0
SSA	\$14.1
GOVERNMENTWIDE	\$958.2

Approximately 70 percent of actual savings were reported by DOD. DOD's policies and practices include regular validations and reviews of every competition decision to ensure savings and cost avoidances are realized.

Post Competition Accountability at DOD

To evaluate the results of competition at DOD:

- Phase-in costs and actual performance costs are tracked for each performance period.
- Data is validated by an official separate from the one who tracks and records the data.
- Annual reviews are conducted at the headquarters level.
- Circumstances underlying variances are reviewed to determine if performance is on track.

As expected, the \$958 million in actual savings is less than the \$1.7 billion in straight-line projected savings for competitions completed during this three-year period. There is reason to believe most agencies are generally on track to achieve their savings projections when all performance periods for these competitions are completed, generally over a five-year period:

- *Actual savings are likely to be smaller in the near term and greater in the out years.* Average annualized savings projections assume that savings accrue evenly over the entire implementation period. However, near term savings are likely lower than average, while investment costs, such as transition costs and capital expenditures, are likely higher than average in the early years. In addition, some letters of obligation with MEOs or contracts may not call for full performance until the second or third year of implementation, so the opportunity to achieve the full benefit of new efficiencies may not be realized in the early stages of implementation.
- *Some actual savings are not reported to OMB in time to be captured in its consolidated report.* Agencies generally report savings at the end of a full year's performance and annually thereafter. Because a number of FY 2005 competitions did not complete a full year's performance as of the end of FY 2006, actual savings that may have accrued during FY 2006 have not yet been reported to OMB. In fact, FY 2005 actual savings were underreported in last year's consolidated report, with agencies identifying an additional 30 percent in actual savings after its publication.

IV. Post competition accountability guidance

Effective post competition management and oversight will ensure agencies and our taxpayers receive the expected benefits from competition. It will also reinforce public trust and confidence in the competitive sourcing initiative. In April 2007, OMB issued guidance to the President's Management Council (PMC) to

review the steps required for the successful monitoring of management decisions made through the use of public-private competition. See *Validating the Results of Public-Private Competition*, available at www.whitehouse.gov/omb/procurement/comp_src/cs_validating_results.pdf. A number of agencies have already entered into agreements with independent sources to assist with the evaluation of results. See Table 6.

Accountability for Results

OMB's guidance to the PMC calls for agencies to:

- Compare actual costs incurred and performance to projected costs and performance standards, identify variances, and ensure corrective actions are taken by the appropriate officials, as necessary, in a timely manner.
- Conduct management reviews after each performance period stated in the solicitation.
- Ensure management reviews are performed by individuals separate from those who document results and are responsible for day-to-day management administration of the contract, letter of obligation, or fee for service agreement.
- Have plans in place to ensure the independent validation of a reasonable sampling of competitions. In selecting competitions for validation, agencies have been asked to consider factors such as the impact of the activity on the agency's operation, the projected savings for the agency, and the results of prior agency reviews.

Table 6. Sources used to validate results

Agency	Independent Validation Source
Defense	Third-party contractor
Education	Office of the Chief Financial Officer, Internal Control Evaluation Staff
Energy	Office of Security and Safety Performance Assurance
Forest Service	Third-party contractor
HHS	Third-party contractor
Interior	Office of Inspector General and Third-Party Contractor
Labor	DOL Office of Competitive Sourcing and Third-Party Contractor
DOT	Competitive Sourcing Office
Treasury	Offices of Human Capital, Budget, Deputy Chief Financial Officer, Office of Competitive Sourcing, and Third-Party Contractor
OPM	Office of Inspector General
SSA	Office of Competitive Sourcing and Office of Acquisitions and Grants

The Chief Acquisition Officers Council is sponsoring an educational video on post competition accountability. The video, which will be completed later this year, will highlight best practices identified by a number of different agencies that have successfully managed the transition and completion of at least one full year's performance of a competition with significant projected savings.

V. Working with Congress

The Administration believes savings and performance improvements made possible through public-private competition would be even greater if Congress eliminated restrictions that currently limit the reasoned use of public-private competition.

Statutory Restrictions on Competition Thwart USDA's Efforts to Improve the Information Technology Services (ITS)

- System and network degradation problems are preventing ITS from operating at its best. Similar IT performance problems once plagued the Forest Service, but those performance gaps are being closed by an MEO that was created through a public-private competition conducted in 2004. The Forest Service MEO is revolutionizing service delivery for its customers and is expected to save USDA \$120 million over five years. Other agencies have experienced similar success when applying public-private competition to IT activities.
- USDA believes significant savings and performance improvements can also be achieved at ITS with the help of public-private competition. Unfortunately, provisions in Agriculture's Appropriations Act restrict the use of competitive sourcing involving support personnel for rural development and farm loan programs. As a result, ITS, whose customers include the Farm Service Agency and USDA's Rural Development agency, cannot use competition to facilitate the comprehensive restructuring that the Department needs.
- USDA is seeking relief from the current competitive sourcing restrictions on rural development and farm loan programs so that ITS may pursue competition to close performance gaps and make its operations more cost-effective.

Table 7 describes significant existing constraints. Additional constraints have recently been proposed by Congress. They include restrictions on competition of functions at military medical facilities and prohibitions on the consideration of competition for commercial work performed at a Department of Energy research laboratory. These restrictions inappropriately limit management options for improving operations.

The Administration will continue to urge Congress to eliminate restrictions on competitive sourcing so that competitions may be applied in a strategic and tailored manner to reduce costs, improve quality, increase effectiveness, and eliminate wasteful processes.

Table 7. Statutory constraints on the use of competitive sourcing

Statute	Constraint	Effect
P.L. 109-289, Division B, as amended by P.L. 110-5	Restricts use of best value to consider both quality and cost (rather than just cost) in selecting a provider between the government's "most efficient organization" and a private sector source.*	Takes away a critical tool for encouraging innovative thinking by contractors and government workers when an agency operation is in need of transformational change.
P.L. 109-289, Division B, as amended by P.L. 110-5	Precludes use of competition for rural development and farm loan programs.	Prevents USDA from improving the efficiency and cost effectiveness of these programs.
P.L. 109-289, Division B, as amended by P.L. 110-5	Limits funds available to DOI and Forest Service for competition.	Unnecessarily limits the ability of these agencies to take full strategic advantage of competition to reduce costs and improve performance.
P.L. 109-289, Division B, as amended by P.L. 110-5	Limits funding in civil works program accounts available for competitive sourcing.	Limits Corps' ability to achieve cost-savings and performance-enhancing management improvements.
DHS Appropriations Act, FY 2007	Prohibits use of competition to improve service and reduce costs associated with processing immigration information applications. Prohibits recurring law enforcement training at the Federal Law Enforcement Training Center from being considered for competition.	Inappropriately strips DHS of the management discretion to consider and apply competition in a reasoned manner and be held accountable for results.
Defense Appropriations Act, FY 2007	Imposes constraints on the manner in which private contractors competing for Defense work may provide health care to their employees and prescribes a minimal amount of health care to be provided.	Creates a disincentive for the private sector, especially small businesses, to compete for Defense work and eliminates incentives for contractors to provide cost-effective health benefits, such as through health savings and medical savings accounts.
38 U.S.C. § 8110	Restricts VA's use of public-private competition.	Prevents VA from reaping savings that could be used to provide additional health care for veterans.

*DOD and TSA are exempt from this restriction. However, the FY 2006 Defense Authorization Act permanently codifies this restriction for DOD in title 10. Before they were banned, best-value tradeoff competitions – i.e., where both cost and quality (as opposed to just cost alone) are taken into account in selecting a provider – produced expected savings of \$68,000 per FTE, which is three times the average expected net savings from all competitions. See *Report on the Use of Best Value Tradeoffs in Public-Private Competitions* (April 2006), available at http://www.whitehouse.gov/omb/procurement/comp_src/cs_best_value_report_2006.pdf.

Appendices

The following appendices have been included in this report to provide additional consolidated information on agencies' competitive sourcing efforts:

- Appendix A-1. Competitions Completed in FY 2006
- Appendix A-2. Competitions Announced in FY 2006
- Appendix B. Planned Competitions for FY 2007
- Appendix C-1. Types of Activities Competed or Announced in FY 2006
- Appendix C-2. Activities Most Frequently Competed by Agency in FY 2006
- Appendix D. FY 2006 Performance Decisions
- Appendix E. Incremental Cost of Conducting Competitions in FY 2006
- Appendix F. FY 2006 Fixed Costs
- Appendix G. Estimated Savings for Streamlined & Standard Competitions Completed in FY 2006

1. *General caveat regarding data in the appendices.* The data provided in these appendices have been derived from individual agency reports prepared in accordance with OMB Memorandum M-07-01. Each agency has made a good faith attempt to provide the competition-specific information requested by OMB in its individual report and has reviewed the data in these appendices for consistency with its individual report to Congress. The attached appendices and the summary tables in the report are limited to the extent information was not included in an agency's report.

2. *Methodologies and assumptions.* The following explanations are provided for readers to better understand what figures in the appendices represent.

a. Streamlined and standard competitions. These terms include streamlined and standard competitions conducted under the revisions to OMB Circular A-76 published on May 29, 2003.

b. Reporting period. Data reflect: (i) competitions completed in FY 2006 regardless of when they were initiated; and (ii) competitions announced in FY 2006 but not completed in 2006.

c. Incremental costs. To evaluate agency results in a consistent manner, OMB developed guidelines for agencies to calculate the incremental cost of competition and estimated savings. Consistent with Section 647, which calls for agencies to identify the incremental costs of competition, OMB developed guidance to capture only the out-of-pocket expense of competition. These costs include:

- The costs of consultants or contractors who participated in the conduct of the reported competitions;

- The costs of travel, training, or other incremental expenses directly attributed to the conduct of the reported competitions; and
- Incremental in-house staff costs that were incurred as part of conducting the competition (i.e., any staff hired specifically to work on a particular competition or fill behind employees temporarily working on a competition or overtime costs (where overtime costs are tracked)).

Reporting excludes any costs that would have been paid irrespective of whether the agency pursued competition, such as the costs of in-house staff that may have spent time on the competition during regular working hours, but were not hired to work on a competition and will continue to be on-board after the competition is completed. Any costs incurred prior to public announcement of the competition are also excluded. The steps typically involved in preliminary planning – e.g., conducting a workload assessment, evaluating how the organization could be reorganized to operate more efficiently, benchmarking against industry standards – are good management practices that offer benefit to the agency irrespective of whether public-private competition is pursued.

Incremental cost does not reflect, nor is it intended to reflect, the amount of overall effort an agency applies to competitive sourcing. It simply reflects the out-of-pocket costs to the agency.

d. Fixed costs. OMB's guidance for FY 2006 reporting requires that agencies identify fixed costs – i.e., labor costs associated with providing central direction and oversight. Central direction includes that provided both by an agency's headquarters and, if applicable, that provided by a bureau. Fixed costs include the cost of FTEs that are fully dedicated to managing the competitive sourcing initiative at the agency and any contract support costs associated with this effort. They do not include the cost of FTEs or contract support associated with specific competitions or out-of-pocket (incremental) costs for conducting individual competitions. Some agencies are not currently collecting information on fixed costs in a systematic fashion and have provided an estimate.

e. Savings. To estimate savings achieved under the winning offer, agencies developed an "as is" baseline reflecting the total personnel costs, overhead, contract costs, and, in some cases, other costs (e.g., cost of capital, leases, supplies and materials) of the incumbent organization. Transition costs (e.g., Voluntary Early Retirement Authority or Voluntary Separation Incentive Program costs, moving expenses, etc.) are not included in the baseline and are not captured in the savings figures in this report.

Agencies were instructed to develop estimates that correspond to the manner in which the function was planned for budgeting purposes in the year that the announcement was made. This guidance is designed to produce a realistic estimate of savings and avoid baselines that reflect desired staffing levels or staffing that happened to exist at the time the competition was announced. In addition, agencies were instructed to adjust savings figures to constant 2006 dollars.

Note: Some figures in the appendices and the body of the report are presented in terms of FTE in order to provide a common measure across agencies. This does not mean that savings are exclusively the result of lower personnel costs. Reported savings are being derived in a number of ways. For example, where in-house sources have relied on private support contractors, the development of a most efficient organization may result in lower contract support costs. Savings are also being derived from operational consolidations that enable agencies to eliminate duplicative and wasteful capital investments and leverage technology more effectively.

f. Direct conversions. Prior reports identified several direct conversion actions pursued prior to the issuance of the revised Circular. No such actions were reported this year. The revised Circular does not authorize direct conversions.

g. Planned competitions. In most cases, FTE figures are estimates that may be subject to adjustment based on the results of agency analyses (e.g., business case analysis, cost-benefit analysis).

Appendix A-1

Competitions Completed in FY 2006¹

Agency	Number of Competitions			Number of FTEs Completed							
	Streamlined	Standard	Direct Conversions	Total	Total			Average per competition			
					Streamlined	Standard	Direct Conversions	Streamlined	Standard	Direct Conversions	
Agriculture	0	1	0	1	0	34	0	34	n/a	34	n/a
Commerce	0	0	0	0	0	0	0	0	n/a	n/a	n/a
Defense	13	1	0	14	385	69	0	454	30	69	n/a
Education	0	0	0	0	0	0	0	0	n/a	n/a	n/a
Energy	0	2	0	2	0	176	0	176	n/a	88	n/a
EPA	16	0	0	16	123	0	0	123	8	n/a	n/a
HHS	28	3	0	31	363	348	0	711	13	116	n/a
Homeland	4	2	0	6	118	66	0	184	30	33	n/a
HUD	1	1	0	2	31	256	0	287	31	256	n/a
Interior	15	1	0	16	556	52	0	608	37	52	n/a
Justice	3	1	0	4	58	80	0	138	19	80	n/a
Labor	6	0	0	6	144	0	0	144	24	n/a	n/a
State	0	1	0	1	0	199	0	199	n/a	199	n/a
DOT	1	1	0	2	14	7	0	21	14	7	n/a
Treasury	0	0	0	0	0	0	0	0	n/a	n/a	n/a
VA	0	0	0	0	0	0	0	0	n/a	n/a	n/a
AID	1	0	0	1	4	0	0	4	4	n/a	n/a
Corps	0	3	0	3	0	1,596	0	1,596	n/a	532	n/a
GSA	18	0	0	18	245	0	0	245	14	n/a	n/a
NASA	0	44	0	44	0	1,469	0	1,469	n/a	33	n/a
NSF	1	0	0	1	22	0	0	22	22	n/a	n/a
OMB	0	0	0	0	0	0	0	0	n/a	n/a	n/a
OPM	4	0	0	4	31	0	0	31	8	n/a	n/a
SBA	1	2	0	3	7	168	0	175	7	84	n/a
Smithsonian	0	0	0	0	0	0	0	0	n/a	n/a	n/a
SSA	8	0	0	8	57	0	0	57	7	n/a	n/a
GOVERNMENTWIDE	120	63	0	183	2,158	4,520	0	6,678	18	72	n/a

Note:

1. Includes all competitions completed in FY2006 irrespective of when they were initiated.

Appendix A-2

Competitions Announced in FY 2006¹

Agency	Number of Competitions				Number of FTEs Competed								
	Streamlined	Standard	Direct Conversions	Total	Total			Average per competition					
					Streamlined	Standard	Direct Conversions	Total	Streamlined	Standard	Direct Conversions		
Agriculture	0	1	0	1	0	133	0	133	0	133	n/a	133	n/a
Commerce	0	0	0	0	0	0	0	0	0	0	n/a	n/a	n/a
Defense	4	31	0	35	620	6,761	0	7,381	0	7,381	155	218	n/a
Education	0	0	0	0	0	0	0	0	0	0	n/a	n/a	n/a
Energy	0	1	0	1	0	19	0	19	0	19	n/a	19	n/a
EPA	1	1	0	2	10	52	0	62	0	62	10	52	n/a
HHS	4	1	0	5	133	228	0	361	0	361	33	228	n/a
Homeland	4	0	0	4	121	0	0	121	0	121	30	n/a	n/a
HUD	0	0	0	0	0	0	0	0	0	0	n/a	n/a	n/a
Interior	3	2	0	5	118	212	0	330	0	330	39	106	n/a
Justice	0	0	0	0	0	0	0	0	0	0	n/a	n/a	n/a
Labor	1	5	0	6	37	599	0	636	0	636	37	120	n/a
State	0	0	0	0	0	0	0	0	0	0	n/a	n/a	n/a
DOT	0	0	0	0	0	0	0	0	0	0	n/a	n/a	n/a
Treasury	0	0	0	0	0	0	0	0	0	0	n/a	n/a	n/a
VA	0	0	0	0	0	0	0	0	0	0	n/a	n/a	n/a
AID	1	0	0	1	5	0	0	5	0	5	5	n/a	n/a
Corps	0	0	0	0	0	0	0	0	0	0	n/a	n/a	n/a
GSA	0	0	0	0	0	0	0	0	0	0	n/a	n/a	n/a
NASA	0	26	0	26	0	643	0	643	0	643	n/a	25	n/a
NSF	0	0	0	0	0	0	0	0	0	0	n/a	n/a	n/a
OMB	0	0	0	0	0	0	0	0	0	0	n/a	n/a	n/a
OPM	0	0	0	0	0	0	0	0	0	0	n/a	n/a	n/a
SBA	0	0	0	0	0	0	0	0	0	0	n/a	n/a	n/a
Smithsonian	0	0	0	0	0	0	0	0	0	0	n/a	n/a	n/a
SSA	0	0	0	0	0	0	0	0	0	0	n/a	n/a	n/a
GOVERNMENTWIDE	18	68	0	86	1,044	8,647	0	9,691	0	9,691	58	127	n/a

Note:

1. Includes competitions announced, but not completed, in FY 2006.

Appendix B

Planned Competitions for FY 2007

Agency	Number of FTEs in Competitions Planned for Announcement ¹
Agriculture	2,500 - 3,000
Commerce	100
Defense	10,000
Education	250
Energy	100 - 300
EPA	260
HHS	600
Homeland ²	800-900
HUD	114
Interior	700
Justice	60
Labor	253
State	209
DOT	62
Treasury ²	250
VA ³	0
AID	10
Corps	0
GSA	322
NASA	440
NSF	7 - 15
OMB	25
OPM	10
SBA	151
Smithsonian	0
SSA	317
GOVERNMENTWIDE ⁴	17,944

Notes:

1. These figures are subject to adjustment based on result of agency analyses.
2. These figures have been reduced from those reported in the agencies' individual reports to Congress based on further analyses.
3. Statutory restrictions limit VA's ability to conduct public-private competitions.
4. Where an agency identified a range of FTE, the average of the range was used to calculate the total government-wide FTE planned for competition in FY 2006.

Appendix C - 1

Types of Activities Competed or Announced for Competition in FY 2006¹

Agency	Function Code ²																		
	A	B	C	D	E	G	H	I	J	L	M	R	S	T	U	W	Y	Z	000
Agriculture														•			•		
Commerce																			
Defense	•		•		•		•		•		•		•	•	•	•	•	•	
Education																			
Energy	•			•									•						
EPA																•			
HHS		•	•	•			•					•	•			•			•
Homeland	•	•	•	•	•								•					•	
HUD				•											•				
Interior				•								•	•		•	•	•		
Justice			•				•		•				•						
Labor			•					•						•	•		•		
State														•					
DOT																	•		
Treasury																			
VA																			
AID														•			•		
Corps			•													•		•	
GSA																		•	•
NASA												•							
NSF																			•
OMB																			
OPM		•												•	•	•			
SBA			•	•		•													
Smithsonian																			
SSA													•			•		•	

Notes:

1. This chart identifies the primary activities that were the subject of competition.
2. There were no completed or announced competitions for activities primarily in the “F” function code, “Procurement”; the “K” function code, “Depot Repair, Maintenance, Modification, Conversion, or Overhaul of Equipment”; the “P” function code, “Base Maintenance/Multi-Function Contracts; or the “Q” function code, “Civil Works”; or the “X” function code, “Products Manufactured & Fabricated In-House.” There are no “N”, “O”, or “V” function codes.

Key

A = Recurring Testing & Inspection Services	H = Health Services	S = Installation Services	Y = Force Management & General Support
B = Personnel Management	I = Investigations	T = Other Non-Manufacturing Operations (Logistics)	Z = Maintenance, Repair, Alteration, & Minor Construction of Real Property
C = Finance & Accounting	J = Intermediate, Direct, or General Repair & Maintenance of Equipment	U = Education & Training	000 = Administrative Support
D = Regulatory & Program Management Support Services	L = Grants Management	W = Communications, Computing, & Other Information Services	
E = Environment	M = Forces & Direct Support		
G = Social Services	R = Research, Development, Test, & Evaluation		

**Activities Most Frequently Competed
by Agency in FY 2006¹**

Agency	Activity ^{2,3}	FTE ³
Agriculture	Management & General Support	133
Commerce	n/a	---
Defense	Maintenance & Property Management	3,204
Education	n/a	---
Energy	Maintenance & Property Management	136
EPA	IT Support	185
HHS	Administrative Support	466
Homeland	Maintenance & Property Management	115
HUD	Regulatory & Program Management Support	256
Interior	Education & Training	248
Justice	Grants Management	80
Labor	Administrative Support	397
State	Print and Graphic Services	199
DOT	Administrative Support	21
Treasury	n/a	---
VA	n/a	---
AID	Management & General Support	5
Corps	Finance Center	80
GSA	Administrative Support	178
NASA	Science Competitions	2,112
NSF	Administrative Support	22
OMB	n/a	---
OPM	Education & Training	15
SBA	Finance & Accounting	154
Smithsonian	n/a	---
SSA	Management & General Support	25

Notes:

1. Activities identified on this chart are described in general terms, not by specific function code.
2. Determined based on number of FTEs in standard and streamlined competitions announced or completed in FY 2006.
3. "n/a" indicates not applicable since no competitions were reported.

FY 2006 Performance Decisions

Agency	Provider Selected, Str/Std Competitions (Based on FTE Competed) ¹	
	In-House	Contractor
Agriculture	100%	0%
Commerce	N/A	N/A
Defense	22%	78%
Education	N/A	N/A
Energy	23%	77%
EPA	100%	0%
HHS	86%	14%
Homeland	100%	0%
HUD	100%	0%
Interior	100%	0%
Justice	100%	0%
Labor	100%	0%
State	100%	0%
DOT	100%	0%
Treasury	N/A	N/A
VA	N/A	N/A
AID	100%	0%
Corps	100%	0%
GSA	87%	13%
NASA ²	N/A	N/A
NSF	0%	100%
OMB	N/A	N/A
OPM	100%	0%
SBA	100%	0%
Smithsonian	N/A	N/A
SSA	63%	37%
GOVERNMENTWIDE	87%	13%

Note:

1. "n/a" indicates not applicable since no competitions were reported.
2. All NASA competitions completed in FY 2006 were science competitions awarded under a deviation to multiple providers in both the public and private sectors. The science competitions are not included in the calculation as they are not applicable.

Incremental Cost of Conducting Competitions in FY 2006¹

Agency	Incremental Costs			Total	Incremental Cost per FTE (Completed Competitions only)		
	Completed	Announced	Total		Streamlined	Standard	Average
Agriculture	\$1,000	\$761,000	\$762,000	N/A	\$29	\$29	
Commerce	\$0	N/A	\$0	N/A	N/A	N/A	
Defense ²	\$1,636,000	\$536,000	\$2,172,000	\$306	\$20,884	\$3,604	
Education	\$0	N/A	\$0	N/A	N/A	N/A	
Energy ²	\$1,398,000	\$0	\$1,398,000	N/A	\$7,944	\$7,944	
EPA	\$0	\$51,000	\$51,000	\$0	N/A	\$0	
HHS	\$1,818,000	\$305,000	\$2,123,000	\$2,609	\$2,503	\$2,557	
Homeland	\$1,464,000	\$29,000	\$1,493,000	\$4,970	\$13,303	\$7,960	
HUD	\$783,000	N/A	\$783,000	\$1,065	\$2,930	\$2,728	
Interior	\$1,120,000	\$215,000	\$1,335,000	\$1,507	\$5,423	\$1,842	
Justice	\$196,000	N/A	\$196,000	\$2,558	\$600	\$1,423	
Labor	\$618,000	\$1,666,000	\$2,284,000	\$4,294	N/A	\$4,294	
State	\$921,000	N/A	\$921,000	N/A	\$4,628	\$4,628	
DOT	\$299,000	N/A	\$299,000	\$15,816	\$11,019	\$14,217	
Treasury	\$0	N/A	\$0	N/A	N/A	N/A	
VA	\$0	N/A	\$0	N/A	N/A	N/A	
AID	\$40,000	\$10,000	\$50,000	\$9,956	N/A	\$9,956	
Corps	\$3,206,000	N/A	\$3,206,000	N/A	\$2,009	\$2,009	
GSA	\$708,000	N/A	\$708,000	\$2,892	N/A	\$2,892	
NASA	N/A	N/A	N/A	N/A	N/A	N/A	
NSF	\$98,000	N/A	\$98,000	\$4,455	N/A	\$4,455	
OMB	\$0	N/A	\$0	N/A	N/A	N/A	
OPM	\$144,000	N/A	\$144,000	\$4,646	N/A	\$4,646	
SBA	\$300,000	N/A	\$300,000	\$1,349	\$1,729	\$1,713	
Smithsonian	\$0	N/A	\$0	N/A	N/A	N/A	
SSA	\$28,000	N/A	\$28,000	\$480	N/A	\$480	
GOVERNMENTWIDE	\$14,778,000	\$3,573,000	\$18,351,000	\$2,138	\$3,331	\$2,837	

Notes:

1. "n/a" indicates not applicable since no competitions were reported.
2. Cost figures reported by Defense and Energy include some costs associated with preliminary planning that were excluded by other agencies pursuant to OMB Memorandum # M-07-01. DoD figures also include additional personnel cost that were excluded by other agencies pursuant to M-07-01. Data on incremental costs was not available for a small segment of DoD's completed competitions.

Appendix F

FY 2006 Fixed Costs

Agency	Fixed Costs
Agriculture	\$61,993
Commerce ¹	\$180,000
Defense	\$25,717,000
Education ¹	\$61,993
Energy	\$759,000
EPA	\$61,993
HHS	\$2,046,876
Homeland	\$930,000
HUD	\$179,413
Interior	\$930,000
Justice	\$140,000
Labor	\$471,785
State	\$1,101,000
DOT	\$61,993
Treasury ¹	\$3,000,000
VA ²	N/A ²
AID	\$71,218
Corps	\$500,000
GSA	\$383,000
NASA	\$609,000
NSF	\$61,993
OMB ¹	\$0
OPM	\$207,093
SBA	\$195,110
Smithsonian ¹	N/A
SSA	\$956,000
GOVERNMENTWIDE	\$38,686,460

Notes:

1. No competitions were conducted by these agencies in FY 2006.
2. Statutory restrictions limit VA's ability to conduct public-private competitions.

Estimated Savings for Streamlined and Standard Competitions Completed in FY 2006¹

Agency	Anticipated Savings		Net Savings per FTE		Annualized Gross Savings			Average Annual Net Savings per FTE		
	Gross	Net	Streamlined	Standard	Streamlined	Standard	Total	Streamlined	Standard	Total
Agriculture	\$2,750,000	\$2,749,000	N/A	\$80,853	N/A	\$550,000	\$550,000	N/A	\$16,171	\$16,171
Commerce	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Defense	\$23,259,000	\$21,623,000	\$12,384	\$244,275	\$1,015,431	\$3,659,200	\$4,674,631	\$2,537	\$48,855	\$9,577
Education	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Energy	\$4,137,000	\$2,739,000	N/A	\$15,562	N/A	\$827,400	\$827,400	N/A	\$3,112	\$3,112
EPA	\$11,190,000	\$11,190,000	\$91,087	N/A	\$2,238,000	N/A	\$2,238,000	\$18,217	N/A	\$18,217
HHS	\$51,097,000	\$49,279,000	\$64,463	\$74,562	\$4,906,658	\$5,349,800	\$10,256,458	\$12,987	\$14,906	\$13,927
Homeland	\$7,920,000	\$6,456,000	\$34,699	\$35,788	\$936,056	\$648,000	\$1,584,056	\$6,958	\$7,158	\$7,029
HUD	\$3,632,000	\$2,849,000	\$116,097	-\$2,930	\$660,364	\$0	\$660,364	\$21,109	-\$533	\$1,805
Interior	\$27,783,000	\$26,663,000	\$39,178	\$93,846	\$4,524,163	\$1,032,400	\$5,556,563	\$7,836	\$18,769	\$8,771
Justice	\$27,245,000	\$27,049,000	-\$2,558	\$339,963	\$0	\$5,448,979	\$5,448,979	-\$512	\$67,992	\$39,201
Labor	\$11,356,000	\$10,738,000	\$74,567	N/A	\$2,661,313	N/A	\$2,661,313	\$17,567	N/A	\$17,567
State	\$80,000,000	\$79,079,000	N/A	\$397,382	N/A	\$8,000,000	\$8,000,000	N/A	\$39,738	\$39,738
DOT	\$2,488,000	\$2,189,000	\$91,256	\$130,267	\$299,828	\$164,758	\$464,586	\$18,253	\$21,700	\$19,402
Treasury ²	\$35,327,000	\$34,403,000	N/A	\$600,737	N/A	\$7,065,400	\$7,065,400	N/A	\$6,255	\$6,255
VA	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
AID	\$650,000	\$610,000	\$152,544	N/A	\$130,000	N/A	\$130,000	\$30,509	N/A	\$30,509
Corps ³	\$961,982,000	\$958,776,000	N/A	\$274,922	N/A	\$160,729,733	\$160,729,733	N/A	\$100,357	\$100,357
GSA	\$36,311,000	\$35,603,000	\$145,317	N/A	\$7,127,934	N/A	\$7,127,934	\$28,523	N/A	\$28,523
NASA	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
NSF	\$0	-\$98,000	-\$4,455	N/A	\$0	N/A	\$0	-\$891	N/A	-\$891
OMB	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
OPM	\$1,049,000	\$905,000	\$29,193	N/A	\$209,822	N/A	\$209,822	\$5,831	N/A	\$5,831
SBA	\$8,853,000	\$8,553,000	\$50,651	\$48,801	\$72,800	\$1,697,800	\$1,770,600	\$10,130	\$9,760	\$9,775
Smithsonian	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
SSA	\$1,940,000	\$1,912,000	\$33,347	N/A	\$452,461	N/A	\$452,461	\$7,782	N/A	\$7,782
GOVERNMENTWIDE	\$1,298,969,000	\$1,283,267,000			\$25,234,830	\$195,173,470	\$220,408,300	\$11,262	\$46,522	\$34,468

Note:
 1. "n/a" indicates not applicable since no competitions were reported.
 2. Treasury figures include estimated savings for the IRS Files standard competition of 1,100 FTEs, completed in FY 2005. Estimated savings are included in the FY 2006 report because figures for this competition were not available at the time the FY 2005 report was published.
 3. The Army Corps of Engineers has increased its savings projection for the IT competition. DOD's report to Congress on FY 2006 activities identified an estimated savings of \$430 million. The Corps has since increased the estimated savings figure to \$950 million. Further adjustments may be made after additional analysis.