



DEPUTY DIRECTOR
FOR MANAGEMENT

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

February 26, 2004

M-04-07

MEMORANDUM FOR HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: Clay Johnson III
Deputy Director for Management

A handwritten signature in black ink, appearing to read "Clay Johnson III", written over a horizontal line.

SUBJECT: Report to Congress on FY 2003 Competitive Sourcing Efforts

Section 647(b) of Division F of the Consolidated Appropriations Act, FY 2004, P.L. 108-199, establishes a government-wide requirement for each executive agency to report to Congress on its competitive sourcing efforts for the prior fiscal year. This memorandum provides guidance to assist agencies in preparing their reports for Congress.

Section 647(b) requires agencies to report annually on competitive sourcing accomplishments. The first report must cover FY 2003 activities and is due to Congress by May 24, 2004. Reports covering subsequent fiscal years are due by December 31st of each year. Information to be reported includes: the number of competitions, the number of federal employees studied under competitions, incremental costs, savings, the number of federal employees to be studied in the coming fiscal year, and a discussion of how competitive sourcing and human capital are aligned. A copy of section 647(b) is included as Attachment A.

OMB has developed guidelines to assist agencies in preparing their initial reports for Congress. See Attachment B. These guidelines are intended to ensure consistency in the development of reports. The guidelines include instructions describing the format for agency report submissions. In addition to the report that each agency submits to Congress, the Office of Management and Budget (OMB) will provide Congress with a consolidated report covering all agencies' activities.

Agency reports (including transmittal letters) must be cleared by OMB prior to their transmission to Congress. Agencies should provide a draft report, prepared in accordance with Attachment B, to their OMB contact by March 31, 2004 so OMB can review the information and prepare a consolidated report for Congress.

OMB is working to develop a competitive sourcing database ("CSD") to document the results of public-private competition on an ongoing basis, as envisioned by OMB Circular A-76. OMB anticipates that agencies will be able to use the CSD to prepare future reports to Congress on competitive sourcing efforts. The CSD also would be used to collect additional data, such as information on fixed costs associated with competitive sourcing. The CSD will provide a mechanism for agencies to leverage their collective knowledge and experiences using competitive sourcing as a management strategy to improve the efficiency and effectiveness of the government's commercial operations. Equally important, the CSD will facilitate comprehensive and consistent reporting of data to demonstrate the value of competitive sourcing and help to address any concerns of Congress, industry, and labor. Further information on the CSD will be provided when the database becomes operational.

Questions regarding this memorandum may be directed to your OMB contact or Ms. Eileen Stephens of OMB's Office of Federal Procurement Policy at 202-395-2987; e-mail: mestephens@omb.eop.gov. I appreciate your attention to this matter.

Attachments

Attachment A – Text of Statutory Reporting Requirement, Section 647(b)

Attachment B – Guidelines for Responding to Section 647(b)

**Competitive Sourcing Statutory Reporting Requirement
for Executive Agencies**

SEC. 647.*

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(b) Not later than 120 days following the enactment of this Act and not later than December 31 of each year thereafter, the head of each executive agency shall submit to Congress a report on the competitive sourcing activities on the list required under the Federal Activities Inventory Reform Act of 1998 (Public Law 105-270; 31 U.S.C. 501 note) that were performed for such executive agency during the previous fiscal year by Federal Government sources. The report shall include--

- (1) the total number of competitions completed;
- (2) the total number of competitions announced, together with a list of the activities covered by such competitions;
- (3) the total number (expressed as a full-time employee equivalent number) of the Federal employees studied under completed competitions;
- (4) the total number (expressed as a full-time employee equivalent number) of the Federal employees that are being studied under competitions announced but not completed;
- (5) the incremental cost directly attributable to conducting the competitions identified under paragraphs (1) and (2), including costs attributable to paying outside consultants and contractors;
- (6) an estimate of the total anticipated savings, or a quantifiable description of improvements in service or performance, derived from completed competitions;
- (7) actual savings, or a quantifiable description of improvements in service or performance, derived from the implementation of competitions completed after May 29, 2003;
- (8) the total projected number (expressed as a full-time employee equivalent number) of the Federal employees that are to be covered by competitions scheduled to be announced in the fiscal year covered by the next report required under this section; and
- (9) a general description of how the competitive sourcing decisionmaking processes of the executive agency are aligned with the strategic workforce plan of that executive agency.

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(f) In this section, the term `executive agency' has the meaning given such term in section 4 of the Office of Federal Procurement Policy Act (41 U.S.C. 403).

* See Division F of the Consolidated Appropriations Act, FY 2004, P.L. 108-199

**Guidelines for Responding to Statutory Reporting Requirement
in Section 647(b) of the Consolidated Appropriations Act**

I. Applicability

The heads of all executive agencies should respond to the requirement set forth in section 647(b) of the Consolidated Appropriations Act, FY 2004. The term “executive agency” has the same meaning as given in section 4 of the Office of Federal Procurement Policy Act (41 U.S.C. 403).

Agencies that have not conducted or are not conducting any competitions should submit a draft letter to the Office of Management and Budget (OMB) and subsequently to the Congress indicating that there is no activity to report.

The guidance below is geared toward the initial report due to Congress on May 24, 2004.

II. Reporting period

Initial reports should cover competitions that were completed during FY 2003, as well as those that were announced, but not completed, in FY 2003. Item 8 also requests information on the number of FTEs that are planned for competition in FY 2004.

III. Information to be reported

Although the Congressional report only requires the aggregate numbers, we plan to provide more detailed information (by individual competition) that will show the basis for the aggregate numbers. **Items 1-7 below should be reported by competition. Item 8 should be reported in aggregate. Item 9 should be reported in narrative form.**

1. the total number of competitions completed

- List separately all competitions that were completed during FY 2003, regardless of when they were initiated. Completed is defined as any competition for which a performance decision (pursuant to Circular A-76) has been made.
- Include competitions conducted under the old Circular A-76 (i.e., cost comparisons, streamlined cost comparisons, direct conversions, and cost comparisons pursuant to deviation) and under the new Circular A-76 (i.e., standard competition, streamlined competition, and competitions pursuant to deviation).
- Identify the activity that was the subject of the competition. Please include the activity code and an abbreviated version of the competition title that would be understandable to a lay person.

- Identify the type of competition (i.e., cost comparisons, streamlined cost comparisons, direct conversions, cost comparisons pursuant to deviation, standard competition, streamlined competition, or competition pursuant to deviation).
- Identify the location of the competition (the state(s) where employees are being studied).
- Identify the start and end date for the competition. (For competitions under the revised Circular, the "start date" is the date the competition is formally announced and the "end date" is the date a performance decision is made, as signified by completion of all necessary certifications.)
- Identify whether the winning provider is the in-house government personnel (I/H), a public reimbursable source (PRS), or a private sector source (CTR).

2. the total number of competitions announced together with a list of activities covered by such competitions

- Include all competitions that were announced during FY 2003, but were not completed in FY 2003 (competitions that were announced and completed in FY 2003 will be included in item #1 above). Announced is defined as having been announced in FedBizOpps (for actions other than direct conversions).
- Include competitions conducted under the old Circular A-76 (i.e., cost comparisons, streamlined cost comparisons, direct conversions, and cost comparisons pursuant to deviation) and under the new Circular A-76 (i.e., standard competition, streamlined competition, and competition pursuant to deviation)
- Identify the activity that is the subject of the competition. Please include the activity code and an abbreviated version of the competition title that would be understandable to a lay person.
- Identify the type of competition (i.e., cost comparisons, streamlined cost comparisons, direct conversions, cost comparisons pursuant to deviation, standard competition, streamlined competition, or competition pursuant to deviation).
- Identify the location of the competition (the state(s) where employees are being studied).
- Identify the start date for the competition. (For competitions under the revised Circular, the "start date" is the date the competition is formally announced.)

3. the total number (expressed as a full-time employee equivalent number) of the Federal employees studied under completed competitions

-- For each competition, provide the total number of FTEs studied corresponding to #1 above.

4. the total number (expressed as a full-time employee equivalent number) of Federal employees that are being studied under competitions

-- For each competition, provide the total number of FTEs to be studied corresponding to #2 above.

5. the incremental costs directly attributable to conducting the competitions identified under items #1 and #2 above, including costs attributable to paying outside consultants and contractors

-- For each competition, report on the FY 2003 costs associated with conducting the competition, as well as any costs in any other year for competitions that spanned multiple years. Identify costs expended through September 30, 2003.

-- Exclude any costs incurred prior to public announcement of the competition.

-- Include any costs of consultants or contractors who participated in the conduct of the reported competitions.

-- Include the costs of travel, training, or other incremental expenses directly attributed to the conduct of the reported competitions.

-- Include any 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 competitions or overtime costs (where overtime costs are tracked)).

-- Exclude costs of in-house staff that may have spent time on the competition during regular working hours, such as developing the performance work statement, but were on-board before the competition commenced and continue to be on-board. However, overtime costs incurred in connection with work on a particular competition should be included.

-- Exclude costs of central program oversight of competitive sourcing (i.e., those resources that do not directly relate to a particular competition) such as competitive sourcing office staff or general training provided to employees that is not considered a part of the competition.

6. an estimate of total anticipated savings or a quantifiable description of improvements in service or performance, derived from completed competitions

- Report total anticipated savings (for the entire performance period) associated with competitions included in #1 above and identify the associated performance period over which the savings are expected to accrue (e.g., \$20 million over 5 years). In addition, calculate and provide the annualized expected savings for each study (i.e., total anticipated savings for the entire performance period divided by the years of performance adjusted to constant 2004 dollars).

Savings is generally defined as the cost of performing the function or providing the service under the “as is,” or baseline, minus the cost of performing the function or providing the service under the winning bid, over the performance period.

The “as is” or baseline estimate should correspond to the manner in which the function was planned for budgeting purposes in the year that the announcement was made. For example:

The baseline should not be the staffing level that would optimally be needed to provide the service. “We’ve been doing the function with 20 people but haven’t been getting the work done. We really need 25.” The baseline would include the 20 people, not the 25.

The baseline should not reflect actual staffing at the time of the announcement. Over the past 12 months, the function has been performed by 20 people, but since preplanning for the competition began, three staff left so there are only 17 now. The baseline should include the 20 people, not the 17.

These guidelines are intended to produce a realistic estimate of savings. In calculating the baseline costs, follow the guidance provided in Circular A-76 so that baseline, most efficient organization, and other offeror costs are all calculated consistently. For purposes of this initial effort, baseline costs should be the total of in-house personnel costs (see ¶ B.2 of Attachment C of the Circular) plus overhead (see ¶ B.5 of Attachment C) and contract costs (i.e., the baseline should include lines 1 and 4 and the contract costs from line 3 of the standard or streamlined competition form).

- As appropriate, include a quantifiable description of improvements in service or performance.

7. actual savings, or quantifiable description of improvements in service or performance, derived from the implementation of competitions completed after May 29, 2003

- As appropriate, include a quantifiable description of improvements in service or performance.
- Identify any actual savings known for FY 2003 even if the competition was completed prior to May 29, 2003 (The provision seems to be based on the assumption that all competitions completed after May 29, 2003 were completed under the revised circular which is not the case. Therefore, reports should include a note indicating which competitions were completed under the revised Circular and which were completed under the old Circular.)

8. the total projected number (expressed as a full-time equivalent number) of Federal employees that are to be covered by competitions scheduled to be announced in the fiscal year covered by the next report required under this section

- Report the total number of FTEs planned to be studied during FY 2004.
- Indicate where the number is an estimate.

9. a general description of how the competitive sourcing decisionmaking processes of the executive agency are aligned with the strategic workplan of that executive agency

- Describe how competitive sourcing activities relate to the agency's implementation of the Strategic Management of Human Capital Initiative.

IV. Reporting format

Information on items 1-7 should be reported on spreadsheets. OMB has developed two worksheet spreadsheets and two summary spreadsheets (attached). Separate spreadsheets are provided for reporting on competitions that have been completed and competitions that have been announced but not completed. Agencies should complete all spreadsheets. The summary will be submitted as part of the agency's final report. Items 8 and 9 should be discussed either in the agency's transmittal letter or in a separate attachment to the agency's report.

DEPARTMENT OF XXX
FY 2003 COMPETITIVE SOURCING ACTIVITIES SUMMARY

Announced Competitions*
(Dollars in Millions)

Competition Description					Incremental Costs of Conducting Studies	Anticipated Savings or Quantifiable Description of Improvements in Service or Performance (if available)
Function Competed/Description	Type of Competition	Location (State)	# of FTE in study	Start Date (Mo/Yr)		
-- list each competition separately on one line						
Logistics & management of grant application review process	Standard (New Circular)		75		1.0	Savings of ~15% based on similar study of another grant program

SUMMARY:

Total number competitions
Total number of FTEs being studied
Total FY 2003 costs to conduct studies

