

INTERIM GUIDANCE

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DOD 4100.XX-M

A-76 COSTING MANUAL

**RANDALL A. YIM
DEPUTY UNDER SECRETARY OF DEFENSE (INSTALLATIONS)**

**DOD COMPETITIVE SOURCING & PRIVATIZATION OFFICE
Crystal Square #4, Suite 105
1745 Jefferson Davis Highway
Arlington, VA 22202**

POINT OF CONTACT:

Mrs. Annie Andrews (703) 602-2608

FOREWORD

This Manual is issued under the authority of Department of Defense Directive 4100.15, "Commercial Activities Program," March 10, 1989; DoD Instruction 4100.33, "Commercial Activities Program Procedures," September 9, 1985. It provides policy and procedures to develop the In-house Cost Estimate for the Competitive Sourcing Program.

This Manual applies to the Office of the Secretary of Defense, the Military Departments, the Chairman of the Joint Chiefs of Staff, the Defense Agencies and the DoD Field Activities (hereafter referred to collectively as the "DoD Components"). This Manual is effective immediately and is mandatory for use by all the DoD Components. With prior approval of the Deputy Under Secretary of Defense (Installations), the heads of the DoD Components (or the 9.a. official—see Appendix 1 for definition) may issue supplemental procedures to provide for DoD Component-unique requirements.

Send recommended changes to this Manual to:

Deputy Under Secretary of Defense (Installations)
Attention: Competitive Sourcing and Privatization Office
3340 Defense Pentagon, Room 3E1074
Washington, DC 20301-3340

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/SIGNED/
Randall Yim
Deputy Under Secretary of Defense (Installations)

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REFERENCES

- (a) Office of Management and Budget (OMB) Circular A-76, "Performance of Commercial Activities," August 4, 1983 (Revised 1999)*
- (b) OMB Circular A-76 Revised Supplemental Handbook (RSH), "Performance of Commercial Activities," March 1996 (Revised 1999)*
- (c) DOD Instruction 4100.33, "Commercial Activities Program and Procedures," September 9, 1985
- (d) DOD Directive 4100.15, "Commercial Activities Program," March 10, 1989
- (e) DOD Financial Management Regulation, Volume 8, Chapter 3, August 1999
- (f) DOD 1400.25-M, "Department of Defense Civilian Personnel Manual"
- (g) 10 United States Code, Chapter 146, "Contracting For Performance of Civilian Commercial or Industrial Type Functions"
- (h) 5 United States Code, Chapter 1, Office of Personnel Management
- (i) Annual Department of Defense Appropriation and Authorization Acts
- (j) DoD 1401.1-M, "Personnel Policy Manual for Nonappropriated Fund Instrumentalities," December 1988, Administrative Re-issuance Through Change 8, March 17, 1999.

*OMBC A-76 and RSH updated via OMB transmittal memoranda
(Reference <http://www2.whitehouse.gov/OMB/circulars/a076/a076.html> for transmittal memoranda)

C0. CHAPTER 0 GENERAL INFORMATION

C0.1. PURPOSE

This Manual provides Department of Defense (DoD) policy and procedures for development of the In-house Cost Estimate (IHCE) for cost comparisons performed in accordance with the Office of Management and Budget (OMB) Circular A-76 and the Revised Supplemental Handbook (RSH) (hereafter referred to as "A-76 cost comparisons" or "cost comparisons").

C0.2. APPLICABILITY AND SCOPE

C0.2.1. This Manual applies to the Office of the Secretary of Defense (OSD), the Military Departments, the Chairman of the Joint Chiefs of Staff, the Defense Agencies and the DoD Field Activities (hereafter referred to collectively as "the DoD Components").

C0.2.2. This Manual is mandatory for all DoD cost comparisons performed in accordance with OMB Circular A-76 and the RSH. This Manual provides policy for how to calculate the costs for each line of the cost comparison form (CCF) and each chapter number corresponds to the line numbers (i.e., Lines 1-18) of the CCF.

C0.2.3. Except as provided in DoDD 4100.33, this Manual is not mandatory for direct conversions, e.g., directly converting an in-house commercial activity (CA) performed by ten or less civilians to contract performance without the benefit of a cost comparison.

C0.2.4. Except as provided in DoDI 4100.33, this Manual is not mandatory for direct conversions of CAs that are performed in-house (regardless of the number of civilians or military performing the activities) to: (1) another DoD Component via a DoD Inter-Service Support Agreement (ISSAs); (2) the National Industries for the Handicapped (NISH); (3) the National Industries for the Blind (NIB); (4) firms covered by the Javitts-Wagner-O'Day Act; (5) 8(a) firms with 51 percent or more ownership by an Indian tribe, as defined in section 450b(e) of Title 25, United States Code, or a Native Hawaiian organization, as defined in Section 637(a)(15) of Title 15, United States Code; or (6) privatization initiatives.

C0.2.5. This Manual addresses the use of the generic CCF, which is used for the IHCE to compare the cost of in-house performance versus the cost of contract/ISSA performance.

C0.2.6. In accordance with the RSH, all costs entered by the Government into **win.COMPARE²** are subject to scrutiny and appeal under the Administrative Appeal Process (AAP).

C0.3. DEFINITIONS

Terms used in this Manual are defined in [Appendix 1](#).

C0.4. ACRONYMS

Acronyms used in this Manual are identified in [Appendix 2](#).

C0.5. POLICY

C0.5.1. This Manual implements the policies and procedures of OMB Circular A-76 and its RSH as well as DoDD 4100.15 and DoDI 4100.33 for DoD Components.

C0.5.2. DoD Components shall use the DoD A-76 Costing Manual and *win.COMPARE*² in preparing the IHCE for all cost comparisons. No deviations from this requirement shall be permitted unless prior written approval is received from DUSD(I).

C0.5.3. The costing policies contained in this Manual shall be used to develop the IHCE. Text provided in the "Tip" boxes are not statements of policy, but are best practices and guidance recommended in the development of the IHCE.

C0.5.4. Except as provided in paragraphs C0.5.3.1. and C0.5.3.2., cost comparisons shall be conducted using not less than a total of five years of performance, excluding the phase-in period (if included in the bid schedule), for both Government and contract/ISSA offerors, (e.g., one base period with four one-year options). The base period may be equal to or less than a full year. Government and contract/ISSA prices shall reflect the same periods of performance.

C0.5.4.1. If permitted by statute and the Federal Acquisition Regulation (FAR), performance periods for cost comparisons in excess of these five years may only be approved by a Component's [9.a. Official](#) or their designee. This approval must include a certification that no known cost comparison advantage will be conveyed to the in-house or contract/ISSA offer. Use of a multi-year procurement may provide advantages such as continuity of operations, the possibility of lower prices, and reduced turbulence and disruption. However, compliance with 10 USC Section 2306c is then required for certain service contracts.

C0.5.4.2. Since it is DoD's position to encourage competition and multi-year procurements to maximize the number of potential competitors in a cost comparison, DoD Components who compete based on three or four year performance periods shall obtain the prior approval of the [9.a. Official](#) or their designee who shall make a written determination that limiting the performance periods to three or four years vice five years as stated as stated in paragraph C0.5.3.1. would be in the best interest of the Government.

C0.5.5. DoD Components shall use the DoD developed OMB Circular A-76 Windows-based Cost Comparison Software Program (commonly known as *win.COMPARE*²) to develop the IHCE for all A-76 cost comparisons.

C0.6. RESPONSIBILITIES

C0.6.1. The Deputy Under Secretary of Defense for Installations [DUSD(I)], Competitive Sourcing and Privatization Office, shall monitor compliance with this Manual.

C0.6.2. The heads of DoD Components, or the official designated by the head of the DoD Component to comply with paragraph 9.a. of OMB Circular A-76 (or their designee which must not be delegated lower than the Component HQ level), shall ensure their Component is in compliance with this Manual.

C0.7. OVERVIEW

C0.7.1. The IHCE is the common term used for the costing that is developed by the cost analyst and then entered onto the CCF. Line 7 on the CCF is the price offered by the contract/ISSA provider. The costs on Line 1-6 are the Government Most Efficient Organization (MEO) specific costs while the costs on Lines 8-13 are Government estimated costs that are added or subtracted from Line 7 (the contract/ISSA price). Therefore, all references hereafter to the IHCE in this manual refer to Lines 1-6 and 8-13 of the CCF.

C0.7.2. DoD Components shall comply with this Manual, which establishes DoD policy for preparing the IHCE and the CCF for all A-76 cost comparisons performed. DoD Components shall develop a fair and equitable IHCE and appropriately enter the contract/ISSA cost as well as establish a comprehensive audit trail (i.e., supporting documentation) without any partiality towards one offeror over another. This Manual provides the policies that ensure this occurs.

C0.7.3. The CCF is not a funding document--it represents estimated competitive costs for Government performance that will be compared to the contract price in order to determine a service provider, i.e., MEO or contract/ISSA. Cost analyses employed in the development of the Performance Work Statement (PWS) require traditional budget analyses to ensure these requirements can be funded in a Component's budget. Further cost analyses are often necessary when developing the Government Management Plan to determine if, how much, and when funding would be available for the in-house offer and then the funding should be included in the Component's budget.

C0.7.4. References to the "analyst" in this Manual refer to the individual that is assigned the responsibility of preparing the IHCE.

C0.8. THE PROCESS AND THE ANALYST

C0.8.1. Each task of the A-76 cost comparison process is dependent upon a preceding task. For this reason, it is critical to understand the details of the PWS and the Government Management Plan [e.g., Government's MEO, IHCE, Transition Plan,

and, as required, Technical Performance Plan (TPP)]. The graphic [in Figure C0.F1.](#) illustrates the A-76 cost comparison process.

C0.8.2. The analyst responsible for the preparation of the IHCE should be a member of the Government Management Plan Development Team (commonly referred to as the MEO Team). This analyst may be involved in the process from the onset of the MEO development phase, as cost efficiency analyses should be done to analyze Government resources and potential options for developing the MEO. Costing data and records take time to collect and, therefore, should be developed concurrent with the Government Management Plan. In addition, time must be allowed for securing approvals specified in this Manual, DoDI 4100.33, or as required by the DoD Component.

Figure C0.F1. A-76 Cost Comparison Process



C0.8.3. The IHCE and supporting documentation shall be dated with the date the IHCE is finalized. Each page of the IHCE and supporting documentation shall be marked **“THIS IHCE IS FOR OFFICIAL USE ONLY: PROCUREMENT SENSITIVE UNTIL THE TENTATIVE COST COMPARISON DECISION.”** This IHCE and supporting documentation shall be safeguarded from viewing by anyone other than persons with a need to know. A firewall shall be established between the preparer(s) of the IHCE and the preparer(s) of the Independent Government Estimate (IGE). Under no circumstances shall data be shared between either preparer until after the tentative cost comparison decision.

C0.9. CONSULTANT SUPPORT

Private-sector consultants may be used to prepare the IHCE and operate **win.COMPARE²**. These consultants may be used in an advisory capacity. It is DoD policy, however, the same consultant individual who participates on the PWS not also be used to prepare the IHCE and operate **win.COMPARE²**. DoD Components shall make all costing decisions for the IHCE.

C0.10. IHCE TRAINING

Various sources of training for development of the IHCE are available from private-sector sources.



Just-in-time training is recommended as a best practice when preparing the IHCE due to the complexity of the costing policies and procedures. However, preparation for developing the IHCE should begin as soon as the Government Management Plan Team is formed. **win.COMPARE²** software allows the preparation of various “what ifs,” which can assist the team in assessing the impact of process improvements and business process redesigns on current and proposed operations.

C0.11. COMMERCIAL ACTIVITIES MANAGEMENT INFORMATION SYSTEM (CAMIS)

The required CAMIS data will be entered into the cost comparison’s CAMIS record as soon after the determination of the final cost comparison decision as possible. (Refer to DoD CAMIS policy.)



It is recommended that the preparer of the IHCE develop a personal technical resource library geared towards the commercial activity for the cost comparison. This library should contain all relevant policies and procedures contained in directives, instructions, and guidance as well as any available best practices or lessons learned that would assist in building the IHCE as well as establishing the appropriate audit trail.

C0.12. TECHNICAL RESOURCES

C0.12.1. OMB:

- OMB Circular A-76, Performance of Commercial Activities
- Revised Supplemental Handbook to OMB Circular A-76
- OMB Transmittal Memoranda

C0.12.2. DoD

- DoD Directive 4100.15, Commercial Activities Program
- DoD Instruction 4100.33, Commercial Activities Program Procedures
- DoD Financial Management Regulations—Civilian Pay and Procedures
- Defense Federal Acquisition Regulation Supplement (DFAR)

C0.12.3. Federal Acquisition Regulations (FAR) in Title 41 of the Code of Federal Regulations (CFR)

C0.12.4. Relevant Statutes:

- 10 USC Chapter 146
- 5 USC Chapter 1
- Annual Defense Authorization Act
- Annual Defense Appropriation Act



Electronic copies of the preceding documents and updates are provided at the web sites shown in [Appendix 3](#), which can be accessed electronically via <http://gravity.lmi.org/ec003/website/web/osd>

C0.13. GENERAL COSTING TIPS

C0.13.1. It is essential to recognize that preparing the IHCE entails more than simply inserting dollar figures into a form. Therefore, the preparer of the IHCE must clearly understand the MEO approach; track required data, as it is developed; and, as necessary, run the cost models. These cost models are essential to assess the cost impact of all technical and staffing decisions as well as to ensure the timely completion of the IHCE. For example, there are times when the use of a temporary or intermittent position is more cost effective than a full-time permanent position subject to fringe benefits.

C0.13.2. One of the primary and more critical tasks in the process of completing the IHCE is to collect and analyze the data that will be used for entry into **win.COMPARE²**. The generic CCF is used to compare the cost of in-house performance versus the cost of contract/ISSA performance.



The cost analyst should prepare a data collection checklist ([Appendix 4](#)), or a similar type of checklist, that reflects the type of costs specified in the lines of the CCF as well as any other unique costs that may arise in a particular cost comparison. The list should then be given to the MEO Team, human resource office, and any key installation personnel who will collect and maintain the necessary information. Information particular to each type of cost is contained in each of the following chapters that are structured to match the lines on the CCF.

C0.14. PRORATION

C0.14.1. Costs may be prorated in certain situations. Two examples are:

C0.14.1.1. **Example:** When the first and/or last performance period for the cost comparison is less than 12 months in length.

C0.14.1.2. **Example:** Capital equipment and facilities to be used by the MEO that will not be Government-furnished equipment (GFE) and are currently shared with activities not included in the cost comparison. It is important to document the methodology used to determine the percentage of MEO usage of these assets and their proration. This documentation is included in the supporting documentation to the IHCE that is used by the Independent Review Official (IRO) to certify the IHCE and, if required, by the A-76 Administrative Appeal Process (AAP) Authority during the AAP.

C0.15. ROUNDING

C0.15.1. Costs reflected on the CCF are rounded to the nearest whole dollar figures. This rounding is accomplished by **win.COMPARE²**.

C0.15.2. Supporting documentation, including **win.COMPARE²** records, may round to the nearest dollar or use dollars and cents.

C0.15.3. Full Time Equivalentents (FTE) are rounded to the third decimal place.

C0.16. STANDARD FACTORS

C0.16.1. Standard factors developed by OMB (including those in Part II of the RSH) shall be applied unless OMB approves other factors. DoD Components may develop and recommend changes to these factors to the DUSD(I) for submission to OMB for approval to implement either DoD-wide or for a specific Component (depending on the DoD Component's justification). All submissions shall be made by the DUSD(I) to OMB.

C0.16.2. Standard fuels factors are issued annually by OMB when the budget development process begins. The DoD Comptroller uses this information to develop and issue the National Defense Budget Estimates For FYXXXX for each fiscal year, commonly referred to as the "Green Book" which can be accessed via <http://www.dtic.mil/comptroller>. The fuels factors can be found in Chapter 5 (Pay Raises, Price Increases, and Treatment of Inflation) in Table 5-3, Pay and Inflation Rate Assumptions-Budget Authority. As soon as the Comptroller has updated Table 5-3, DUSD(I) shall post these fuels factors on its web site at <http://emissary.acq.osd.mil/inst/share.nsf>.

C0.16.3. The Transportation Factor and the Packing, Crating and Handling (PCH) Factor shall be issued by DUSD(I) annually and used by DoD Components when performing cost comparisons. These factors are revised annually as part of the Defense Budget development process and are calculated by the Defense Logistics Agency, J-38, using the DLA Supply Non-Energy Annual Budget. After consulting with DLA J-38, DUSD(I) shall update these factors annually and post them on its web site at <http://emissary.acq.osd.mil/inst/share.nsf>.

C0.17. COMMON OR "WASH" COSTS

C0.17.1. Common costs are defined as costs that are the same regardless of the outcome of the cost comparison, i.e., MEO or contract/ISSA performance. It is important for the analyst to review the solicitation because the solicitation details Government-furnished facilities (GFF), Government-furnished equipment (GFE), Government-furnished materials (GFM) and services, which are considered common costs and are not to be included in the cost comparison. Examples include:

C0.17.1.1. **Example:** Quality assurance of the service provider (except quality assurance evaluators (QAE) supporting MEO subcontracts) may be a common cost. Certain travel, training costs, security clearance processing, or facility support services (e.g., janitorial service) may also be common costs depending upon the nature of the activity and specifications in the solicitation.

C0.17.1.2. **Example:** A forklift is provided to the contract/ISSA offeror. However, the Request for Proposal (RFP) requires that the forklift be maintained, insured and replaced by the service provider as required. The cost of maintenance and insurance are not common costs and must be included in the IHCE. The cost of

depreciation is a common cost until the forklift is replaced according to the Government Management Plan.

C0.18. PERFORMANCE BONDS

A performance bond warrants a contractor's performance and is based upon a number of factors uniquely attributable to a company and its financial condition. When performing a cost comparison and the solicitation requires the private sector offer to provide a performance bond, the cost of the performance bond shall be excluded from the selected industry offer when it is compared to the in-house offer. The rationale for this is that it is impractical to either establish an industry-wide cost for a performance bond or for the in-house offer to query an insurance company for a similar cost to insert into its cost.

C0.19. TRANSITION OR PHASE-IN COSTS

C0.19.1. Transition or Phase-in Costs are incurred to move from an existing in-house organization to the MEO. They include such costs as office and plant arrangement, training, etc. that will be incurred during the transition or phase-in period.

C0.19.2. Since it is the solicitation that includes a separate contract line item for a transition or phase-in period, the analyst must watch for the inclusion of this requirement in the solicitation as well as any transition instructions provided to industry (such as timelines and performance requirements). This is necessary, as the in-house offer shall also separately price its cost of transition or phase-in.

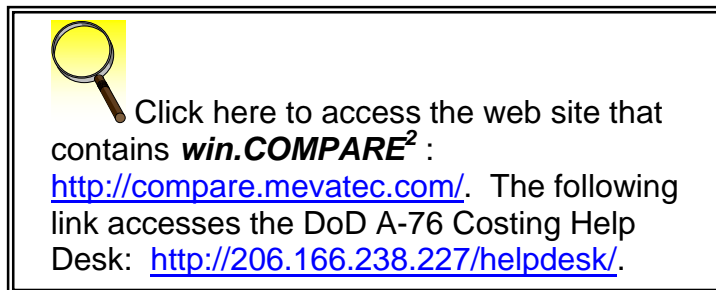
C0.20. *win.COMPARE*² SOFTWARE

C0.20.1. *win.COMPARE*² is the mandatory costing software that DoD Components shall use for development of the IHCE. The software was developed in conjunction with this Manual and produces the CCF (See [Figure C0.F2.](#))

C0.20.2. *win.COMPARE*² calculates several lines automatically based upon standard factors such as overhead, basic insurance, Federal income tax, and severance pay for appropriated fund (APF) Federal civilian employees, as well as the minimum conversion differential.

C0.20.3. *win.COMPARE*² is a database cost model developed in Microsoft Access. The model develops the CCF based on the data entered by the analyst. There are three major forms of data entry: study attributes, tables, and records. Study attributes establish the frame of the study boundaries such as the performance periods and method of operation. A study file uses 16 Tables that include cost factors for pay, inflation, cost of capital, conversion factors, etc. Table information normally has a global application to the study file. Records, on the other hand, are very specific to a particular cost. For example a personnel record includes just the characteristics for specific positions.

C0.20.4. The **win.COMPARE²** software and User Manual (detailed instructions for how to use the software) can be downloaded from the internet. Additionally, DoD has established a web-based DoD A-76 Costing Help Desk to assist in responding to questions regarding the use of **win.COMPARE²** and any cost questions the analyst may have. Cost questions referred to the Help Desk, and their responses, should be included as part of the IHCE supporting documentation. Any questions referred to the Help Desk that are not addressed in this Manual will be forwarded to the appropriate DoD Component prior to an answer being provided.



C0.20.5. DoD-developed web based training for **win.COMPARE²** is available for DoD Components at no cost via DoD's SHARE A-76! website at <http://emissary.acq.osd.mil/inst/share.nsf>.

C0.20.6. [Figure C0.F2](#) contains an illustration of the CCF.

C0.21. THE COST COMPARISON FORM (CCF)

C0.21.1. The CCF is the document used to compare the estimated cost of in-house versus contract/ISSA performance and is the documentation used to make the cost comparison decision. The generic CCF contains eighteen lines of cost elements: Lines 1-6 reflect the cost of in-house performance, Lines 7-13 reflect the costs associated with converting to contract/ISSA performance, and Lines 14-18 reflect the minimum conversion differential cost adjustments and cost comparison decision. Additionally, there are required signatures on the CCF that certify the cost comparison as indicated in [Figure C0.F2](#).

C0.21.2. The most critical aspect for proper preparation of an IHCE is thorough documentation. This includes both **win.COMPARE²** generated worksheets and additional supporting documentation such as receipts and subcontractor invoices that are required to provide a clear explanation for determination of all cost elements, calculations, estimates, and identification of common cost elements. The supporting documentation must be developed so that diverse audiences that are typically not involved in A-76 cost comparisons easily understand it. These audiences include, but are not limited to, the individuals certifying the CCF, potential appellants, the AAP

Authority, lawyers, judges, and auditors. In most instances, these individuals rely solely upon the written record (i.e., supporting documentation) to understand, validate, defend, dispute and resolve issues surrounding the rationale for and calculations of the IHCE.

C0.21.3. [Figure C0.F2.](#) (below) is an example of a completed CCF as produced by *win.COMPARE²*.

**Figure C0.F2. Cost Comparison Form (Lines 1-6)
COSTS OF IN-HOUSE PERFORMANCE**

A-76 COST COMPARISON: IN-HOUSE VS. CONTRACT OR ISSA PERFORMANCE								01/24/2001 9:13:01 AM
CAMIS Number: SCENARIO 1 - TEST SCENARIO 1: (All Locations and Functional Areas)								
IN-HOUSE PERFORMANCE								
Performance Periods			Line 1. Personnel:	Line 2. Material and Supply:	Line 3. Other Specifically Attributable:	Line 4. Overhead:	Line 5. Additional:	Line 6. Total In-House:
11.03/2001	11.02/2002	1	1,053,733	6,147	185,841	106,588	0	1,352,308
11.03/2002	11.02/2003	2	1,060,093	6,356	200,601	107,222	0	1,374,271
11.03/2003	11.02/2004	3	1,064,001	6,409	220,297	107,691	0	1,398,398
11.03/2004	11.02/2005	4	946,594	6,463	211,153	100,264	0	1,264,464
11.03/2005	11.02/2006	5	946,195	6,520	210,939	100,217	0	1,263,871
			5,070,806	31,894	1,028,831	521,982	0	6,653,312

This IHCE is For Official Use Only and Considered Procurement Sensitive Until the Tentative Cost Comparison Decision.
A-76 COST COMPARISON: IN-HOUSE VS. CONTRACT OR ISSA PERFORMANCE - 1

**Figure C0.F2. Comparison Form (Lines 7-13)
COSTS ASSOCIATED WITH CONTRACT PERFORMANCE**

A-76 COST COMPARISON: IN-HOUSE VS. CONTRACT OR ISSA PERFORMANCE									
									01/24/2001 9:15:22 AM
CAMIS Number: SCENARIO 1 - TEST SCENARIO 1: (All Locations and Functional Areas)									
CONTRACT OR ISSA PERFORMANCE									
Performance Periods			Line 7. Contract/ISSA Price:	Line 8. Contract Administration:	Line 9. Additional:	Line 10. One Time Conversion:	Line 11. Gain on Assets:	Line 12. Federal Income	Line 13. Total Contract or ISSA:
11.03/2001	11.02/2002	1	600,000	31,711	0	12,773	-133	-2,400	641,951
11.03/2002	11.02/2003	2	600,000	32,751	0	0	-18,894	-2,400	611,457
11.03/2003	11.02/2004	3	550,000	33,892	0	0	0	-2,200	581,692
11.03/2004	11.02/2005	4	500,000	33,114	0	0	-16,989	-2,000	514,125
11.03/2005	11.02/2006	5	400,000	25,099	0	0	0	-1,600	423,499
			2,650,000	156,527	0	12,773	-36,016	-10,600	2,772,684

This IHCE is For Official Use Only and Considered Procurement Sensitive Until the Tentative Cost Comparison Decision.

A-76 COST COMPARISON: IN-HOUSE VS. CONTRACT OR ISSA PERFORMANCE - 2

**Figure C0.F2. Comparison Form (Lines 14-22)
MINIMUM CONVERSION DIFFERENTIAL COST ADJUSTMENTS & COST
COMPARISON DECISION**

A-76 COST COMPARISON: IN-HOUSE VS. CONTRACT OR ISSA PERFORMANCE		01/24/2001 9:15:55 AM
CAMIS Number: SCENARIO 1 - TEST SCENARIO 1: (All Locations and Functional Areas)		
DECISION		
Line 14. Minimum Conversion Differential:	(Line 1 Total x .10)	507,061
Line 15. Adjusted Total Cost of In-House Performance:	(Line 6 Total)	6,653,312
Line 16. Adjusted Total Cost of Contract or ISSA Performance:	(Line 13 Total + Line 14 Total)	3,279,745
Line 17. Decision:	(Line 16 - Line 15)	-3,379,567
Line 18. Cost Comparison Decision - Accomplish Work:	SELECTED>>>>>	Contract or ISSA
Line 19. In-House MEO Certified By: _____ Date: _____		
"I certify that, to the best of my knowledge and belief, the in-house organization reflected in this cost comparison is the most efficient and cost effective organization that is fully capable of performing the scope of work and tasks required by the Performance Work Statement. I further certify that I have obtained from the appropriate authority concurrence that the organizational structure, as proposed, can and will be fully implemented - subject to this cost comparison, and in accordance with all applicable Federal regulations."		
Line 20. In-House Cost Estimate Prepared By: _____ Date: _____		
Line 21. Independent Reviewer: _____ Date: _____		
"I certify that I have reviewed the Performance Work Statement, Management Plan, In-house cost estimates and supporting documentation available prior to bid opening and, to the best of my knowledge and ability, have determined that: (1) the ability of the in-house MEO to perform the work contained in the Performance Work Statement at the estimated costs included in this cost comparison is reasonably established and, (2) that all costs entered on the cost comparison have been prepared in accordance with the requirements of Circular A-76 and its Supplement."		
Line 22. Cost Comparison Completed By: _____ Date: _____		
This IHCE is For Official Use Only and Considered Procurement Sensitive Until the Tentative Cost Comparison Decision.		
A-76 COST COMPARISON: IN-HOUSE VS. CONTRACT OR ISSA PERFORMANCE - 3		

C1. CHAPTER 1 LINE 1, PERSONNEL COSTS

C1.1. INTRODUCTION

C1.1.1. Line 1, Personnel Costs, includes the cost of all direct in-house labor and supervision, including quality control personnel necessary for the MEO to perform internal quality control requirements that are stated in the solicitation. For IHCEs that assume a mix of in-house labor and contract support (hereafter referred to as an MEO subcontract for purposes of this Manual), it also includes the cost of labor for administration and inspection of those support contracts. Additionally, volunteers, inmate labor, and borrowed military manpower are not allowed for staffing MEO requirements and cannot be included in the IHCE as these labor group are excluded from the cost comparison. If they are included as a “common” labor source in the PWS to all offerors, then the MEO management of this labor source shall be included on Line 1.

C1.1.2. Also included are other local personnel costs expended in operation of the activity being cost compared, or where responsibilities change if performance is converted to or from in-house from or to contract/ISSA performance. They include management and oversight activities, such as direct and indirect managers and supervisors above the first line of supervision who are essential to the performance of the CA being competed, personnel support, environmental or Occupational Safety and Health Administration (OSHA) Act compliance management, etc. These costs are not part of the twelve-percent overhead factor detailed in [Chapter Four: Overhead Costs](#).

C1.1.3. Specifically, Line 1 includes:

- Salaries
- Wages
- Other Entitlements
- Fringe Benefits
- Other Pay
- Overseas Allowances

C1.1.4. The worksheet shown in [Figure C1.F1](#). below is a recommended tool to assist the analyst in the development of costs to be entered into **win.COMPARE²**. It is representative of costs for one performance period and is described in each of the eight tasks detailed in this chapter. Tasks 2 through 8 provide the policy and procedures for computing personnel costs in the columns of [Figure C1.F1](#)., although in some cases, they are automated calculations (denoted by the shaded column) in **win.COMPARE²** that may be bypassed by the analyst. This worksheet was designed as a help-aid to explain the cost calculations as well as to provide an example of supporting documentation linking the historical data to **win.COMPARE²**. This allows the analyst to build an audit trail that goes from the source documents, such as staffing plans and accounting records, through this worksheet and into **win.COMPARE²**. The audit trail supports the outputs of **win.COMPARE²** and provides an opportunity for quality control of the analyst’s hand-computed and software-generated calculations by answering the

following questions: Are the analyst's calculations reasonable and explicable in relation to the source documents? Are the **win.COMPARE²** entries traceable to the analyst's calculations and/or ultimately a source document?

C1.2. FIGURE C1.F1. COLUMN DESCRIPTIONS

C1.2.1. Column A: **Position Title:** This is the position title as stated on the MEO position description. Every position in the MEO should be listed in this column.

C1.2.2. Column B: **Pay Schedule:** This column indicates if the position is compensated under the General Schedule (GS), denoted by GS, or the Federal Wage Schedule (FWS), including: Non-Supervisor FWS pay schedule (WG), Wage Leader pay schedule (WL), Wage Supervisor pay schedule (WS), Non-Supervisor Production Facility (WD), Supervisor Production Facility (WN), etc. Military composite rates are denoted by Officer (O) or Enlisted (E) and are the annual rate billable to non-DoD entities.

C1.2.3. Column C: **Grade:** The grade and step correlate to an hourly wage rate or salary from the FWS or the GS. The grades used for a particular position are specified in the MEO. The position's step is not indicated in [Figure C1.F1](#), since it is OMB and DoD policy that all GS positions are calculated at Step 5 for purposes of an A-76 cost comparison. FWS positions (i.e., WG, WL, WS, WD, WN) are calculated at Step 4 for purposes of an A-76 cost comparison. Tables 2 and 3 in **win.COMPARE²** designate the appropriate step's pay for each type of schedule.

C1.2.4. Column D: **EPA:** This column is used to indicate if a position is subject to an economic price adjustment (EPA). Positions subject to an EPA are inflated using inflation factors applicable to (and through) the first performance period only. Labor cost escalations will be reimbursed by the Government and are not included in a contractor's offer because these positions possess skills the Department of Labor (DOL) has determined are covered by a contract covered by the Service Contract Act (SCA) (refer to FAR 22.10, Service Contract Act of 1965, as amended). The objective is to ensure that the Government does not inflate costs for skills that a contractor has been told not to escalate beyond the first performance period. A similar treatment is given to those positions performing construction type work covered by the Davis Bacon Act (DBA) (refer to FAR 52.222-13, Compliance with Davis-Bacon and Related Act Regulations). The contracting office needs to be consulted in making these determinations. (See also [Figure C1.F2](#), below.)

Figure C1.F1. Sample Personnel Costs Worksheet

LOCATION: _____ FUNCTION: _____

A	B	C	D	E	F	G	H	I***	J***	K***	L	M***	N***	O	P***	Q***	R
Position Title	Pay Schedule	Grade	EPA	Position Type	Productive Hours per FTE	Paid Hours per FTE	Number of FTEs	Total Paid Hours for Position	Pay Rate (hourly or annual)	Annual Position Total (H x J or I x J)	Other Entitlements (all FTEs)	Basic Pay (K + L)	Fringe Benefits** (M x 32.85% or 7.65%)	Other Pay	Other Pay and Medicare (O x 1.0145)	Total Personnel Costs (M+N+P)	Exp or Mix
Executive Director	GS	13	N	FT	1776	2087	0.110	229.6	\$63,431.00	\$6,977.41	\$0.00	\$6,977.41	\$2,292.08	\$0.00	\$0.00	\$9,269.49	N
Project Manager	GS	12	N	FT	1776	2087	1.000	2087.0	\$53,343.72	\$53,343.72	\$0.00	\$53,343.72	\$17,523.41	\$0.00	\$0.00	\$70,867.13	N
Work Reception Clerk	GS	5	Y	FT	1776	2087	1.000	2087.0	\$24,271.81	\$24,271.81	\$0.00	\$24,271.81	\$7,973.29	\$93.04	\$94.39	\$32,339.49	N
Work Reception Clerk	GS	5	Y	FT	1776	2087	1.000	2087.0	\$24,271.81	\$24,271.81	\$0.00	\$24,271.81	\$7,973.29	\$139.60	\$141.62	\$32,386.72	N
MVO* Supervisor	WS	8	N	FT	1776	2087	1.000	2087.0	\$21.47	\$44,807.89	\$0.00	\$44,807.89	\$14,719.39	\$0.00	\$0.00	\$59,527.28	N
MVO Leader	WL	6	Y	FT	1776	2087	3.000	6261.0	\$15.50	\$97,045.50	\$0.00	\$97,045.50	\$31,879.45	\$0.00	\$0.00	\$128,924.95	N
MVO	WG	5	Y	FT	1776	2087	15.000	31305.0	\$13.03	\$407,904.15	\$0.00	\$407,904.15	\$133,996.51	\$2,866.60	\$2,908.17	\$544,808.83	N
MVO	WG	5	Y	Temp	1776	2087	10.000	20870.0	\$13.03	\$271,936.10	\$16,966.67	\$288,902.77	\$22,101.06	\$0.00	\$0.00	\$311,003.83	N
MVO (Bus)	WG	8	Y	Intermit	2007	2007	6.000	12042.0	\$16.06	\$193,394.52	\$11,736.66	\$205,131.18	\$15,692.54	\$0.00	\$0.00	\$220,823.72	N
MVO (Shuttle)	WG	7	Y	PT	1776	2087	0.500	1043.5	\$15.10	\$15,756.85	\$0.00	\$15,756.85	\$5,176.13	\$0.00	\$0.00	\$20,932.98	N
Totals							38.610			\$1,139,709.76	\$28,703.33	\$1,168,413.09	\$259,327.14	\$3,099.24	\$3,144.18	\$1,430,884.41	

*MVO-Motor Vehicle Operator

**Fringe benefit rates differ depending upon the position type

***win.COMPARE² automatically calculates these columns. The analyst may elect to create them to ensure all calculations are accurate.

NOTE: Table numbers relate to the tables in the following pages that describe the detailed calculations for each of the associated tasks. Tasks 4 and 7 have sub-worksheets that produce the value to be entered into columns K, N, O and P of this Figure.

C1.2.4.1. Labor escalation is determined by the application of the SCA and/or DBA **AND** inclusion of FAR 52.222-43¹ or FAR 52.222-44². All service contracts over \$2,500 require the application of the SCA. DoD requires all installation support contracts to include DBA provisions when the criteria in DFARS 222.402-70, Installation Support Contracts, are met. However, the simple inclusion of the SCA and DBA will not provide an answer to the application of an EPA provision for labor costs.

C1.2.4.2. When a fixed price contract is used for an A-76 cost comparison service acquisition, the EPA provision is marked “yes” for any MEO position that is equivalent to a labor category found on the DOL Service contract Act Directory of Occupations. This is because either FAR 52.222-43 or FAR 52.222-44 is included in the solicitation and will be included in any resultant contract. Both these clauses require the contractor to warrant that the prices in their contract offer do not include any allowance for a contingency to cover increased costs for which adjustment is provided for in the clause. These clauses include provisions to adjust the contract price to reflect any actual increase or voluntary decrease in labor wages and fringes that result from compliance with the new DOL wage determination. Therefore, the IHCE should avoid inflating/escalating the same labor categories since contractor offers will not include escalation for the DOL labor categories.

C1.2.4.3. The DOL Service Contract Act Directory of Occupations web site is <http://www.dol.gov/dol/esa/public/res/compliance/whd/wage/main.htm>.

C1.2.4.4. The contracting officer should provide the MEO Team Lead with a copy of the DOL Wage Determination. The contracting or human resource office should then work with the analyst to identify and document the MEO labor categories found in the DOL SCA Directory of Occupations. Sometimes this will be a perfect match such as “plumber” to “plumber”. However, many labor categories will not be an exact match in title between the MEO positions and the DOL SCA Directory of Occupations. The analyst must correlate positions by reviewing the civil service position descriptions and the SCA Directory of Occupations to determine similarity. Generally, the SCA covers service employees and excludes persons employed in a bona fide executive, administrative, or professional capacity as defined in Part 541 of Title 29, CFR. If you are trying to determine whether a particular position or person meets the definition of bona fide executive, administrative, or professional capacity, DOL provides the relevant CFR at http://www.dol.gov/dol/allcfr/esa/Title_29/toc.htm.

C1.2.4.4.1. **Example:** The MEO staffing plan specifies a WG-07 Material Handler. The DOL wage determination has a labor category for a warehouse worker. The human resource office determines that the requirements for a warehouse worker and a material handler are equivalent. The analyst would then enter the WG-07

¹ FAR 52.222-43, Fair Labor Standards Act and Service Contract Act—Price Adjustment (Multiple Year and Option Contracts)

² FAR 52.222-44, Fair Labor Standards Act and Service Contract Act—Price Adjustment

Material Handler position into **win.COMPARE²** as subject to an EPA. **win.COMPARE²** will inflate the first and subsequent performance periods by applying only those factors, if any, applicable to the first performance period. Subsequent performance periods are not escalated when EPA is marked yes, because the contract/ISSA offeror has been instructed to not escalate these labor categories beyond the first performance period.

C1.2.4.4.2. **Example:** The MEO staffing plan specifies a WS-05 Material Handler Supervisor. The human resource office determines that the position meets the bona fide executive criteria. A list and explanation of the criteria can be found in 29 CFR Part 541.1. This criterion includes a position performing primary duties in management, for example, and who regularly and customarily exercises discretionary powers, etc. Therefore, this position is not subject to an EPA and shall be entered as such into **win.COMPARE²**. **win.COMPARE²** will then apply all inflation factors applicable to the first and subsequent performance periods.

C1.2.4.5. If the solicitation will result in a cost reimbursement contract type, the situation is simplified because neither FAR 52.222-43 nor FAR 52.222-44 are included in the solicitation. When contractors prepare their offers under a cost reimbursement contract, they normally are expected to include all of the costs they reasonably expect to incur. In this case, the Government inflates all of its labor costs in the IHCE by marking "no" in the EPA space in **win.COMPARE²**. **win.COMPARE²** then automatically inflates labor costs appropriately for all performance periods. However, Components, as appropriate, may direct in the solicitation instructions that all offerors (i.e., in-house, contract/ISSA offerors) not escalate SCA-covered labor costs.

C1.2.4.6. The DBA, with regard to construction type work, must also be given special consideration in the IHCE. The rule for handling construction type work is guided by the requirements in FAR 22.407, which requires that the standard clauses applying to construction type work are included in contracts that are not primarily construction. For example, when an A-76 cost comparison is for the functional areas of civil engineering, public works, or facility maintenance, it is likely to include the requirement for construction work. Construction work is defined as the "construction, alteration, or repair work done on a particular building ...including... altering, remodeling, installation on site... painting and decorating..."(FAR 22.407) In solicitations that include construction work, the contract offeror must comply with a DOL wage determination in a similar manner as explained for the SCA. However, the FAR requires that wages paid under the provisions of the DBA be addressed differently. DOL wage determinations for construction are not updated. The contract price is adjusted--up or down--retroactive to the date of award. For cost reimbursement contracts an additional clause is included from FAR 52.222-16. The clause limits the reimbursement for pay to laborers or mechanics to the rate approved in writing by the head of the contracting activity. Any rates paid by the contract/ISSA provider at a higher rate are paid at the contract/ISSA provider's expense. For those MEO labor categories that are for construction type work, the EPA provision should be marked as "yes" when using a fixed price or cost reimbursement contract.

Figure C1.F2. Labor Escalation Provision Table

		Contract Type	EPA Designation	Point In Time
1	FAR 52.222-44 "Fair Labor Standards Act and Service Contract Act – Price Adjustment"	Fixed Price	Y	Option Exercise
2	FAR 52.222.41 "Service Contract Act of 1965, as amended"	Fixed Price Cost Reimbursement	The SCA is only used to Determine the application of EPA when accompanied by the clause explained in Lines 1 and 3 of this Figure.	N/A
3	FAR 52.222-43 "Fair Labor Standards Act and Service Contract Act – Price Adjustment (Multiple Year and Option Year Contracts) "	Fixed Price	Y	Multiple Year (M) Anniversary Date Option (O) Year
4	FAR 52.222-6, Davis-Bacon Act	Fixed Price	Y	Issuance of new determination
5	FAR 52.222-6, Davis-Bacon Act	Cost Reimbursement	Y	Issuance of new determination



A well-documented IHCE will include the DOL wage determination list in the IHCE as part of the supporting documentation.

C1.2.5. Column E: **Position** Type: The positions listed in the MEO can be any of the following types: full-time permanent, part-time permanent, intermittent, or temporary. Again, volunteers, inmate labor, and borrowed military manpower are not allowed for staffing MEO requirements and cannot be included in the IHCE as these labor groups are excluded from the cost comparison.

C1.2.6. Column F: **Productive Hours per FTE**: The number of labor hours required to perform work specified for a particular position. When the MEO uses labor hours as a basis for determining FTE requirements, *win.COMPARE*² automatically computes the FTEs for those hours. Productive hours (for full-time, part-time and temporary positions) are divided by a factor of 1,776 to determine the total FTEs. For intermittent positions, productive hours are divided by a factor of 2,007. For military positions, a factor of 1,818 is used to compute FTE requirements. An analyst has the option of (1) entering annual productive hours into *win.COMPARE*² and allowing the program to compute FTEs, or (2) directly entering FTEs into the program when using a position type, i.e., temporary or intermittent. When FTEs are entered into the program, this particular column can be bypassed. The program then evaluates the FTE entry and enters the number of productive hours associated with those FTEs.

C1.2.7. Column G: **Paid Hours per FTE**: This is the number of paid annual hours for the specific position type entered.

C1.2.8. Column H: **Number of FTEs**: This is the number of FTEs in the MEO with the same position title, series, grade, and type.

C1.2.9. Column I: **Total Paid Hours for Position**: The total paid hours is the product of the annual hours per FTE for which that position is compensated (Column G) multiplied by the number of FTEs (Column H).

C1.2.10. Column J: **Pay Rate (hourly or annual)**: The annual salary or hourly rate for APF are drawn from the most current Office of Personnel Management (OPM) wage schedules and tables available for the locality of the activity that is undergoing a cost comparison. [Appendix 3](#) contains the OPM web-site addresses at which the most current tables can be found. *win.COMPARE*² accommodates special OPM pay categories such as Information Technology. The analyst can either build a separate Table 2 for these special pay rates or design a unique grade within the appropriate Table 2 location. If a separate Table 2 is constructed, the analyst must identify a unique location such as "Huntsville IT" so that *win.COMPARE*² correctly pulls the pay factor for the IT positions.

C1.2.11. Column K: **Annual Position Total**: The annual salary/wage for APF positions is determined by multiplying the annual salary or hourly pay rate for each position by the number of FTEs assigned to that position.

C1.2.11.1. For intermittent civilian positions, the position total is derived by multiplying the hourly pay rate by the annual productive hours, using a maximum of 2,007 productive hours in one year for each FTE.

C1.2.11.2. Full-time permanent, part-time permanent, and temporary civilian positions are compensated for 2,087 annual hours.

C1.2.11.3. Military positions have 1,818 annual productive hours available. However, compensation for military positions is determined by the standard military composite rates for each Service. These rates are entered into Table 5 of **win.COMPARE²**.

C1.2.12. Column L: **Other Entitlements:** “Other Entitlements” refer to pay differentials that also earn full fringe benefits. The analyst must work closely with the human resource office to ensure all entitlements are considered and to obtain current factors, e.g., night differential pay for FWS employees, environmental differential pay, premium pay for law enforcement officers and Federal civilian firefighters.

Note: “Other entitlements” do not apply to military positions.

C1.2.13. Column M: **Basic Pay:** Basic Pay is the position’s pay that receives the full fringe benefit rate, annual salary/wages plus Other Entitlements (Column L).

C1.2.14. Column N: **Fringe Benefits or percentage for Federal Insurance Contribution Act (FICA):** The fringe benefit rates and FICA for each type of position are displayed in [Appendices 5](#) and [6](#) and the application of these rates is described in [Task 6](#) of this Chapter. The fringe benefit rate for military positions is included in the military composite rate provided by each Service.

C1.2.15. Column O: **Other Pay:** Other Pay includes premium pay that earns only the Medicare fringe benefit, e.g., night differential pay for GS positions, hazardous pay, overtime, holiday, and uniform allowances. Quality Step Increases (QSI) and Sustained Superior Performance (SSP) are the specific awards that are included in the 1.7% miscellaneous fringe benefit factor. No other types of cash awards or bonuses are included in the 1.7% miscellaneous fringe benefit factor (refer to [Appendix 5](#) for the most current cost factors); therefore, cash awards and bonuses shall be included under “Other Pay,” because they are over and above the 1.7% miscellaneous fringe benefit factor. Cash awards and bonuses will only be included in “Other Pay” if historical data supports that the installation gives cash awards vice QSIs and SSPs. **Note:** “Other Pay” does not apply to military positions.

C1.2.16. Column P: **Total Other Pay and Medicare:** Total Other Pay is the position’s Other Pay (if any) (Column O) plus the application of the Medicare fringe benefit factor.

C1.2.17. Column Q: **Total Personnel Costs:** Total Personnel Costs is the sum of Basic Pay (column M), Fringe Benefits (column N), any Overseas Allowance, and Total Other Pay (column P).

C1.2.18. Column R: **Expansion/Mix.** For cost comparisons involving an expansion or a mix of in-house and currently contracted work, enter “yes” in Column R on the worksheet if the position is required to support the expansion or contract to in-house conversion. Enter “no” in Column R of the worksheet if the position is required to support work currently performed in-house. **win.COMPARE²** uses this information to

compute the ratio of personnel costs associated with the expansion or contract to in-house conversion. The ratio is applied to the minimum conversion differential computed in Line 14 for determining what portion of the minimum conversion differential should be used to adjust the cost of in-house performance (Line 15) and the cost of contract/ISSA performance (Line 16). Note: Refer to paragraph C1.4.2.1. regarding a mix of MEO and MEO subcontracted work.

C1.3. TASK 1—DATA COLLECTION AND ANALYSIS



C1.3.1. In structuring the MEO it may be helpful to collect historical information to determine types of labor costs and man-hours previously experienced by the current organization and where efficiencies could potentially be realized. Collecting historical data for personnel costs involves several resources. Timesheets, personnel records, department heads, and the local comptroller are some of the more common sources where historical data may be maintained.

C1.3.2. The [Office of Personnel Management web site](#), [Code of Federal Regulations \(CFR\)](#), Chapter 1; [the DoD Financial Management Regulation](#), Volume 8; and [DoD 1400.25-M](#) provide specific guidance on pay administration including special and premium pay eligibility and the applicable pay rates. The references in the CFR for the various position types follow:

- FWS [Part 532-Prevailing Rate Systems](#)
- GS [Part 550- Pay Administration \(general\)](#)
- Part-time, or Intermittent, or Seasonal [Part 340- Other than Full-time Career Employment](#)

C1.3.3. The following are types of pay that may need to be collected depending upon the hours of operation and types of work the MEO performs:

- Overtime
- Sunday Pay
- Holiday Pay
- Night Differential (for GS)

- Shift Differential (evening and night)
- Environmental Differential
- Hazardous Duty Pay
- Overseas Allowance
- Uniform Allowance



Retained and Save Pay are not included in the in-house cost estimate since the IHCE is the cost of the new organization (i.e., MEO vacant positions), and not the actual employees who “may” fill them. Simply put, the IHCE is the cost of “spaces” not “faces.”

C1.3.4. Once the historical data has been collected, the analyst must review the data to assess its applicability and relevancy to the MEO versus the current organization. During the time periods covered by the data collection, there may have been a period of performance when unusual or exceptional circumstances occurred. For example, if the installation experiences a natural disaster, overtime hours may increase and may differ from that required during an average work year. Additionally, the MEO may be adding nights to its hours of operation, which requires the analyst to estimate costs for staffing those hours, as they may not exist in historical documentation.

C1.3.5. While completing Task 1, it is critical that the analyst retain copies of all source documents or notes detailing where the documents reside, since this data becomes part of the supporting documentation. It is also critical that the analyst documents all assumptions and deviations made from the historical data so that it is easily understood why certain data was included or excluded from the IHCE.

C1.4. TASK 2—MEO STAFFING PLAN



C1.4.1. Once the data has been collected and the MEO developed, the analyst begins preparing the IHCE. The first step is to begin to fill in [Figure C1.F1. Sample Personnel Costs Worksheet](#) with the position titles, grades, series, and FTEs specified in the MEO and how they relate the requirements of the PWS. The analyst has the option to input the data directly into **win.COMPARE²**; however, the use of this worksheet is a recommended best practice as it provides the supporting documentation for the data entered into **win.COMPARE²**.

C1.4.2. For MEOs that are a mix of in-house labor and a subcontract to the MEO (typically referred to as an MEO subcontract), the following costs shall be included on Line 1 to account for the total cost of operating the MEO with an MEO subcontract: (1) the cost of the FTEs necessary to perform inspection and surveillance of the MEO subcontract and (2) the cost of FTEs necessary to perform contract administration for the MEO subcontract. Only The value of the MEO subcontract is entered on Line 3.

C1.4.2.1. Generally, an MEO subcontract is only be permitted for workload already performed by the private sector under an existing contract. In other words, a separate direct conversion or cost comparison of a portion of the CA(s) in the cost comparison that is already announced (sometimes referred to as a “study within a study”) is not permitted after announcement of the cost comparison unless this portion of the CA is withdrawn from the cost comparison and handled as a separate direct conversion or cost comparison. Nonrecurring workload (e.g., surge workload, overtime) may be included in the MEO as being a service purchased using a Government purchase card, e.g., International Merchant Purchase Authorization Card (IMPAC) or a task order contract or other appropriate contract type. Questions concerning unusual circumstances are to be addressed via the DoD A-76 Costing Help Desk.

C1.4.2.2. The cost of the FTEs that perform inspection and surveillance (typically performed by QAEs) of the MEO subcontract shall also be included on Line 1. Except in situations where an MEO includes an MEO subcontract, these inspection and surveillance costs are wash costs. Do not include the FTEs necessary to perform inspection and surveillance on the entire MEO, only the FTEs necessary to perform inspection and surveillance for the MEO subcontract.

C1.4.2.3. The cost of contract administration costs for the MEO subcontract is determined using [Figure C8.F1. Contract Administration Factors](#) based upon the number of contract man-year equivalents (CME). For example, if an MEO subcontract requires 50 CMEs, then the cost of 2 contract administrators is added to Line 1. If actual data is available that justifies using fewer FTEs than the maximum shown in [Figure C8.F1.](#), the lesser value may be used. However, this documentation must be part of the supporting documentation provided to eligible appellants during the Public Review Period. The only exception to including contract administration for an MEO subcontract is where the solicitation includes a statement that a specific workload that is already under contract will remain under contract regardless of the cost comparison decision (see [paragraph C8.2.3.](#)). In these situations, contract administration for this specific contract is considered a wash cost and contract administration is not included on Line 1 or Line 8.

C1.4.3. Indirect support of the MEO must also be considered on Line 1. The service provider is not a stand-alone activity. When the selected offeror is the MEO, certain additional recurring activities are performed by Government positions outside of the CA. These activities include but are not limited to the counseling and appraisal of the most senior MEO positions, the approval of leave slips, and bonus determinations. This

indirect support must be included on Line 1. Other activities performed by the next level of management, such as marketing of the function, activity and workload determinations, and budget development may be common to performance by either the MEO or contract/ISSA and are not included in the IHCE.

C1.4.4. When a position is not 100% dedicated to the activity being competed, its cost shall be prorated to Line 1 of the CCF according to the amount of dedicated time. For example, a GS-13 position spends 20% of its time performing management oversight of an activity being competed; the prorated cost of this position would be entered on Line 1 as .20 FTEs in the grade of GS-13.

C1.4.5. Figure C1.F2 (below) is an excerpt from [Figure C1.F1](#). and shows an example of an MEO that has been entered into the table to begin developing personnel costs.

Figure C1.F3. Excerpt from Sample Worksheet for Personnel Costs

A	B	C	D	E	F	G	H
Position Title	Pay Schedule	Grade	EPA	Position Type	Productive Hours per FTE	Paid Hours per FTE	Number of FTEs
Executive Director	GS	13	N	FT	1776	2087	0.11
Project Manager	GS	12	N	FT	1776	2087	1
Work Reception Clerk	GS	5	Y	FT	1776	2087	1
Work Reception Clerk	GS	5	Y	FT	1776	2087	1
MVO* Supervisor	WS	8	Y	FT	1776	2087	1
MVO Leader	WL	6	Y	FT	1776	2087	3
MVO	WG	5	Y	FT	1776	2087	15
MVO	WG	5	Y	Temporary	1776	2087	10
MVO (Bus)	WG	8	Y	Intermittent	2007	2007	6
MVO(Shuttle)	WG	7	Y	PT	1776	2087	0.5
Totals							38.610

C1.5. TASK 3—CURRENT SALARY/WAGE TABLES



C1.5.1. It is critical to obtain the latest wage/salary tables for the cost comparison. Wage/salary tables are the Federal pay tables that are issued annually by OPM depending upon the locality and type of table. The General Schedule (GS) salary table is effective for the calendar year while the Federal Wage System (FWS) pay table is effective for twelve months beginning in any month of the year. **win.COMPARE²** uses Table 2, GS Annual Salaries; Table 3, FWS Hourly Wages; Table 4, NAF/Local National Hourly Wages/Annual Salaries; and Table 5, Military Composite Accelerated Rate effective periods as the baseline for determining the need for inflation when coupled with the performance period dates and the answer to the EPA question. These tables can be downloaded from several sites, two of which are listed below.

- Office of Personnel Management (OPM):
<http://www.opm.gov/oca/payrates/index.htm>
- Civilian Personnel Management Service (CPMS):
http://www.cpms.osd.mil/wage/scheds/pay_info.htm

C1.5.2. A representative from the human resource office at the installation should be asked to provide the appropriate pay tables for the geographical location(s) of a CA that is undergoing a cost comparison.

Figure C1.F4. Excerpt from Sample Worksheet for Personnel Costs

A	B	C	G	J
Position Title	Pay Schedule	Grade	Paid Hours Per FTE	Pay Rate (hourly or annual)
Executive Director	GS	13	2087	\$63,431.00
Project Manager	GS	12	2087	\$53,343.72
Work Reception Clerk	GS	5	2087	\$24,271.81
Work Reception Clerk	GS	5	2087	\$24,271.81
MVO* Supervisor	WS	8	2087	\$21.47
MVO Leader	WL	6	2087	\$15.50
MVO	WG	5	2087	\$13.03
MVO	WG	5	2087	\$13.03
MVO (Bus)	WG	8	2007	\$16.06
MVO(Shuttle)	WG	7	2087	\$15.10

C1.5.3. Input the appropriate salary or wages into the Pay Rate column of this worksheet, [Figure C1.F4.](#), (which is an excerpt from [Figure C1.F1.](#)), if used, and **win.COMPARE²**'s Tables 2, 3, 4, and 14.

C1.5.4. Use local pay salaries and wages based on the Government-wide representative rate of step 5 for GS and step 4 for FWS positions. As a rule, pay tables reflect GS as an annual rate while FWS pay is reflected as an hourly wage rate.

Express civil service grade and step for pay banded [i.e., not non-appropriated fund (NAF)] or demonstration project employees at the mid-grade or mid-band and mid-step level. For military positions, enter the military standard composite accelerated rate established for the grade of the position. Unlike APF and NAF civilian positions, this rate already includes fringe benefit and overhead costs. Enter the total military composite rate. When performing a cost comparison involving multiple sites, the analyst must ensure locality pay is included in the IHCE for each site. **Caution:** Do not exclude the fringe benefit and overhead costs included in this military composite rate as *win.COMPARE²* does not provide for their separate calculation.

C1.5.5. Once the Pay Rate (hourly or annual) is entered in Column J, calculate the Annual Position Total (column K of Figure C1.F1.). This is the total paid hours (column I) or FTEs (column H) for that position, multiplied by the hourly or annual pay rate (column J). [Figure C1.F5.](#) below (which is an excerpt of [Figure C1.F1.](#)) represents this calculation.

C1.5.6. GS and FWS full-time permanent, part-time permanent and temporary positions are paid for 2,087 hours. This annual salary is multiplied by the number of FTEs, which may be a fraction if the position is part-time or not fully dedicated to the MEO. Intermittent positions are paid for the productive hours up to a maximum of 2,007 hours annually. The intermittent FTEs are determined by dividing the annual productive hours by 2,007.

Figure C1.F5. Excerpt from Sample Worksheet for Personnel Costs

A	B	C	D	E	F	G	H	I	J	K
Position Title	Pay Schedule	Grade	EPA	Position Type	Productive Hours per FTE	Paid Hours per FTE	Number of FTEs	Total Paid Hours for Position	Pay Rate (hourly or annual)	Annual Position Total (Col. H x Col. J or Col. I x Col. J)
Executive Director	GS	13	N	FT	1776	2087	0.110	229.57	\$63,431.00	\$6,977.41
Project Manager	GS	12	N	FT	1776	2087	1.000	2087.00	\$53,343.72	\$53,343.72
Work Reception Clerk	GS	5	Y	FT	1776	2087	1.000	2087.00	\$24,271.81	\$24,271.81
Work Reception Clerk	GS	5	Y	FT	1776	2087	1.000	2087.00	\$24,271.81	\$24,271.81
MVO* Supervisor	WS	8	Y	FT	1776	2087	1.000	2087.00	\$21.47	\$44,807.89
MVO Leader	WL	6	Y	FT	1776	2087	3.000	6261.00	\$15.50	\$97,045.50
MVO	WG	5	Y	FT	1776	2087	15.000	31305.00	\$13.03	\$407,904.15
MVO	WG	5	Y	Temp.	1776	2087	10.000	20870.00	\$13.03	\$271,936.10
MVO (Bus)	WG	8	Y	Intermit.	2007	2007	6.000	12042.00	\$16.06	\$193,394.52
MVO(Shuttle)	WG	7	Y	PT	1776	2087	0.500	1043.50	\$15.10	\$15,756.85
Totals							38.610			\$1,139,709.76

C1.6. TASK 4—OTHER ENTITLEMENTS



C1.6. The term “Other Entitlements” refers to the pay which civilian personnel are entitled to, based upon the time of day (e.g., shift work for FWS positions) and/or type of work (e.g., environmental for FWS positions) they perform. “Other entitlements” are also part of Basic Pay and earn the full fringe benefits. Consult with the human resource office to ensure compliance with local requirements including bargaining agreements and deviations from the methodologies described below (if any). **Note:** For military positions, these costs do not apply.

C1.6.1. Environmental Differential Pay (EDP): FWS employees shall be paid an environmental differential when exposed to a working condition or hazard that falls within one of the categories approved by the Office of Personnel Management and as described under [5 CFR Part 532.511](#). EDP is included as part of an FWS employees’ basic pay rate. Under 5 CFR Part 532.511, EDP is included as part of an FWS employee’s basic rate of pay for computation of overtime, holiday pay, and Sunday premium pay. The human resource office determines the local situation for which EDP is payable. EDP is payable for actual exposure or for all hours in a pay status. The amount that is payable is determined by multiplying the percentage rate authorized for the exposure by the basic hourly rate of a WG-10, step 2. (**Note:** Use of this grade and step has no correlation to the average grade and steps used in computing costs for Federal civilian employees.) That amount is then multiplied by the number of EDP hours to be paid. When EDP is payable for all hours in a pay status, EDP is paid for all regular and overtime hours the employee is in a pay status that day.³

C1.6.2. Night Shift Differential for FWS Employees: FWS employees receive shift differential at the rate of 7.5 percent of their hourly rate for non-overtime work when a majority of scheduled hours occur between 3 p.m. and midnight; or 10 percent of their hourly rate for non-overtime work when the majority of scheduled hours occur between 11 p.m. and 8 a.m. For example, an employee may be paid shift differential only when five or more hours of the regularly scheduled 8-hour shift (including meal periods) occur during the hours specified.⁴ These rules are also applicable to NAF crafts and trades employees and, depending on a Component’s NAF policies, may also apply to other NAF white-collar employees.

³DoD Financial Management Regulation, Volume 8, Chapter 3, pg. 3-16, August 1999.

⁴DoD Financial Management Regulation, Volume 8, Chapter 3, pg. 3-12, August 1999.

C1.6.3. [Figure C1.F6.](#) is a sub-worksheet that supports the costs shown in the “Other Entitlements” column (column L) of the Sample Worksheet for Personnel Costs shown in [Figure C1.F1. Sample Personnel Costs Worksheet.](#)

C1.6.4. As with all worksheets, the analyst should tailor this worksheet to fit the cost comparison. For example, if the CA that is undergoing a cost comparison is performed at several locations, then a column noting “location” is appropriate. This personalization helps the analyst keep track of each individual position as revisions may be made to the MEO by location and consequently the IHCE. Additionally, personalization by location improves the audit trail, which assists the IRO.

Figure C1.F6. Other Entitlements Sub-Worksheet

Position Title	Pay Schedule	Grade	Position Type	Number of FTE	Hourly Pay Rate	Paid Hours	Annual Salary/Wages	FWS 2nd Shift Hrs.	FWS 2nd Shift Total: (Rate *7.5%)*Hrs	FWS:3rd Shift Hrs	FWS 3rd Shift Total: (Rate*10%)*Hrs	Other Entitlements	Basic Pay (Annual + Entitlements)
Executive Director	GS	13	FT	0.110	NA	230	\$6,977.41	0.00	NA	0.00	NA	\$ -	\$6,977.41
Project Manager	GS	12	FT	1.000	NA	2,087	\$53,343.72	0.00	NA	0.00	NA	\$ -	\$53,343.72
Reception Clerk	GS	5	FT	2.000	NA	4,174	\$48,543.62	0.00	NA	0.00	NA	\$ -	\$48,543.62
Supervisor	WS	8	FT	1.000	\$ 21.47	2,087	\$44,807.89	0.00	\$ -	0.00	\$ -	\$ -	\$44,807.89
MMO Leader	WL	6	FT	3.000	\$ 15.50	6,261	\$97,045.50	0.00	\$ -	0.00	\$ -	\$ -	\$97,045.50
MMO	WG	5	FT	15.000	\$ 13.03	31,305	\$407,904.15	0.00	\$ -	0.00	\$ -	\$ -	\$407,904.15
MMO	WG	5	Temp	10.000	\$ 13.93	20,870	\$271,936.10	6,960.00	\$ 7,271.46	6,960.00	\$ 9,695.28	\$ 16,966.74	\$288,902.84
MMO (Bus)	WG	5	Intermittnt	6.000	\$ 16.06	12,042	\$193,394.52	4,176.00	\$ 5,029.99	4,176.00	\$ 6,706.66	\$ 11,736.65	\$205,131.17
MMO (Shuttle)	WG	7	PT	0.500	\$ 15.10	1,044	\$15,756.85	0.00	\$ -	0.00	\$ -	\$ -	\$15,756.85
TOTALS:				38.610			\$1,139,709.76	11,136.00	\$ 12,301.45	11,136.00	16,401.94	\$ 28,703.39	\$1,168,413.15



win.COMPARE² provides the capability for multi-location and multi-function cost comparisons.

C1.6.5. Values in the column labeled “Other Entitlements” of [Figure C1.F6.](#) should be entered into [Figure C1.F1.](#), Column L (Other Entitlements). Additionally, the column labeled “Basic Pay” of Figure C1.F6. should equal the totals in column M (Basic Pay) of C1.F1.



The **win.COMPARE²** requires Other Entitlements to be specified by position per FTE as it will multiply the dollar value entered as Other Entitlements by the number of FTE for that particular position. Therefore, for positions entitled to premium pay, the analyst may find it easier to show each FTE individually on Line 1. For example, if the 15 motor vehicle operators work a different number of overtime hours, they cannot all be included as one line item on the worksheet or in **win.COMPARE²** since their individual position costs differ. They need to be entered separately.

C1.7. TASK 5 – BASIC PAY



In this task, add columns K and L of [Figure C1.F1.](#), Annual Wage and Other Entitlements.

C1.8. TASK 6—FRINGE BENEFITS



C1.8.1. The fringe benefit rate for full- or part-time permanent APF civilian positions is composed of percentages for retirement, Federal employee insurance and health benefits, Medicare, and miscellaneous fringe benefits (i.e., workmen's compensation, bonuses, awards, and unemployment programs). The bonuses and awards accounted for in the miscellaneous fringe benefit factor are QSIs or SSPs. Annual cash awards are not included in this factor and shall be included under Other Pay only if historical data supports that the installation gives these types of awards. Intermittent and temporary Federal civilian positions only earn a percentage for FICA, which is composed of Old Age & Survivors Insurance Benefit and Medicare. There is an annually changing salary limitation to which the Old Age & Survivors Insurance Benefit may be applied. The fringe benefit percentages are applied to the position's Basic Pay, column M of [Figure C1.F1.](#) (Annual Salary/Wage plus Other Entitlements) and the total is shown in column N of [Figure C1.F1.](#)

C1.8.2. The current fringe benefits and FICA percentages to be applied to APF positions are at [Appendix 5.](#) **Note:** For military positions, these costs are already included in the standard composite rate.

C1.8.2.1. **Example:** The full-time GS-12 project manager earns \$53,343.72 in Basic Pay per performance period. The fringe benefit rate for this position is 32.85% of Basic Pay since it is a full-time, permanent position. Therefore, the fringe benefits are applied to the Basic Pay in the following manner:

$$\begin{aligned} & \$53,343.72 \text{ times } 0.3285 \text{ equals } \$17,523.41 \\ & [\$53,343.72 \times 0.3285 = \$17,523.41] \end{aligned}$$

C1.8.2.2. **Example:** The total Basic Pay for the six intermittent WG-08 motor vehicle operators is \$195,350.63 per performance period. The fringe benefit rate for these positions is 7.65% of Basic Pay since they are intermittent positions. Therefore, the fringe benefits are applied to the Basic Pay in the following manner:

$$\begin{aligned} & \$205,131.18 \text{ times } 0.0765 \text{ equals } \$15,692.55 \\ & [\$205,131.18 \times 0.0765 = \$15,692.55] \end{aligned}$$



win.COMPARE² automatically calculates the fringe benefits for each position assuming that the appropriate fringe benefit factors have been entered into **win.COMPARE²**'s Table 7 for FWS and GS, and Table 9 for the Foreign National and NAF for each location.

C1.9. TASK 7—OTHER PAY



For APF civilian positions, Other Pay includes premium pay that does not earn fringe benefits other than Medicare. **Note:** For military positions, these costs do not apply.

C1.9.1. Examples of Other Pay include night and hazardous duty pay for GS employees, overtime, holiday, and uniform allowances. Annual cash awards are not included in the 1.7% miscellaneous fringe benefit factor as provided by OMB and may be included under Other Pay only if historical data supports that the installation gives these types of awards vice QSI/SSP. [Figure C1.F7](#). (below) provides a worksheet for the computation of Other Pay and should be retained, once completed, as part of the supporting documentation. Consult with the human resource office to ensure

compliance with local requirements including bargaining agreements and deviations from the methodologies described below (if any).

C1.9.2. Sunday Premium Pay: Additional pay at a rate of 25 percent of the hourly basic rate is payable to full-time positions whose regularly scheduled basic workweek (which does not include overtime hours) includes Sunday. Employees who have a part-time or intermittent tour of duty are not entitled to Sunday premium pay. The maximum number of hours of Sunday premium pay that an employee can be paid for one Sunday is 16 hours. To calculate, the hourly basic rate is multiplied by 25 percent with the result adjusted to the nearest cent, counting one-half cent and over as a whole cent.⁵ An employee who performs overtime work on a Sunday or a designated holiday is entitled to pay for that overtime work. Premium pay for Sunday work is in addition to premium pay for holiday work, overtime pay, or night pay differential and is not included in the rate of basic pay used to compute the pay for holiday work, overtime pay, or night pay differential.⁶ This guidance also applies to NAF crafts and trades employees and, depending on a Component's NAF policies, may also apply to other NAF white-collar employees.

C1.9.3. Night Differential for GS Positions: Night differential, at the rate of 10 percent of the hourly basic rate, is payable to employees for work between 6 p.m. and 6 a.m. if the regular tour of duty includes work during such hours. Accordingly, the hourly basic rate is multiplied by 10 percent, with the result adjusted to the nearest cent, counting one-half cent and over as a whole cent. The hours worked must be part of the regular tour. Night differential is payable for overtime work between the hours of 6 p.m. and 6 a.m. if the overtime is regularly scheduled in advance of the administrative workweek. Part-time GS employees are eligible for night differential for work performed between 6 p.m. and 6 a.m. as part of their regularly scheduled administrative workweek. Intermittent GS employees who have no regularly scheduled tour of duty are not eligible for night differential. These employees are eligible for night differential during temporary assignment to a regular tour of duty with night work.⁷ Night pay differential is in addition to overtime, Sunday, and holiday pay and it is not included in the rate of basic pay used to compute the overtime, Sunday, or holiday pay.⁸ This guidance also applies to NAF white-collar employees and, depending on a Component's NAF policies, may also apply to other NAF white-collar employees.

C1.9.4. Hazardous Duty Pay (HDP) for GS Positions: This entitlement (as determined by the human resource office in accordance with [5 CFR Part 550.901-907](#)) involves additional pay to GS employees for the performance of hazardous duty or duty

⁵ DoD Financial Management Regulation, Volume 8, Chapter 3, pg. 3-13, August 1999.

⁶ CFR, Title 5, Chapter I- Office of Personnel Management, Part 550, Sect. 172, January 1999.

⁷ DoD Financial Management Regulation, Volume 8, Chapter 3, pg. 3-11,12, August 1999.

⁸ CFR, Title 5, Chapter I - Office of Personnel Management, Part 550, Sec.

involving physical hardship. The amount of HDP is determined by multiplying the percentage rate authorized for the exposure, found in Appendix A, 5 CFR Part 550, Subpart I, by the employee's hourly rate of pay. That amount is then multiplied by the number of HDP hours to be paid. HDP is not included as part of the employee's basic rate of pay for computation of overtime, holiday pay, or Sunday premium pay. HDP is paid for all hours in a pay status the day on which the exposure occurs. Payment of HDP is not subject to the limit placed on other premium pay. HDP may not be more than 25 percent of the employee's rate of basic pay.

C1.9.5. Overtime: Regular overtime work means overtime work that is scheduled prior to the beginning of an employee's regularly scheduled administrative workweek. Regular overtime is authorized for full-time, part-time, and intermittent GS employees. For each GS employee whose rate of pay does not exceed the minimum applicable rate for a GS-10, the overtime hourly rate is one and one-half times the employee's hourly rate of pay. For each GS employee whose rate of basic pay exceeds the minimum applicable rate for a GS-10, the overtime hourly rate is one and one-half times the hourly rate of basic pay at the minimum applicable rate for a GS-10 (5 USC Part 5542).⁹ An employee is entitled to pay for overtime work on a holiday at the same rate as for overtime work on other days.¹⁰ If there is a history of unscheduled overtime, these hours must also be included. For example, facilities maintenance work has had an average of 500 hours of unscheduled overtime for the past 3 years responding to trouble calls—this unscheduled overtime must be accounted for in the MEO. **Note:** Hours of night, Sunday, or holiday work are included in determining hours for overtime pay purposes.

C1.9.6. Holiday Pay: An employee who performs work on a holiday designated by Federal statute is entitled to pay at the rate of basic pay plus premium pay at a rate equal to the rate of basic pay, for that holiday work which is not in excess of the scheduled tour of duty or overtime work as defined by 5 USC Part 5542. An employee who performs overtime work on a Sunday or a designated holiday is entitled to pay for that overtime work. GS employees receive their basic pay, including any night differential, for holidays on which they are not required to work. Employees are not entitled to additional holiday premium pay for work performed on a holiday, not to exceed 8 hours, during the hours of their regularly scheduled tour of duty. Premium pay for holiday work is in addition to overtime pay or night pay differential, or premium pay for Sunday work, and is not included in the rate of basic pay used to compute the overtime pay or night pay differential or premium pay for Sunday work.¹¹ FWS employees who have a regular tour of duty and are not required to work due to a holiday are entitled to the same rate of pay for that day as if they had worked. When

⁹ DoD Financial Management Regulation, Volume 8, Chapter 3, pg. 3-8, August 1999.

¹⁰ CFR, Title 5, Chapter I-Office of Personnel Management, Part 550, Sec. 131, January 1999.

¹¹ CFR, Title 5, Chapter I- Office of Personnel Management, Part 550, Sec. 132, January 1999.

work is performed on a holiday, FWS employees are entitled to their basic rate plus premium pay at a rate equal to their basic pay for holiday work, which is not more than 8 hours or is not overtime work.¹² This guidance also applies to NAF crafts and trades employees, and NAF white-collar employees and, depending on a Component's NAF policies, may also apply to other NAF white-collar employees.

C1.9.6.1. **Example:** It is anticipated that one GS-05 work reception clerk will work on a holiday due to an increased workload while another GS-05 will work overtime but not on a holiday.. The General Schedule provides basic and overtime hourly rates to be used in these computations.

GS-05 basic, hourly pay rate: \$11.63
GS-05 overtime, hourly pay rate: \$17.45

Refer to [Figure C1.F7](#). below. This example reflects the detail of multiplying 2 FTEs (i.e., two clerks). However, when data is entered into *win.COMPARE*² the model programmatically multiplies the position cost by the number of FTEs entered so that the analyst does not need to manually calculate this cost.

Figure C1.F7. Other Pay Sub-Worksheet

Position Title	Basic or OT Hourly Pay Rate	OT Hours	OT Total Cost (OT hourly rate x hours)	Holiday Shift Hours	Holiday Shift Cost (Basic Hourly Rate x Hrs)	Other Pay (D+F+H)	Medicare (Subtotal x 1.45%)	Other Pay & Medicare	FTEs (1 x 2 FTEs)
Reception Clerk	\$ 11.63	0.00	\$ -	8.00	\$ 93.04	\$ 93.04	\$ 1.35	\$ 94.39	\$188.78
Reception Clerk	\$ 17.45	8.00	\$ 139.60	0.00	\$ -	\$ 139.60	\$ 2.02	\$ 141.62	\$283.24

C1.9.7. The values in the columns labeled "Other Pay" and "Other Pay and Medicare" should be entered in [Figure C1.F1](#)., columns O and P, respectively.

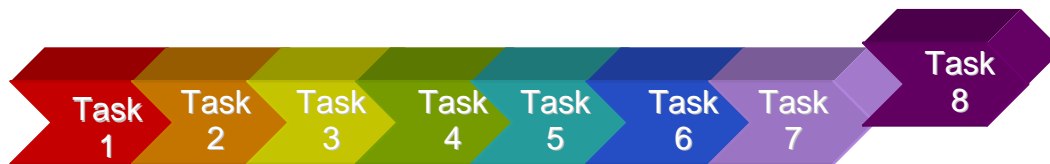
¹² DoD Financial Management Regulation, Volume 8, Chapter 3, pg. 3-13,14, August 1999.



win.COMPARE² requires Other Pay costs to be specified by position per FTE. Therefore, for positions earning Other Pay, the analyst should reflect costs for positions with the same attributes.

Do not adjust Other Pay to include the Medicare benefit factor since **win.COMPARE²** applies this factor automatically.

C1.10. TASK 8—TOTAL PERSONNEL COSTS



C1.10.1. Column Q of [Figure C1.F1](#). is the sum of the basic pay (annual salary plus other entitlements including any overseas allowance), fringe benefits, and Other Pay. If using the Sample Worksheet for Personnel Costs (Figure C1.F1.), the bottom line total of all positions should match the base year costs for the first performance period in Line 1 of **win.COMPARE²**.

C1.10.2. Once base year personnel costs have been determined for each performance period, **win.COMPARE²** automatically inflates them according to dates of the performance periods, the salary and wage effective dates, and EPA designation.

C1.11. TASK 9 (IF APPLICABLE) - NON-FOREIGN AREA COST-OF-LIVING ALLOWANCE:

The Government pays cost-of-living allowances (COLAs) to Federal white-collar employees in Alaska, Hawaii, Guam and the Commonwealth of the Northern Mariana Islands, Puerto Rico, and the U.S. Virgin Islands. Therefore, these costs shall be included for MEO positions in cost comparisons performed in these locations at a maximum of 25 percent of basic pay. These costs may be entered in **win.COMPARE²** as overseas allowances. **win.COMPARE²** does not add the fringe benefit factor to this overseas allowance.

C2. CHAPTER 2

LINE 2, MATERIAL AND SUPPLY COSTS

C2.1. INTRODUCTION

C2.1.1. Material and supply costs are incurred in each performance period for goods such as raw materials, parts, subassemblies, components and office supplies. Material costs are calculated only if the materials are used by the activity and will not be provided to the contract/ISSA provider by the Government. It is important for the analyst to be aware of any instructions the contracting officer includes in the solicitation regarding material and supply costs.

C2.1.2. There are generally two different ways the contracting officer handles material and supply costs. Regardless of the method used, the in-house offer must handle material and supply costs in accordance with the solicitation instructions.

C2.1.2.1. The solicitation may contain a “plug” number, which is a not-to-exceed ceiling amount that all offerors must “plug” into their offers. In this scenario, the solicitation may contain further instructions in the evaluation section explaining how material costs will be evaluated.

C2.1.2.2. The solicitation may be silent on material costs, which means that all offerors are expected to include material and supply costs in their offer.

C2.2. TASK 1—DATA COLLECTION



C2.2.1. The first task is to evaluate the requirements of the solicitation and collect material and supply usage and cost data accordingly. This usage and cost data typically comes from several different sources including databases, local accounting records including credit card statements, and files maintained by individual employees. It may be helpful to obtain data from the past fiscal years but it may not be available due to a myriad of reasons, e.g., reorganization, regionalization, or consolidation. One approach to overcoming this obstacle is to use data from the most recent full fiscal year, as well as extrapolations from the current partial fiscal year. Industry averages of material costs for certain items may also be used for costs that may not have previously been incurred by the activity.

C2.2.2. Material and supply mark-up rates are assumed to be included in purchases made within the United States. Therefore, no additional mark-up rates need to be applied to the collected costs. However, activities that provide for their own acquisition

and storage (e.g., GSA, DLA) may be exceptions to this rule in certain cases and costs should be evaluated when collected from these activities.



Review the solicitation to ensure that only those costs for material/supply that will not be Government furnished are included in the IHCE. Additionally, Section B of the solicitation (Bid Schedule) may contain a predetermined material and supply cost that must be included in both the contract/ISSA offer as well as the IHCE. Remember that the impacts of state and local taxes are not to be considered.

C2.3. TASK 2—ANALYSIS



C2.3.1. The second task is to analyze the collected data and costs, prior to their inclusion in Line 2. The collected material and supply usage and cost data may need to be adjusted to account for changes from the current organization to the MEO to comply with the requirements as stated in the PWS. There are many situations to consider as the costs are analyzed, including the following:

- Sharing of costs between two activities, with one of the activities not included in the cost comparison.
- Adjusting usage and cost data based upon changes in workload and FTEs from the current organization to the MEO.
- GFP and one-time costs that may appear in usage and cost reports and data.
- Costs included in data that are directly attributable to tasks that are not performed by the MEO.
- Number of FTEs in the MEO changing over each of the performance periods.

C2.3.2. Each of the above situations could potentially affect the costs included in Line 2 of the CCF. It is important to review all of the data provided by the current organization in the context of the change between the “as-is” and the “to-be” performing activity. The analyst should look at costs in terms of their applicability to the CA and adjust accordingly. If costs are shared between a CA undergoing a cost comparison and an activity outside of the cost comparison, then they should be prorated based upon usage. If workload and/or FTEs in the organization change from the current

organization to the MEO, then historical costs need to be adjusted to reflect the new organization and its work. For example, the MEO may be 30% smaller than the current organization in numbers of FTEs, but that does not necessarily indicate that there should be a 30% reduction of supplies. If the supplies are directly related to the work in the PWS and the workload is not anticipated to change from the previous years, then a 30% reduction based on the number of FTEs may not be reasonable. However, if the supplies are safety-related (e.g., hard hats, boots, gloves) then it may be reasonable to reduce the costs proportionate to the number of positions needing these items.

C2.3.3. If costs are included in the data that are not directly attributable to the work specified in the PWS to be performed by the MEO, then these costs shall be omitted from the IHCE.

C2.3.4. When the solicitation specifies a predetermined cost of material and supplies to be included in all offers (i.e., in-house, contract, ISSA) as a common cost (sometimes referred to as "plug" costs), no adjustments to either in-house or contract/ISSA offers for state and local taxes shall be permitted. This applies regardless of whether the contractor, ISSA provider or Federal Government will or will not pay state or local taxes on these materials and supplies. If the contract/ISSA offerors include the material costs during the evaluation, the in-house offeror also shall include the "plug" material cost. The in-house offeror should only inflate and/or prorate the material cost as required by the solicitation.

C2.3.5. Costs can be calculated by using adjusted estimates of historical costs or by estimating costs using current market prices for the material quantities developed. Cost data must be as current as possible and the OMB inflation factors entered in **win.COMPARE²** must be reviewed to ensure the factors are available for the year of the historical data and subsequent years for appropriate inflation. Material and supply costs may be either individually itemized or grouped into supply categories, e.g., office supplies. However, care should be taken not to group both fuels and non-fuels items together because of the requirement to apply different inflation factors to each of these categories of supplies.

C2.3.6. Examples of different types of costs included in Line 2 and the analysis involved are provided below:

C2.3.6.1. **Example:** In fiscal year (FY) 1999, office supplies costs average equaled \$9,700 for this activity according to the GSA Order Form File. The office supplies are expended primarily by the administrative positions. There are approximately five positions in the current organization that are administrative in nature versus three in the MEO. Therefore, the assumption is made that office supply usage is also reduced by a certain amount from the current organization to the MEO but not necessarily 40%. It is assumed that a reduction of 20% is more reasonable since some of the supplies are not related to the number of assigned office positions. Therefore, 20% is deducted from the \$9,700 (FY99 average cost of office supplies) leaving a \$7,760 MEO office supply cost for each performance period.

C2.3.6.2. **Example:** Safety equipment costs from FY98 are adjusted to account for staffing changes from the current organization to the MEO. The safety equipment is used primarily by the motor vehicle operators whose staffing levels decreased from eight to five FTEs or by 37.5%. It is assumed that the cost of safety equipment also decreases by a proportional amount. Therefore, the FY99 Safety Equipment cost of \$20,200 is reduced to \$12,625 per performance period for the MEO.

C2.3.6.3. **Example:** In FY99, work-related materials (e.g., components, subassemblies, and parts) totaled \$375,000 for parts and materials. It is assumed that the level of usage will not change significantly over future performance periods, as the workload is not projected to significantly increase or decrease. Work-related material costs are taken from FY99 service orders, which are on file in the supply department database. *win.COMPARE*² inflates from the base-year forward.

C2.4. TASK 3—COST



C2.4.1. The third task is to calculate the cost of Line 2. Once the analysis has been completed, the projected MEO material and supply volume and cost values are entered on records for Line 2 of *win.COMPARE*².

C2.4.2. To determine whether an EPA provision applies to materials and supplies, check Section B (Bid Schedule) and any special clauses in Section H of the solicitation. Materials/supplies subject to an EPA are inflated during the first and subsequent performance periods by applying those factors, if any, applicable to the first performance period only. Several factors need to be considered for determining if supplies and materials are subject to an EPA. The contracting officer should assist and provide verification that EPA is applicable for subject materials and supplies.

C2.4.2.1. **Example:** If the contracting officer has inserted a ceiling dollar amount to cover materials and supplies in the solicitation, and has not requested all offerors to insert their own proposed amount, then this cost is the same for both the MEO and contract/ISSA offers. Although they may seem like a common cost, if the contract/ISSA offer has this ceiling dollar amount added to its proposed price, then it must also be added to the IHCE. In this situation, the EPA is marked “P” because the Government is responsible for establishing the ceiling amount for each performance period. When the contracting officer includes the ceiling dollar amount in the selected contractor’s evaluated offer, then the MEO shall also include this same ceiling dollar amount in the MEO cost. If an offeror is required to inflate the ceiling amount, this instruction will be included in the solicitation (this would apply to all offerors).

C2.4.2.2. Section B (Bid Schedule) does not include a separate contract line item for materials and supplies but the solicitation makes the contract/ISSA offeror responsible for providing any materials and supplies it needs for performance. Unless the solicitation includes special instructions in Section L or possibly any other part of the solicitation, directing the contract/ISSA offeror **NOT** to escalate their material and supply cost, this cost **SHALL BE** escalated. The contract/ISSA offeror is expected to include all of the costs it expects to incur for each performance period; therefore, the analyst shall mark the EPA provision as “no” in these situations.



win.COMPARE² automatically inflates material and supply costs for each performance period according to the EPA designation.

C3. CHAPTER 3 LINE 3, OTHER SPECIFICALLY ATTRIBUTABLE COSTS

C3.1. INTRODUCTION

C3.1.1. This line includes all competitive costs not included on personnel (Line 1) or material and supply costs (Line 2) that are necessary to perform the requirements specified in the PWS according to the MEO's approach. These costs may include:

- | | |
|--------------------------|--------------------|
| ➤ Depreciation | ➤ Insurance |
| ➤ Cost of Capital | ➤ Travel |
| ➤ Rent | ➤ MEO Subcontracts |
| ➤ Maintenance and Repair | ➤ Other Costs |
| ➤ Utilities | |

C3.1.2. It is important to understand that these costs need to be calculated for those assets/services not provided as Government-furnished in the solicitation and for any replacement asset when the Government is providing GFP but passed any replacement liability to the service provider if the GFP becomes unusable. For those assets that will be future purchases within a performance period that is less than 12 months, the cost is prorated to account for the shortened usage time.

C3.2. TASK 1—DEPRECIATION



C3.2.1. Depreciation represents the cost of ownership and the consumption of an asset's useful life. Only assets with an acquisition cost of \$5,000 or more are major items for depreciation. It is calculated by dividing the depreciable basis by its expected useful life for capital assets that are used solely by the MEO and that are not provided to the contract/ISSA offeror. If an asset is shared with another activity (that is not being cost compared), the cost of depreciation is prorated based upon an estimated percentage of usage by the MEO. This percentage of usage is an assumption that must be documented in the IHCE. Depreciable basis is the capital asset's acquisition cost (including transportation and installation costs) plus the cost of capital improvements less its disposal/residual value. The useful life of an asset is determined either by applying the useful life values contained in [Appendix 8](#) of this Manual or local engineering estimates, if the values contained in Appendix 8 are not considered valid for a particular asset. In this case, the reason for using an alternate engineering estimate is documented. Expected useful life can be extended, when appropriate, to cover all performance periods.

C3.2.2. The useful life factor used in the depreciation calculation represents the estimate of how long the asset is expected to be useful. When the acquisition date is entered into **win.COMPARE²** an instantaneous check is made to determine whether or not sufficient useful life is left through the end of the last performance period.

win.COMPARE² prompts the analyst when an asset does not have sufficient useful life remaining through the end of the last performance period. The analyst must then determine if the asset is required for a longer period than the current useful life provides. If the asset is required, then the analyst selects the performance period through which the asset will be required or the date of the replacement.

win.COMPARE² then extends the useful life through the selected performance period and computes the monthly depreciation accordingly. The analyst must document the reasons why the assets useful life is being extended. Examples of reasons include that the asset has a history of low maintenance requirements or the engine was recently rebuilt. If the analyst determines that the useful life should not be extended, then **win.COMPARE²** will limit the monthly depreciation expense to the performance periods that are covered by the original useful life.

C3.2.3. Example:

Truck: Acquisition Cost = \$100,000.00
 Residual Value = \$ 1000.00
 Useful Life = 10 years (useful ends 30 Nov 2002)
 Acquisition Date = 1 Dec 1992
 Performance Period 1 = 1 Oct 2001 – 30 Sep 2002
 Performance Period 2 = 1 Oct 2002 – 30 Sep 2003
 Performance Period 3 = 1 Oct 2003 – 30 Sep 2004

When this data is entered **win.COMPARE²** automatically determines that there is not sufficient useful life to use the asset through the end of the last performance period (30 Sep 2004). The analyst is presented a question by **win.COMPARE²** on whether to extend the useful life and through which performance period. In this example the analyst elected to extend the useful life through the end of the third performance period. With this selection **win.COMPARE²** programmatically extends the useful life to 11.83 years. The monthly depreciation will be calculated as follows:

$$(\$100,000 - \$1,000) / 11.83 = \$ 8,368.55$$

It is the analyst's responsibility to document the reasonableness of extending the useful life of an asset. If the analyst determines it is not appropriate to extend the useful life then the asset may only be used through the original useful life. The analyst must document in the Management Plan the MEO's plan for accomplishing the work without the asset once the useful life is expended. There are a number of alternatives to be considered such as a replacement asset or a change in process, which does not require the use of the asset.

If an asset such as a facility has a capital improvement like a renovation, the renovation costs are handled under a separate asset record since the costs are depreciated from the date of the renovation not the original acquisition or construction date.

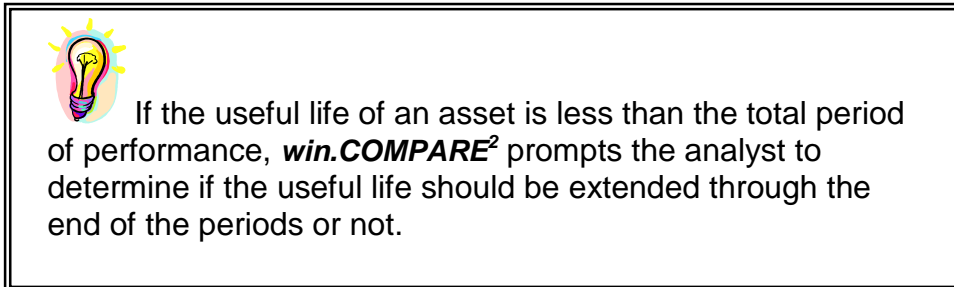
C3.2.4. The following Figure ([Figure C3.F1.](#)) provides clarification of the terms used above:

Figure C3.F1. Definitions for Depreciation Computations

Useful Life	<ul style="list-style-type: none"> • The estimated period of economic usefulness of an asset in a particular operation • For facilities, there are three standard categories of useful life: Permanent (75 years), Semi-permanent (50 Years), and Temporary (25 years) • Local estimates of useful life may be used when these factors are inappropriate
Disposal/Residual Value	<ul style="list-style-type: none"> • An estimate of the asset's value at the end of its useful life that is determined either by application of the disposal value factor listed at Appendix 8 or an engineering estimate • Value equal to the disposal values listed in Appendix 8 of this Manual unless more precise figures are available from the property disposal officer • For equipment, this value is equal to the acquisition cost times the disposal value percentage unless a more accurate estimate is available • For facilities, this value is a locally computed estimate
Depreciable Basis	<ul style="list-style-type: none"> • The original acquisition cost (including transportation and installation costs) plus the cost of capital improvements less disposal/residual value
Acquisition Cost	<ul style="list-style-type: none"> • The original purchase price, the costs for transportation and installation incurred to place the asset in operation (if not already in the purchase price), and any costs for capital improvements
Capital Improvements	<ul style="list-style-type: none"> • The costs of major overhauls and modifications that add value or prolong the life of a capital asset (i.e., equipment or facility) • These costs are treated as capital expenditures and depreciated over the extended or remaining useful life, whichever is less, of either the asset or improvement.
Monthly Depreciation	<ul style="list-style-type: none"> • Computed by dividing depreciable basis by the expected life, in months, of the asset • For performance periods that include less than full months, the monthly depreciation is prorated based on the length of the performance period

Percentage of Shared Asset Usage	<ul style="list-style-type: none"> • The estimated MEO usage of the asset if shared with an activity not undergoing a cost comparison • This percentage is multiplied by the annual depreciation to determine the adjusted annual depreciation that is to be charged to the MEO in the IHCE
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C3.2.5. Since **win.COMPARE²** is being used to prepare the IHCE, depreciation is automatically calculated based upon the data entered into the Capital Assets records.



C3.2.5.1. **Example:** Annual depreciation for capital equipment

Nomenclature:	Bus
Federal Supply Code:	2310B
Acquisition Cost:	\$30,000
Useful Life:	8 years
Disposal Value Factor:	0.17000
% Shared Asset Usage:	100 (Used solely by MEO & is not GFE)
Capital Improvements:	\$2,000

C3.2.5.1.1. Disposal/Residual Value equals Acquisition Cost times Disposal Value Factor

- Disposal/Residual Value equals \$30,000 times 0.17000 (Disposal Value Factor)
- Disposal/Residual Value equals \$5,100

C3.2.5.1.2. Depreciable Basis equals Acquisition Cost plus the cost of Capital Improvements minus Disposal/Residual Value

- Depreciable Basis equals \$30,000 minus \$5,100 (Disposal/Residual Value) plus \$2,000 (Cost of Capital Improvements)
- Depreciable Basis equals \$26,900

C3.2.5.1.3. Annual Depreciation = Depreciable Basis divided by Expected Life of Asset

- Annual Depreciation equals \$24,900 divided by 8 years
- Annual Depreciation equals \$3,113

C3.2.5.1.4. This annual depreciation value of \$3,113 is added to each performance period in which this asset is utilized.

C3.2.5.2. Example: Annual depreciation for a capital facility

Nomenclature:	Building #160
Useful life:	Permanent – 75 years
Acquisition Cost:	\$625,000
Disposal/Residual Value:	\$123,000 (engineering estimate)
% Shared Asset Usage:	100 (Used solely by MEO and is not GFE)

C3.2.5.2.1. Depreciable Basis equals Acquisition Cost minus Disposal/Residual Value

- Depreciable Basis equals \$625,000 minus \$123,000
- Depreciable Basis equals \$502,000

C3.2.5.2.2. Annual Depreciation equals Depreciable Basis divided by Expected Life of Asset

- Annual Depreciation equals \$502,000.00 divided by 75 years
- Annual Depreciation equals \$6,693

C3.2.5.2.3. This annual depreciation value of \$6,693 is added to each performance period in which this asset is be utilized.

C3.3. TASK 2—COST OF CAPITAL



C3.3.1. The cost of capital is defined as an imputed charge on the Government’s investment in capital assets necessary for the commercial activity to provide the product or service. **win.COMPARE²** automatically computes the cost of capital based on records created by the analyst for Capital Equipment Assets and Capital Facility Assets. The following provides an explanation of how **win.COMPARE²** automatically processes the computation.

C3.3.1.1. The annual cost of capital is computed for any asset costing \$5,000 or more if not provided for the selected contract/ISSA offeror’s use and (1) is purchased

less than two years prior to the cost comparison date or (2) is scheduled for purchase within the performance periods.

C3.3.1.2. As paragraph C3.3.1.1. describes, the cost of capital only applies under specific conditions. The asset must not be GFP **and** acquired either through purchase or transfer less than 2 years prior to the cost comparison date or is a planned purchase within any performance period. If these conditions exist, then the cost of capital factor is applied against the asset cost to include any transportation or installation costs. There are no asset age limits that preclude the requirement for the cost of capital. The only timeline determination is simply whether or not the MEO acquired the asset within a two-year window prior to the cost comparison date or the asset is a planned acquisition during the performance periods.

C3.3.1.3. Cost of capital is computed as follows:

C3.3.1.3.1. For new assets the appropriate cost of capital rate (refer to [Appendix 5](#)) is applied against the acquisition costs of the asset (includes transportation, installation and any modification costs that it may take to place the asset into operation).

C3.3.1.3.2. For existing assets, the cost of capital rate is applied to any costs associated with moving, reinstalling, modifying, etc. the existing asset to accommodate MEO requirements.

C3.3.1.3.3. For assets acquired through transfer or seizure/forfeiture, the cost of capital rate is applied to the known or estimated net book or market value of the asset, including transportation, installation, modification, etc. to place the asset into operation.

C3.3.1.3.4. When a capital asset is shared with an in-house activity that is not included in the CA that is undergoing cost comparison, the computations specified above are multiplied by a factor that represents the assets usage by the MEO.

C3.3.1.4. The following Figure ([Figure C3.F2.](#)) provides definitions of terms used in the calculation of the cost of capital by **win.COMPARE²**:

Figure C3.F2. Definitions for Cost of Capital Computations

Accumulated Depreciation	<ul style="list-style-type: none"> • The total amount of depreciation taken to date • Equal to Monthly Depreciation x Age of Asset in months
Age of Asset	<ul style="list-style-type: none"> • The number of years from the acquisition date to the beginning of a performance period
Monthly Depreciation	<ul style="list-style-type: none"> • Equal to the depreciable basis divided by the expected life (in months) of the asset • This value is included as a prorated, if applicable, cost in each performance period. Proration occurs for performance periods that are less than twelve months in length, and/or for shared assets
Acquisition Cost	<ul style="list-style-type: none"> • The original purchase price, the costs for transportation and installation incurred to place the asset in operation (if not already in the purchase price)
Capital Improvements	<ul style="list-style-type: none"> • The costs of major overhauls and modifications that add value or prolong the life of a capital asset (i.e., equipment or facility).
Capital Rate	<ul style="list-style-type: none"> • Current Cost of Capital Rates is shown in Figure C3.F3. Cost of Capital Rates or Table 8 of <i>win.COMPARE²</i>
Cost of Capital	<ul style="list-style-type: none"> • Equal to Cost Basis x Capital Rate x Percent Shared Asset Usage
Cost Basis	<ul style="list-style-type: none"> • The dollar amount against which the cost of capital rate is applied to determine the annual cost of capital • New Purchase: <ul style="list-style-type: none"> • Cost Basis = Acquisition Cost + Transportation Costs + Installation Costs + Other Costs • Transferred Asset: <ul style="list-style-type: none"> • Cost Basis = Net Book Value* + Transportation Costs + Installation Costs + Other Costs (*use fair market value only when net book value is not available) • Existing Asset: <ul style="list-style-type: none"> • Cost Basis = Acquisition Cost + Transportation Costs + Installation Costs + Other Costs
Installation Costs	<ul style="list-style-type: none"> • Estimated costs for installing an asset, if any
Net Book	<ul style="list-style-type: none"> • Value equal to the Original Acquisition Cost minus the Accumulated Depreciation
Market Value	<ul style="list-style-type: none"> • The price that would be paid if the asset was sold on the open market
New Asset	<ul style="list-style-type: none"> • A newly acquired article
Other Costs	<ul style="list-style-type: none"> • Other costs, if any, required to make the asset operationally ready

Percent Shared Asset Usage	<ul style="list-style-type: none"> • The estimated MEO usage of the asset if shared with an activity that is not undergoing a cost comparison • This percentage is multiplied by the calculated annual depreciation value to determine the adjusted annual depreciation to be charged in the IHCE
Transferred Asset	<ul style="list-style-type: none"> • An article conveyed from another activity
Transportation costs	<ul style="list-style-type: none"> • Estimated costs for transferring or transporting an asset, if any

C3.3.1.5. The annual cost of capital is computed by applying the nominal rate provided by [OMB Circular A-94](#) to the total cost of the asset. The cost of capital is not inflated. [Figure C3.F3](#). (below) contains the nominal rates as applied by *win.COMPARE*² and used in the following examples. The most current rates to be used for the computation of the cost of capital are found in [Appendix 5](#) of this Manual. The cost of capital rate is selected based upon the total number of years for all of the performance periods. The total number of years shall be rounded, up or down, to the nearest year. For example, if the first and last performance periods are six months in length each, and there are three twelve-month periods between them, then the total number of years used to select the appropriate cost of capital rate is four. However, if the first performance period is two months in length, and the last performance period is three months in length, and there are five twelve-month periods between them (total of 5.42 years), then the total number of years used to select the appropriate cost of capital rate is five.

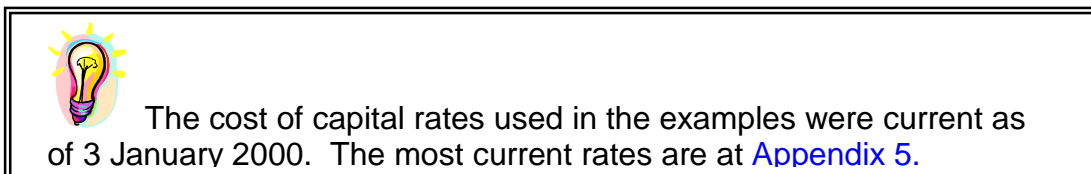


Figure C3.F3. Cost of Capital Rates

Number of Years in Cost Comparison	Cost of Capital Rate As of 3 Jan 2000
3*	.0590
4*	.0595
5	.0600
6**	.0600
7**	.0600
8**	.0603
9**	.0607
10**	.0610
11-30**	.063

*Refer to paragraph [C0.5.3.2](#).

** Refer to paragraph [C0.5.3.1](#).



win.COMPARE² automatically calculates the cost of capital once the analyst has entered all required information (e.g., purchase date, original acquisition cost, transportation cost, modification cost)

C3.3.1.5.1. Example: Cost of Capital for New, Transferred or Existing Equipment

Nomenclature:	Bus
Federal Supply Code:	2310B
Acquisition Cost (Cost Basis):	\$30,000
Useful Life:	8 years
Disposal Value Factor:	0.17000
Capital Rate	.0600
% Shared Asset Usage:	100(Used solely by MEO and is not GFE)
Years in cost comparison:	5
Cost Comparison Date:	10/01/99
Purchase Date:	10/01/98

C3.3.1.5.1.1. New Purchase: 2 years prior to the cost comparison date

- Cost of Capital equals Cost Basis times Capital Rate times % Shared Usage
- Cost of Capital (assessed against each performance period) equals \$30,000 times .0600 times 1.0
- Cost of Capital equals \$1,800 for each performance period

C3.3.1.5.1.2. Transferred Asset: 2 years prior to the cost comparison date

- Cost of Capital equals Cost Basis times Capital Rate times % Shared Usage
 - Cost Basis equals Acquisition Cost plus Transportation Costs plus Installation Costs plus Other Costs
 - Transportation Costs equal \$2,500
 - Cost Basis equals \$30,000 plus \$2,500 plus \$0.00 plus \$0.00
 - Cost Basis equals \$32,500
- Cost of Capital equals \$32,500 times .0600 times 1.0
- Cost of Capital equals \$1,950 for each performance period

C3.3.1.5.1.3. Existing Asset:

- Cost of Capital equals Cost Basis times Capital Rate times % Shared Usage
 - Cost Basis equals Other Costs
 - Other Costs equals \$6,750 (for new transmission)
- Cost of Capital equals \$6,750 x .0600 x 1.0
- Cost of Capital equals \$405 for each performance period

C3.3.1.5.2. **Example:** Cost of Capital for New, Existing, or Transferred Facility

Nomenclature:	Building #160
Useful Life:	Permanent- 75 years
Acquisition Cost:	\$625,000
Disposal/Residual Value :	\$123,000 (engineering estimate)
Capital Rate	.0600
% Shared Asset Usage:	100 (Used solely by MEO and is not GFE)
Years in cost comparison:	5
Cost Comparison Date:	10/01/99
Construction Date:	10/01/98

C3.3.1.5.2.1. New Purchase: 2 years prior to the cost comparison date

- Cost of Capital equals Acquisition Cost times Capital Rate times % Shared Usage
- Cost of Capital equals \$625,000 times .0600 times 1.0
- Cost of Capital equals \$37,500 for each performance period

C3.3.1.5.2.2. Transferred Asset: 2 years prior to the cost comparison date

- Cost of Capital equals Cost Basis times Capital Rate times % Shared Usage
 - Cost Basis equals Acquisition Cost plus Transportation Costs plus Installation Costs plus Other Costs
 - Other Costs equals \$7,800 (for plumbing work)
 - Cost Basis equals \$625,000 plus \$0 plus \$0 plus \$7,800
- Cost Basis equals \$632,800
- Cost of Capital equals \$632,800 times .0600 times 1.0
- Cost of Capital equals \$37,968 for each performance period

C3.3.1.5.2.3. Existing Asset:

- Cost of Capital equals Cost Basis times Capital Rate times % Shared Usage
 - Cost Basis equals Other Costs
 - Other Costs equal \$7,800 (for plumbing work)
- Cost of Capital equals \$7,800.00 times .0600 times 1.0
- Cost of Capital equals \$468 for each performance period

C3.4. TASK 3—RENTAL COSTS

C3.4.1. Rent is incurred for the use, operation and maintenance of land, building space, plant and machinery, and other applicable items, by the activity that is undergoing a cost comparison. Compute only those costs that are associated with the MEO and that are not provided to the contract/ISSA offeror.

C3.4.2. The most common types of rental costs included in the IHCE are for vehicles and equipment. When land and facilities are Government-furnished, they do not incur rental costs.

C3.4.3. **Example:** The in-house activity currently leases vehicles from Transportation. These leases are not provided as GFE to the contract/ISSA offeror. The MEO continues to lease vehicles from Transportation at a cost that includes maintenance and fuel. The annual projected lease for 19 vehicles to be used by the MEO is \$171,552 per year. This cost is based upon FY99 hourly rates supplied by Transportation personnel and 160 hours of usage per vehicle per month as projected by the in-house personnel. Additionally, the cost for the first performance period should be prorated as it is only four months in length.

C3.5. TASK 4—MAINTENANCE AND REPAIR COSTS

C3.5.1. This cost is incurred to keep buildings and equipment in normal operating condition. It does not include capital improvements that add value to an asset and are accounted for under depreciation.

C3.5.2. The cost of maintenance and repair includes the costs for: (1) Those assets that are not furnished to the contract/ISSA offeror, but are needed for in-house performance of the CA undergoing a cost comparison, and (2) The cost of maintenance and repair for any facilities or equipment furnished to the contract/ISSA offeror where the contract/ISSA offeror is responsible for the maintenance and repair.

C3.5.3. **Example:** This example demonstrates where both conditions are applied. The PWS states that the service provider is responsible for maintenance and repair of all GFE. Currently, some of the general maintenance and repair of equipment is

performed as part of the standard duties in the workplace. This practice continues with the MEO. The MEO staffing includes time for performing maintenance and repair of this nature, which is included in the Personnel costs on Line 1 and Material costs on Line 2. Additionally, the MEO continues to pay for maintenance for facsimile machine repair, copier repair, and the hydraulic lifts. According to FY99 records, the annual maintenance costs total \$11,523 and are included in *win.COMPARE*² as individual line items as the costs are anticipated to remain the same for the MEO.

C3.6. TASK 5—UTILITY COSTS



C3.6.1. This category includes charges for electricity, telephone, water and sewage services, etc., which are not furnished to the contract/ISSA offeror by the Government, but are needed for in-house performance of the CA. The amount of these costs applicable to the activity undergoing cost comparison is determined either on a metered or an allocated basis of consumption.

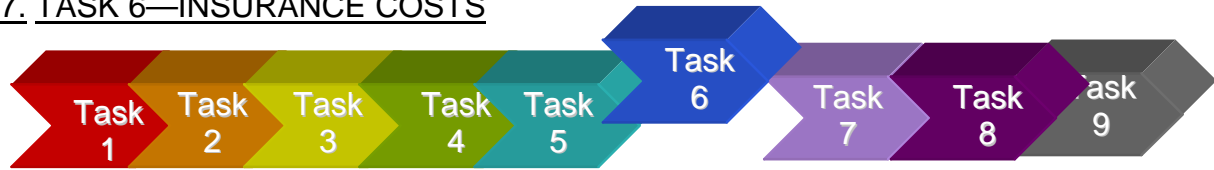
C3.6.2. Estimates of incurred expenses for the first year of performance are based on current experience appropriately adjusted for anticipated future requirements. Engineering estimates are used when historical data are not available. The analyst collects the unit of measure, annual quantity, and per unit cost per type of utility.

C3.6.3. It is typically more cost efficient to furnish utilities. Long-distance telephone service is the most common type of utility that is not Government-furnished and therefore is included in the IHCE.

C3.6.4. **Example:** The service provider must reimburse the Government for all tolls or long-distance charges incurred on Government provided telephones. According to the FY99 Budget executed for the CA that is undergoing a cost comparison, \$27,190 was spent on general and administrative long-distance tolls. This cost figure includes long-distance phone call expenditures for other activities of the installation that are not included in this cost comparison. Therefore, \$10,000 of this total was estimated to be the annual cost of long-distance calls for this activity. Since most of the long-distance calls are made by senior management whose positions will remain unchanged as part of the MEO (for this particular cost comparison), it cannot be assumed that long-distance telephone calls will be reduced. Therefore, the analyst must assume that general and administrative long-distance phone calls are \$10,000/year.



If facilities are not Government-furnished, consideration must be given to how the cost of the utilities will be addressed.

C3.7. TASK 6—INSURANCE COSTS

C3.7.1. Operation of any Government activity involves risks and potential costs from property losses (e.g., fire, flood, accident) and liability claims. These risks are normally covered by insurance included in any commercial cost estimate.

C3.7.2. Generally, the Government's casualty premium equivalent costs are computed by multiplying .005 times the net book value of the Government's equipment and/or facilities (non-GFE/GFF), plus the average value of materials and supplies (assuming a one-month stockage value).

C3.7.3. Casualty insurance is computed by **win.COMPARE²** only under those circumstances where the materials, supplies, equipment, and facilities are not Government-furnished or where the Government assigns liability to the contract/ISSA offeror as stated in the solicitation.

C3.7.4. Capital Asset and Minor Item Insurance for GFP: The IHCE must include the cost of casualty insurance when the Government levies the requirement on the contract/ISSA offeror. If the solicitation requires the contract/ISSA offeror to provide protection on GFP assets, then the in-house offeror must include casualty insurance on those same assets at the rate of .005. If the MEO uses assets that are not provided as GFP, then it must include the cost of insurance on those assets because it is a standard business expense that the contract offeror cannot avoid. If the Component requires a contract/ISSA offeror to have property damage liability insurance, that requirement is generally established through a clause in Section I of the solicitation; the liability amounts are typically specified in Section B or Section H of the solicitation. If the analyst determines insurance applies to an asset or minor item, **win.COMPARE²** calculates the cost.

C3.7.5. Personnel liability losses are computed for each performance period by multiplying .007 times the Government's total personnel related costs on Line 1. Additional liabilities assigned to the contract/ISSA offeror as required by the solicitation that are not associated with personnel, are computed by applying the standard .007 factor to the estimated liability ceiling identified in the PWS and included in the IHCE.

C3.7.5.1. **Example:** Liability insurance

- Liability Insurance equals .007 times Line 1 Personnel Costs
- Liability Insurance equals .007 times \$1,430,884.41 (for performance period 1)
- Liability Insurance equals \$10,016.19 for performance period 1

C3.7.5.2. Example: Casualty Insurance

- Net Book Value of Capital Equipment Assets:
Transferred Bus = \$26,887
- Net Book Value of Capital Facility Assets:
Building #160 - \$618,307
- Average Value of Material and Supplies and Minor Items:
Annual material and supply costs from Line 2 –
 - Office Supplies \$7,760
 - Safety Equipment \$12,625
 - Work-related Materials \$375,000
 - Annual Total : \$395,385

Monthly average* equals annual total (\$395,385) divided by 12 months
 Monthly average equals \$ 32,949

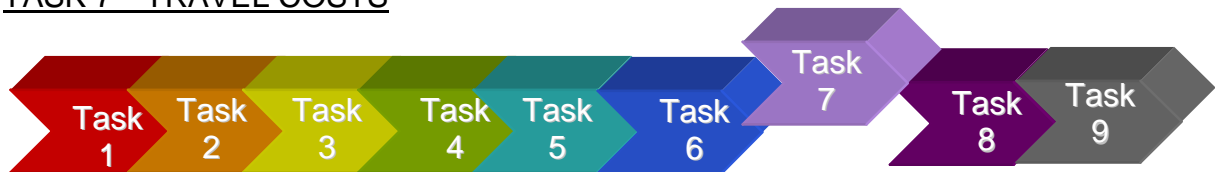
*Assumes a one-month stockage value

- Annual Casualty Insurance costs equal casualty insurance factor (.005) times the sum of net book value of capital equipment assets plus net book value of capital facility assets plus average one-month value of material and supplies and minor items
- Annual Casualty Insurance costs equal .005 times (\$26,887 plus \$618,307 plus \$32,949)
- Annual Casualty Insurance costs equal \$3,391 per performance period



win.COMPARE² automatically computes casualty and liability insurance for values in Lines 1, 2, and 3.

C3.8. TASK 7—TRAVEL COSTS



C3.8.1. This task covers the expected amount of travel included in the PWS and any other travel required of the MEO **external** to the PWS. These costs are readily available from budgeted amounts of per diem and transportation cost for the activity that is the focus of the cost comparison.

C3.8.2. **Example:** The MEO Team determined that there are MEO travel costs for an Annual Conference in Palm Springs, Fla. (Note: The requirement for attending the conference is in the PWS.) The cost is \$2,000 per person, which includes per diem, rental car or taxis for 7 days each, round-trip airline tickets, and a nominal conference fee. Three positions in the MEO will attend. Therefore, annual costs will be \$6,000 (\$2,000 x 3).

C3.9. TASK 8—MEO SUBCONTRACT COSTS



C3.9.1. The cost of MEO subcontracts, if any, shall be included in Line 3. Any support costs itemized for Line 3 should also be included if applicable. The contract prices in effect are used and *win.COMPARE*² programmatically computes the Federal tax amount when the analyst enters the industry code into the MEO subcontract record. *win.COMPARE*² deducts Federal income taxes from the cost of the contract for taxable organizations.

C3.9.2. The cost of services purchased using a Government purchase card, e.g., International Merchant Purchase Authorization Card (IMPAC), shall also be recorded on this Line. Purchases for services that accomplish workload specified in the solicitation shall be treated as a subcontract on Line 3 to account for the Federal income tax. Escalate costs to each performance period as appropriate. Support contract costs should also be adjusted (downward) to offset for potential Federal income tax revenue to the Government. This is accomplished by applying the appropriate tax rate at [Appendix 9](#).



Analysts are cautioned that statements from a Government purchase card may contain a mix of material and service purchases. It will be necessary to extract only the costs for services for the MEO subcontract computation.

C3.9.3. For MEOs that assume a mix of in-house labor and MEO subcontract support, refer to paragraphs [C1.4.2.](#), [C1.4.2.1.](#), [C1.4.2.2.](#) and [C8.2.3.](#)

C3.9.3.1. **Example:** Performance of additional work to support this activity is outlined in the Bid Schedule (Schedule B) under contract line number (CLIN) 0002. This work will be completed by a MEO subcontractor and labor costs for this CLIN were computed based upon their rates. The total subcontract is approximately \$365,398 per

performance period. This value was adjusted downward by a tax rate of 3.1% to offset potential Federal income tax revenue to the Government. Therefore, the final cost per performance period is \$354,071 for Line 3. The number of CMEs associated with this MEO subcontract is 5. Using the table at [Figure C8.F.1.](#), the IHCE should also include .5 contract administration on Line 1 of the CCF. The Government will use 1 FTE for inspection and surveillance that is also included on Line 1.

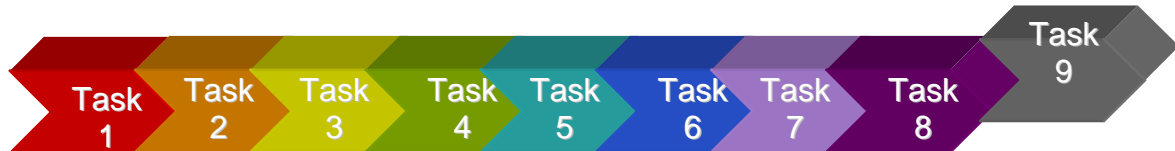
C3.9.3.2. Example: In FY99, credit cards were used to purchase windshield glasswork to accomplish a small percentage of workload that is very specific in nature. This practice will continue for this type of work in the MEO. The total cost of these small “subcontracts” for FY99 was \$42,500. However, support contract costs are adjusted (downward) to offset potential Federal income tax revenue to the Government. Therefore, \$42,500 was adjusted downward by a .7% tax rate from [Appendix 9](#) for a total of \$42,202.50 for each future performance period as it is projected to be approximately the same amount in the future performance periods.



In *win.COMPARE*², MEO subcontract costs are included under Other Costs of Line 3 as a lump sum.

*win.COMPARE*² automatically computes the tax on the MEO subcontract once the analyst enters the tax code for the applicable industry of the service provider.

C3.10. TASK 9—OTHER COSTS



C3.10.1. Other Costs is a general category for specifically attributable costs that do not properly fit into one of the other cost elements, but would change in the event of contract/ISSA performance. Examples of Other Costs are the cost of minor items for the MEO and additional insurance, if any, required of the contractor/ISSA in the solicitation.

C3.10.2. Include the cost of any minor items not provided as GFP. A minor item is defined as an item costing less than \$5,000 and not immediately consumed by the MEO. This includes items such as overhead projectors, office equipment, tools, chairs, desks, cabinets, etc.



win.COMPARE² provides a separate line for Minor Items under Line 3, as opposed to including Minor Items' costs in the Other Costs category of Line 3.

C3.10.3. **win.COMPARE²** automatically charges the in-house offeror with 10% of the minor item replacement cost which occurs for new minor items or existing minor items. The IHCE is not charged for the full purchase price of a newly purchase minor item. Minor items that are shared with an activity that is not undergoing cost comparison are not included in the IHCE.

C3.10.3.1. Some options are:

C3.10.3.1.1. The Government provides minor property as GFE and replaces it when necessary. In this situation, the cost of minor items is a common cost and is not included in the IHCE.

C3.10.3.1.2. The Government does not provide minor items as GFE to the service provider. If an existing minor item(s) will be used by the MEO in order to meet the PWS requirements but is not Government-furnished, the IHCE shall include 10% of the replacement cost of these item(s) for each performance period, prorated as required on Line 3. The cost of casualty insurance shall be added at the insurance rate against the acquisition cost for each performance period on Line 3.

C3.10.4. **win.COMPARE²** automatically charges the IHCE 10% of the minor item replacement cost. There is not a requirement to charge the IHCE the full purchase price of a newly purchased minor item.

C3.10.5. If the solicitation requires the contract/ISSA offeror to include additional insurance to cover certain high-risk activities (e.g., environmental, air traffic control, child care, ammunition handling, air cargo, nuclear fuel handling), include the cost of this additional insurance on Line 3. Typically, liability is a straight .7% regardless of the type of CA when competing against industry standards for contractor insurance costs. However, if additional liability insurance or a minimum liability coverage is specified in the solicitation, the IHCE must include, on Line 3 Other Costs, an estimate of the premiums necessary to purchase the insurance up to the amount stated in the solicitation. The additional insurance amount shall be prorated based upon the length of the performance period and inflated.

C3.10.6. **Example of Other Costs:** The MEO Team determined that the MEO would continue to require annual training that will not be Government-furnished to the service provider. This will be conducted on site and cost a total of \$5,500. This cost

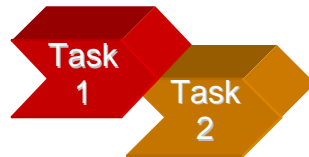
includes the fees and airfare for two trainers to come to the installation and teach a room of students.



win.COMPARE² automatically computes casualty and liability insurance and includes the total on Line 3 for each applicable performance period. If an additional level of coverage is required within the solicitation, this cost is not automatically computed and must be entered by the user as a lump sum on Line 3 under Other Costs.

C4. CHAPTER 4 LINE 4, OVERHEAD COSTS

C4.1. TASK 1—DEFINITION OF FUNCTIONS



C4.1.1. This line represents 12% of Line 1, Civilian Personnel Costs, (including MEO subcontract QAEs and contract administrators) to estimate overhead costs associated with operations of the CA being competed that (based on application of the policy specified in [paragraph C1.1.2.](#)) are not captured on Line 1 for the MEO.

C4.1.2. The standardized rate accommodates overhead costs that are not necessarily visible to the CA or installation, but are clearly included in and provided by the Department's budget and represents costs that are comparable to those that a contractor must include, such as allocations for Chief Executive Officers, headquarters management support staff, etc. This factor includes costs that are not 100% attributable to the CA being competed but are generally associated with the recurring management or support of the CA. Use of the rate avoids a requirement to develop detailed allocations of all management and support costs within DoD and as provided by the Government at large to the commercial activity being competed.

C4.1.3. Historical Note: As a part of the 1996 revisions to the then Supplemental Handbook to OMB Circular A-76, this 12% factor was developed and agreed to through negotiations with all interested parties, including Federal agencies including DoD, industry and the employee unions. This factor shall be used within DoD until OMB revises the factor based on a Federal-wide overhead rate for all Federal Agencies.

C4.1.4. **Example:** A supervisor one level above the MEO will provide supervision over the manger included in the MEO. This includes performance evaluations, leave requests, etc. OMB policy is that the time dedicated to support the MEO head is appropriate as a non-common cost and is to be included on Line 1 of the CCF. The cost of the supervisor's (one level above the MEO) time needed to manage the MEO is included in Line 1 and is NOT part of the 12% overhead. This example applies to other activities providing support to the MEO as well, not just supervisors.

C4.2. TASK 2—OVERHEAD COSTS



C4.2.1. Line 4 is calculated by multiplying Line 1, Civilian Personnel Costs (i.e., APF, foreign national, NAF), for each performance period, including the fringe benefits, by 12 percent (.12). Military personnel costs are not subject to this overhead rate as the military composite rate includes the appropriate overhead costs for these positions.

C4.2.2. **Example:** Overhead costs equal Line 1, Civilian Personnel Costs, times 0.12

$$\$1,403,681 \text{ times } 0.12 = \$168,442^*$$

*Overhead for each performance period is based upon the inflated/prorated Line 1 costs for that period



win.COMPARE² automatically computes Line 4 as 12% of the civilian MEO costs included on Line 1. There is no data entry necessary for the user.

C5. CHAPTER 5 LINE 5, ADDITIONAL COSTS

C5.1. TASK 1—ADDITIONAL COSTS



C5.1.1. This cost element includes costs not otherwise properly classified in Lines 1 through 4 and reflects those additional costs resulting from unusual or special circumstances that may be encountered in a cost comparison. Amounts entered on Line 5 shall be supported by a definition of the type of cost reported, a justification for its inclusion in the cost comparison, an explanation of the underlying assumptions, and methods of computation.

C5.1.2. Also included in this Line are transition or phase-in costs associated with converting the current organization to the MEO, unless the first performance period has been designated as the phase-in period described in [Chapter 19](#). When the first performance period is designated as the phase-in period, Lines 1 through 5 may be used to document these costs. Otherwise, these costs are included, fully justified, on Line 5.

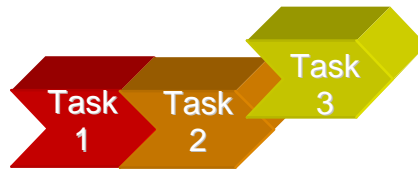
C5.1.2.1. Examples include office and plant rearrangements, transport, employee recruitment, training of the MEO employees, and other expenses.

C5.1.2.2. The additional costs of an expansion, new requirement, or conversion from contract or ISSA to in-house performance, which are added to the in-house costs, should be made on Line 5 in consultation with engineering, production, management, and contracting personnel. New investments by the Government in facilities and equipment should not be included as one-time costs. The costs incurred in acquiring facilities or equipment and installing equipment shall be included in Line 3.

C5.2. TASK 2 – DATA COLLECTION AND ANALYSIS



The second task is to analyze the collected data, or costs, prior to their inclusion in Line 5. The historical costs may need to be adjusted to account for changes from the current organizational structure to the MEO for the requirements as specified in the PWS.

C5.3. TASK 3—ADDITIONAL COSTS

These calculations vary depending upon the data and may be included in **win.COMPARE²** on Line 5. For this reason, it is critical that the analyst's method for computation is documented in the text of the IHCE **win.COMPARE²**. Refer to [Chapter 19](#) for information regarding Phase-In Period costs.

**C6. CHAPTER 6
LINE 6, TOTAL IN-HOUSE COSTS**

Line 6 is the total cost of in-house performance and is computed by adding Lines 1 through 5 for each performance period.

C7. CHAPTER 7 LINE 7, CONTRACT/ISSA PRICE

C7.1. TASK 1—CONTRACT/ISSA PRICE



C7.1.1. The contract or ISSA price reflects the cost to perform the requirements of the PWS as presented by the contract/ISSA offeror selected to compete with the in-house work force.

C7.1.2. On the date of the tentative cost comparison decision, the contract/ISSA's price is entered on Line 7 in **win.COMPARE²**. In determining the amount to be recorded as the contract price, the type of contract must be considered:

C7.1.2.1. Fixed price contracts:

C7.1.2.1.1. For a sealed bid firm fixed price acquisition, enter the price of the low responsible, responsive bidder on Line 7.

C7.1.2.1.2. For a negotiated firm fixed price acquisition, the negotiated price is entered on Line 7.

C7.1.2.1.3. For a fixed price contract with an award fee, enter 65% of the potential maximum award fee plus the contract costs (i.e., fixed price portion of the contract price) on Line 7.

C7.1.2.1.4. For a fixed price contract with an incentive fee, enter 65% of the target fee plus the contract costs (i.e., the fixed price portion of the contract price) on Line 7.

C7.1.2.2. For a cost-reimbursement or cost-sharing type contract, the low negotiated estimate (i.e., the estimated cost plus fee adjusted for any award or incentive fee as indicated in paragraph C7.1.2.2.1. or C7.1.2.2.2) is entered on Line 7.

C7.1.2.2.1. For a cost-type contract with an award fee, 65% of the potential maximum award fee plus the contract costs (i.e., estimated contract cost) of the most advantageous contract offer to the Government is entered on Line 7.

C7.1.2.2.2. For a cost-type contract with an incentive fee, 65% of the target fee plus the contract costs (i.e., estimated target costs) of the most advantageous contract offer to the Government is entered on Line 7.

C7.1.2.3. For a time-and-material or labor-hour contract, enter the estimated total cost of the successful bid or offer.

C7.1.2.4. In the situation where the low offeror is a tax-exempt organization, its contract price is adjusted (upwardly) by an amount equal to the estimated Federal income taxes that the lowest non tax-exempt offeror would have to pay. This adjustment ensures that a level field is used to determine which offeror has the true lowest overall cost to the Government. *win.COMPARE²* performs the calculations for Line 7 automatically based on the information the analyst enters for the tax-exempt organization and the next lowest taxable organization. *win.COMPARE²* denotes which offeror is the apparent winner in this Line 7 comparison between service providers.

C7.2. TASK 2—TAX CODE



C7.2.1. The Industry Tax code is selected from the Tax Table at [Appendix 9](#). It is recommended that this selection be a joint decision made by functional managers, representatives from contracting, and the budget office. The contracting officer input is desirable so that the Industry Tax Code chosen is consistent with the North American Industrial Classification System [previously called the Standard Industrial Classification (SIC)].

C7.2.2. **Example:** The tax code number for auto repair and services is 80-55-7500 and the corresponding tax rate is 0.70 as determined by the local contracting officer.



For multi-function cost comparisons
win.COMPARE² allows for multiple tax codes.

C8. CHAPTER 8 LINE 8, CONTRACT ADMINISTRATION COSTS

C8.1. TASK 1—CONTRACT ADMINISTRATION REQUIREMENTS



C8.1.1. Contract administration costs (Line 8) are added to the cost of contract/ISSA price (Line 7).

C8.1.2. Contract administration costs are the costs incurred by the Government in the event the work being cost compared is converted to contract. Contract administration includes the cost of reviewing compliance with the terms of the contract, processing payments, negotiating change orders, monitoring the closeout of contract operations, financial support and technical direction. These new costs are costs over and above administrative costs to administer the same work performed by in-house employees. When a contract is awarded, these administrative oversight and management costs are now incurred by the Government to ensure that a contract is faithfully executed.

C8.1.3. Contract inspection, quality assurance evaluation, and other administrative requirements that are common to contract and Government performance to assure acceptable performance by the service provider are not included in the contract administration factor as OMB considers this a common or wash cost for all offerors (i.e., MEO, contract, ISSA). Quality assurance evaluators (or QAEs) typically perform these responsibilities. Therefore, all offerors (i.e., in-house, contract, ISSA) shall include a Quality Control Program as required by the PWS. A Quality Control Program is not the same as a Quality Assurance Surveillance Plan, which is intended to determine if an in-house, or contract/ISSA provider is meeting the requirements of the PWS. Rather, a Quality Control Program is a program designed to establish a quality control process to ensure the provider (internal to the MEO or contract/ISSA) actually follows the quality control process. It puts the burden for quality control on the MEO or contract/ISSA offeror. It is not inspection driven nor is it based on detailed “how to” requirements with deduct clauses. The positions necessary to staff this Quality Control Program are included and priced in each offer (i.e., Line 1 for the MEO and Line 7 for contract/ISSA offerors).

C8.2. TASK 2—CONTRACT ADMINISTRATION FACTOR



C8.2.1. The MEO staffing level is used to **estimate** the size of the contract/ISSA organization in order to determine the cost of contract administration that is to be added to the contractor/ISSA's price. Therefore, contract administration shall be computed by selecting the appropriate FTE factor and grades from [Figure C8.F1](#), based upon the total number of FTEs (Line 1) and, for MEO subcontracts, CMEs (Line 3) in the MEO.

C8.2.2. If the MEO includes an MEO subcontract, refer to paragraphs [C1.4.2.](#), [C1.4.2.1.](#) and [C1.4.2.2.](#) Contract administration cost for the MEO subcontract is included on Line 1 not Line 8.

C8.2.3. If the solicitation includes a statement that a specific workload that is under contract will remain under the same contract and be provided as a government-furnished service regardless of the cost comparison decision, contract administration for this specific contract is then considered a wash cost and contract administration is not included on either Line 1 or Line 8.

C8.2.4. The allowed FTEs and grade distribution are programmatically calculated by **win.COMPARE²**. For a multi-location cost comparison, the analyst determines how the FTEs and grades are allocated among the locations.

C8.2.5. The grades outlined in [Figure C8.F1](#) were developed by the Defense Contract Management Agency (DCMA) by utilizing statistics developed to comply with the Defense Acquisition Workforce Improvement Act (DAWIA). This data was used to develop the average grades for contract administration FTEs. The table in Figure C8.F1 was created to streamline the costing for contract administration and to ensure all DoD Components use the same standardized approach. It also eliminates the requirement to develop position descriptions for contract administrators and to consult with local human resource and contracting offices when determining the grade structure for contract administration.

C8.2.6. Although contract administration is priced as a personnel cost (i.e., FTE), it is a representative dollar amount to cover all costs associated with contract administration (except fringe benefits and liability insurance), including non-labor costs. The contract administration factors represent a dollar amount to cover all costs associated with contract administration, i.e., equipment, transportation, office space, supplies, financial support, processing invoices, technical direction, and any other related support costs for contract administration. Therefore, non-labor costs will not be included on Line 8.

C8.2.7. Components shall use [Figure C8.F1](#) to determine the number and grades of FTEs for contract administration.

C8.2.8. When the MEO FTEs exceed 450 **win.COMPARE²** automatically calculates the number of allowable contract administration FTEs by multiplying the MEO FTEs by .025 (2.5%). The **win.COMPARE²** program then automatically calculates the resulting

number to determine the grade allotment based on an algorithm derived from the historic distribution experience of DCMA.

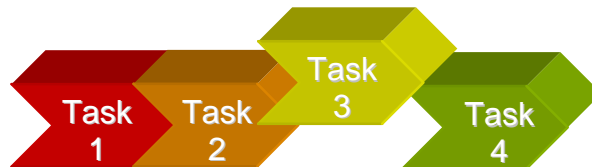
Figure C8.F1. Contract Administration Factors and Grades

MEO Staffing*	Contract Administration FTE*	Grades**			
		GS-12	GS-11	GS-9	GS-6
10 or less	.5	1	0	0	0
11 – 20	1	1	0	0	0
21 – 50	2	1	1	0	0
51 – 75	3	1	1	1	0
76 – 100	4	1	1	1	1
101 – 120	5	1	1	2	1
121 – 150	6	1	2	2	1
151 – 200	7	1	2	2	2
201 – 250	8	2	2	2	2
251 – 300	9	2	2	3	2
301 – 350	10	2	3	3	2
351 – 450	11	2	3	4	2
451 and above	2.5% of in-house MEO staffing	Distribution automatically calculated by <i>win.COMPARE</i> ²			

*Source: RSH, Part II, Chapter 3, Paragraph C.

**Source: DCMA

C8.3. TASK 3—CONTRACT ADMINISTRATION COST



C8.3.1. Based on final MEO staffing levels (as required by this chapter), cost the appropriate number of contract administrators using the pre-determined grades required by [Figure C8.F1](#). These positions are to be priced with fringe benefits and the .007 liability insurance factor.

C8.3.2. **Example:** The MEO contains 38.61 FTEs, which for purposes of determining contract administration requirements is rounded to 39 FTEs. According to [Figure C8.F1](#), an organization of this size shall include the costs for two contract administration FTEs. Therefore, one contracting officer's representative (COR) GS-12

and one contract specialist GS-11¹³ are included on Line 8 of the CCF. (See [Figure C8.F2.](#))

Figure C8.F2. Example Contract Administration Costs

Position Title	Grade	Salary	Fringe Benefits (32.85%)	Total Annual Base Year Cost
COR	GS-12	\$53,344	\$17,524	\$70,868
Contract Specialist	GS-11	\$44,505	\$14,620	\$59,125

C8.4. TASK 4—INSURANCE COSTS



C8.4.1. Calculate other costs specifically attributable to contract administration. This cost is limited to the liability insurance factor of .007 times the contract administration personnel costs.

C8.4.2. **Example:** $(\$70,868 + \$59,125) \times .007 = \$910$ annual base year cost

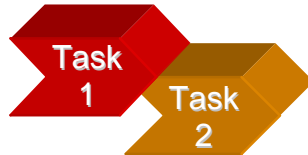


win.COMPARE² computes both fringe benefit and insurance costs for Contract Administration positions automatically.

¹³ OPM GS Position Classification Standards, Contracting Series, July 1999, p. 49.

C9. CHAPTER 9 LINE 9, ADDITIONAL COSTS

C9.1. TASK 1—ADDITIONAL COSTS



C9.1.1. This cost element reflects those additional costs resulting from unusual or special circumstances that may be encountered in a cost comparison. Amounts entered on Line 9 must be supported by a definition of the type of cost reported, a justification for its inclusion in the cost comparison, an explanation of the underlying assumptions, and methods of computation. Costs associated with transition of the current organization to contract/ISSA performance are not included on this line but are addressed in [Chapter 19](#).

C9.2. TASK 2 – DOCUMENT JUSTIFICATION FOR INCLUSION OF COSTS



Detailed justification for this expense is required and must be included in **win.COMPARE²** Line Rationale as well as in the supporting documentation. Specific rationale must be included in the supporting rationale to explain why this cost is incurred by a contract/ISSA offeror but is **not** incurred by the MEO.

C10. CHAPTER 10 LINE 10, ONE-TIME CONVERSION COSTS

C10.1. INTRODUCTION

C10.1.1. When the Government converts to or from in-house or contract/ISSA performance, there are one-time costs incurred as a result of the conversion. Any costs included on Line 10, with the exception of the standard 4% severance pay factor (as described below), shall be fully justified and are appealable under the Administrative Appeal Process.

C10.1.2. For A-76 cost comparisons, three types of costs are addressed in the RSH including: Labor-Related Costs, Material-Related Costs, and Other Costs

C10.2. LABOR-RELATED ONE-TIME CONVERSION COSTS

C10.2.1. DoD Components shall only include Labor-related costs in the form of severance pay at a rate of 4% of the annual basic pay of all Government civilian positions included in the MEO (Line 1 of the CCF) in the first full period of performance. A DoD Component does not have the latitude of changing this factor, i.e., higher or lower, as it is an OMB directed factor. If the first performance period is less than twelve months in length, basic pay shall be annualized. The inflation factor applicable to the first performance period is then applied. If performance period one is designated as the phase-in period as specified in the solicitation, the 4% severance pay is applied to the second performance period salaries (i.e., the first period of full performance, twelve months). It is DoD policy that this 4% severance pay factor includes all one-time conversion costs associated with the involuntary separation of civilian employees due to a reduction in force (RIF) (specifically severance pay and temporary continuation of coverage (TCC) of health benefits). These costs are estimated at a rate of 4% of the annual basic pay of all Government civilian positions in the first performance period. (This 4% includes the administrative costs associated with conducting a RIF.) If the first performance period is less than twelve months in length, basic pay shall be annualized. The inflation factor applicable to the first performance period is then applied. Prorate the severance calculation if the number of permanently assigned APF civilian employees is less than the maximum number of positions in the MEO (see the discussion in [paragraph C19.2](#)). Contract/ISSA costs for the phase-in period, typically included as a separate CLIN in their offer, (see [Chapter 19](#)), shall be included in Line 7, Contract Price.

C10.2.2. **Retraining Costs:** It is DoD policy that civilian retraining costs are included in the 4% severance factor. Employees may be placed in new positions within the Government through the Priority Placement Program (PPP). In order to be placed under PPP, an employee must be “well qualified” for that position, which is defined as “able to satisfactorily perform the duties of the new positions with orientation only and not extensive training.” Therefore, additional retraining costs are not permitted for inclusion on Line 10.

C10.2.3. Relocation: It is DoD policy that relocation costs (for civilians) are included in the 4% severance factor since current Department-wide statistics indicate that relocation costs paid to civilians are minimal and do not support additive costs in a cost comparison. The DoD Civilian Assistance and Reemployment (CARE) Office tracks these relocation statistics. The CARE office falls under the DoD Civilian Personnel Management Service (CPMS), which falls under the DoD Field Activity, DoD Human Resource Activity (DoDHRA). Furthermore, statistics captured in the Annual A-76 Cost Survey also do not support that the actual expenditures of relocation should be an additive cost to the 4% severance pay factor. Therefore, DoD Components shall strictly limit the labor-related conversion costs to the 4% severance pay factor.

C10.2.4. Revalidation of Factor: The impact of the use of the 4% severance pay factor as the sole allowance for labor-related costs will be validated against the actual expenditures (vice estimates) for retraining, relocation, TCC, etc. by DUSD(I) by evaluating CAMIS data submitted by Components in their quarterly update. The DUSD(I) Competitive Sourcing Office will evaluate CAMIS information to determine if the factor continues to provide an accurate statement of labor-related one-time conversion costs. For this reason, it is imperative that Components ensure the data entered into CAMIS are accurate and timely.

C10.3. MATERIAL RELATED ONE-TIME CONVERSION COSTS

C10.3.1. Joint Inventory. The term “joint inventory” is a term used in the RSH Part II, Chapter 3, Paragraph E.2. This “joint” inventory is an inventory that is performed (after the cost comparison decision) “jointly” by the incumbent service provider and the selected service provider. It is not the actual cost of the items being inventoried nor an inventory that is owned “jointly.”

C10.3.2. An essential aspect of developing a high-quality, performance-based PWS is to ensure that inventory information contained in the PWS is current and accurate so that all offerors clearly understand what to base their offers on and how to estimate their costs for the materials and equipment that they will be responsible for providing. Therefore, after the cost comparison decision has been determined, this current and accurate inventory is the starting point for conducting a joint inventory.

C10.3.3. This joint inventory is conducted to “transfer” responsibility for an existing inventory from the incumbent service provider to the selected service provider (i.e., MEO, contract/ISSA) resulting from a cost comparison. The new service provider and the incumbent service provider accomplish a joint inventory together prior to full performance of the new service provider in order to verify the quantity and condition of the property and to identify any discrepancies. This joint inventory occurs regardless of whether a selected service provider will be a contractor, ISSA provider or MEO. There must be a transfer of responsibility for the inventory from the incumbent service provider to the new service provider. Therefore, it is DoD policy to exclude “joint” inventory

costs from Line 10, One-time Conversion Costs since this hand off occurs for either a contract, ISSA or in-house decision.

C10.3.4. **Example:** If a cost comparison decision favors the MEO, this MEO is a new service provider with a newly established organization containing new positions. It cannot be presumed that the specific Government employees filling the positions in the pre-cost comparison organization will automatically have the same positions with the same responsibilities in the new service provider organization (i.e., MEO). In other words, the specific Government employee responsible for the inventory prior to the cost comparison may not even be hired to perform these responsibilities in the MEO. A hand-off of responsibilities for the inventory occurs between the previous service provider to the new service provider—regardless of the fact that it may be the old Government organization handing off the responsibility to the MEO.

C10.4. OTHER ONE-TIME CONVERSION COSTS

C10.4.1. A conversion to contract/ISSA performance may require a DoD Component to take certain actions that would not be necessary if the activity is not continued in-house. DoD Components have an obligation to mitigate these costs and justify why these costs are being charged to the contract/ISSA offer. Supporting documentation shall clearly state the type of costs anticipated, justification for inclusion or exclusion, methods of computation, and efforts taken to eliminate or mitigate these costs before including them in Line 10.

C10.4.2. These other one-time conversions costs shall be justified and approved at a level higher than the location where the cost comparison is being performed. If the IHCE includes any other one-time conversion costs, the analyst shall include supporting documentation for the justification of these costs, the reasonableness of the costs, the amount, and any support data for these costs. The IRO must validate the justification and the costs.

C10.4.3. **Security Clearances.** If there is a requirement for the selected service provider to have access to classified information, security clearances are required as specified by the appropriate DoD or Component directives. The solicitation shall clearly state the requirement for the security clearances, e.g., workload, number of positions, level of security clearance. A Component may include these costs as long as they are realistic and fair. Some considerations in determining realistic and fair are a Component's historical trends on the number of Government employees that contractors typically hire, the currency of background investigations for the current workforce, actual costs for performing background investigations, the workforce mix, etc. For example, if it is expected that a contractor will not hire any Government employees, these costs would be significantly higher than if the trends indicate that Government employees often are hired by the contractor. An example of workforce mix is where a cost comparison is performed on a CA where the majority of the workload is performed by military, then the cost of these security clearances will be the same for either a contract/ISSA or MEO decision.

C10.4.4. Voluntary Early Retirement Authority (VERA) & Voluntary Separation Incentive Pay (VSIP): DoD Components are not permitted to add additional Separation Incentive Pay factors (e.g., VERA, VSIP) to the estimated cost of contract performance. The standard 4% severance pay cost factor recognizes the average Federal-wide expenditures experienced for separated civilian employees.

C10.4.5. Environmental Baseline Survey (EBS). DoD Components are not permitted to add the cost of performing an EBS to the estimated cost of contract performance. An EBS is performed for all Base Realignment and Closure (BRAC) sites and privatization transactions because of the liability for the clean-up of the existing hazardous waste and to establish the liability for any future problems after the real estate transaction has closed. For A-76 cost comparisons, no transfer of real estate occurs. A-76 cost comparisons are conducted for potential service contracts; therefore, the contractor would only be responsible for any spills that he caused, not for any prior spills.

C11. CHAPTER 11 LINE 11, GAIN ON ASSETS

C11.1. TASK 1—ASSETS FOR DISPOSAL OR TRANSFER



C11.1.1. As the Government develops its MEO, certain capital assets (i.e., assets with an acquisition cost of more than \$5,000) may no longer be needed and are considered excess to the MEO requirements. This includes capital equipment and capital facilities. These assets may be disposed of or transferred without consideration in a cost comparison. Only assets that are to be used by the MEO and not made available to the contract/ISSA offeror are considered on Line 11. Gain on assets is not computed for future purchases made within the periods of performance stated in the solicitation.

C11.1.2. The Government should not dispose of or transfer MEO assets unless there is an economic advantage to the taxpayer. If the cost of transfer or disposal exceeds the net book value of the asset, such that there is a net loss, the losses are not assessed against the contract/ISSA offer. Management has made a decision to not make such assets available to the contract/ISSA offeror regardless of the economic costs related to such a decision.

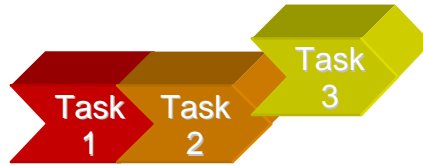
C11.1.3. The net gain generated to the Government as a result of decisions to not provide certain MEO assets to a contract/ISSA offeror is based on management's decision to dispose of or transfer the asset. A notation indicating this decision shall be provided in the comments block of **win.COMPARE²** or other IHCE supporting documentation.

C11.2. TASK 2—TRANSFER AND DISPOSAL VALUES



C11.2.1. When an asset is selected for disposal, the asset's disposal value (as determined by applying the factor at [Appendix 8](#) or using an engineering estimate) is used to compute the gain on asset.

C11.2.2. When an asset is selected for transfer, the gain on asset is computed using the asset's net book value at the time of the transfer.

C11.3. TASK 3—GAIN ON ASSETS

[Figure C11.F1](#). below shows sample calculations for developing gain on assets for the disposal or transfer of Government assets.



win.COMPARE² automatically identifies from Line 3 those assets that must be considered for computing gain. Management must determine the planned disposition of the assets, i.e., transfer or disposal.

Figure C11.F1. Computations for Gain on Assets

Sample Calculation for Gain on Assets					
(A) Capital Asset	(B) Original Acquisition Cost	(C) Accumulated Depreciation	(D) Net Book Value (B-C)	(E) Disposal/ Transfer Cost	(F) Gain on Asset (E-D)
Capital Equipment Disposal: Bus	\$30,000	\$,24,900	\$5,100	\$ 988	\$ (4,112)
Capital Facility Transfer: Bldg. 160	\$625,000	\$502,000	\$123,000	\$ 21,680	\$ (101,320)
Column	Instructions				
A. Capital Asset	This column indicates the name of the capital asset.				
B. Original Acquisition Cost	For capital equipment and capital facility assets, this column reflects the original acquisition cost of the asset, plus transportation and installation costs if not included in the purchase price, plus any capital improvement costs.				
C. Accumulated Depreciation	This column reflects the accumulated depreciation charged to an asset until its planned disposal.				
D. Net Book Value	This column reflects the net book value at the planned date of disposal for an asset. Net book value is the disposition value plus unexpensed depreciation.				
E. Disposal/ Transfer Cost	This column reflects the estimated disposal/transfer cost of the asset from historical records. When precise records are not available, use the following factors: (1) For packing, crating and handling costs, apply a factor of 3.90% to the net book value of the capital equipment or facility. (2) For transportation costs, apply a factor of 1.60% to the net book value.				
F. Gain on Asset (-)	This column indicates the cost benefit to the Government from disposal or transfer of the capital asset. Subtract Column D from Column E. Only negative values may be included on Line 11 in <i>win.COMPARE2</i> since they indicate a gain to the Government.				

C12. CHAPTER 12
LINE 12, FEDERAL INCOME TAXES

C12.1. FEDERAL INCOME TAX DEDUCTION

C12.1.1. Line 12 is completed at the time the cost comparison is performed between the selected contract/ISSA offer and the Government offer. Potential Federal income tax revenue shall be considered in the cost comparison since a contract provides a contract offeror with a certain amount of income that is subject to Federal income tax. Federal income taxes reduce the Government's net cost of contracting by generating revenue to the Government for the portion of the contract price subject to Federal income taxes. This reduction occurs unless the prospective contract offeror is a tax-exempt organization or the ISSA offeror is selected for competition with the Government offeror. If the selected offeror is a tax-exempt organization or ISSA, Line 12 equals 0.

C12.1.2. To determine the Federal income tax deduction, the contract price for each performance period is multiplied by the applicable tax rate in [Appendix 9](#) and entered on Line 12 as a negative number. The contracting officer must validate the selected tax rate from [Appendix 9](#) to ensure the correct service category code is applied.

C12.2. EXAMPLE:

Contract Price Per Performance Period: \$2,572,113

Tax Code Number and Rate for Auto Repair and Services:
Tax Code Number is 80-55-7500 and Tax Rate is 0.7%

\$2,572,113 times 0.007 equals **(\$18,005)** per Performance Period



win.COMPARE² automatically computes and enters the tax deduction on Line 12 based upon the industry code entered on Line 7.

**C13. CHAPTER 13
LINE 13, TOTAL CONTRACT/ISSA COSTS**

Line 13 is the total cost of contract performance and is the total of Lines 7 through 12 (Lines 11 and 12 are negative numbers or zero) for each performance period.

C14. CHAPTER 14
LINE 14, MINIMUM CONVERSION DIFFERENTIAL

C14.1. MINIMUM CONVERSION DIFFERENTIAL

C14.1.1. The minimum conversion differential represents three costs: (1) costs not specifically included in the in-house cost estimate; (2) unknown morale and other disruption costs caused by the cost comparison decision; and (3) a minimum level of estimated savings to the taxpayer. This differential is applied to the incumbent service provider.

C14.1.2. A minimum conversion cost differential of the lesser of: (1) 10 percent of personnel costs (Line 1) **or** (2) \$10 million over all the performance periods stated in the solicitation, shall be calculated before making a cost comparison decision to convert from or to in-house, contract or ISSA performance. The minimum differential is established to ensure that the Government will not convert for marginal estimated savings.

C14.2. CALCULATING THE MINIMUM CONVERSION DIFFERENTIAL

C14.2.1. **New requirements.** A new requirement shall be obtained by a competitively awarded contract unless there is reason to believe that contract service quality or prices may be unreasonable. To justify in-house performance of a new requirement, a cost comparison shall be performed and the 10% conversion differential is added to the in-house offer.

C14.2.2. **Mix.** When a cost comparison is performed on a function where the work is currently a mix of contract and in-house performance, the minimum conversion differential on Line 14 is based solely on Line 1 but apportioned appropriately to in-house and contract costs (i.e., Line 6 and Line 13, respectively) to account for the current apportionment of contracted and in-house work.

C14.2.2.1. The percentage of personnel on Line 1 who will replace contracted workload is the percentage of Line 14 (minimum conversion differential) that is added to Line 6 (total in-house costs) to create Line 15 (adjusted total cost of in-house performance).

C14.2.2.2. The percentage of personnel on Line 1 who will continue in-house workload is the percentage of Line 14 (minimum conversion differential) that is added to Line 13 (total cost of contract/ISSA) to create Line 16 (adjusted total cost of contract/ISSA performance).

C14.2.2.3. **Example:** If the conversion differential for in-house performance is \$1,000,000 and Line 1 contains 15% personnel costs attributed to the previously contracted workload that is now being considered for conversion to in-house

performance, then \$150,000 of the \$1,000,000 is added to Line 6. The remaining \$850,000 is added to the cost of contract performance found on Line 13.

C14.2.3. Expansions. An expansion is the modernization, replacement, upgrade, or the enlargement of an in-house commercial activity or capability, regardless of the magnitude of the expansion. However, if the expansion involves a 30% increase in the operating cost of the activity, a 30% increase in the total capital investment to perform the activity, or an increase of 65 FTEs or more, a cost comparison shall be performed prior to authorizing in-house performance.

C14.2.3.1. No action is required if this expansion is for contracted work.

C14.2.3.2. If in-house performance of the expanded workload (e.g., 30% increase) is desired and there is reason to believe that contract service quality or prices may be unreasonable, then a cost comparison of either (1) the 30% (if the work is severable) or (2) the entire workload (including the 30% increase) shall be performed. The conversion differential is allocated between in-house and contract/ISSA costs based on the percentage of Line 1 attributed to the expansion workload, as follows:

C14.2.3.2.1. If a cost comparison is performed only on the severable 30+% of the expanded work (i.e., new workload), all of Line 14 (minimum conversion differential) is added to Line 6 (total in-house cost) to generate Line 15 (adjusted total cost of in-house performance).

C14.2.3.2.2. If a cost comparison is performed on the entire commercial activity currently performed plus 30+% expanded work, a percentage of in-house personnel costs on Line 1 that represent the expanded work is multiplied by Line 14 (minimum conversion differential) and the result is added to Line 6 (total in-house cost) to generate Line 15 (adjusted total cost of in-house performance). The percentage of Line 1 (personnel) that represents the work currently performed in-house is multiplied by Line 14 (minimum conversion differential), and the result is added to Line 13 (total contract/ISSA cost) to generate Line 16 (adjusted cost of contract/ISSA performance).

C14.2.3.3. **Example:** If the conversion differential for in-house performance is \$2,000,000 and Line 1 contains 45% personnel costs attributed to the expanded workload, then \$900,000 is added to Line 6 (total in-house cost) to generate Line 15 (adjusted total cost of in-house performance). The remaining \$1.1M is added to Line 13 (total contract/ISSA cost) to generate Line 16 (adjusted cost of contract/ISSA performance).

C14.2.4. **Contract:** For work that is currently contracted, the Government may perform a cost comparison to justify performing the work in-house under an MEO. In these cases, a cost comparison is performed in accordance with the usual policies for an A-76 cost comparison and the IHCE is costed in accordance with this Manual.

C14.2.4.1. In cost comparisons where 100% of the work currently performed is performed by a contractor, the contract/ISSA offeror receives an advantage (since they are the incumbent method of performance) with regard to the minimum conversion differential. Therefore, the costs from Line 13 are replicated on Line 16 without any adjustments and the conversion differential is added to the in-house offer.

C14.2.4.2. **Example:** Line 6 (total in-house cost) is \$11,000,000 and Line 14 (minimum conversion differential) is \$1,000,000. Line 14 is the lesser of 10% of Line 1 or \$10,000,000 over the performance period. Because 100% of the personnel on Line 1 will perform work currently performed by contract, 100% of Line 14 (or \$1,000,000) is added to Line 6 to generate Line 15 (adjusted cost of in-house performance). Enter \$12,000,000 on Line 15.



win.COMPARE² automatically computes the minimum conversion differential and apportions it appropriately based upon the type of cost comparison (i.e., new requirement, expansion, mix.).

C15. CHAPTER 15
LINE 15, ADJUSTED TOTAL COST OF IN-HOUSE PERFORMANCE

C15.1. ADJUSTED TOTAL IN-HOUSE COST

C15.1.1. If the cost comparison is a competition for work currently performed only in-house, the total in-house costs from Line 6 are replicated on Line 15 with no further adjustments.

C15.1.2. If the cost comparison is a competition only for currently contracted work, the sum of total in-house costs from Line 6 and the minimum conversion differential from Line 14 is entered on Line 15.

C15.1.3. If the cost comparison is a competition only for a new requirement not currently performed by in-house **or** by contract, the sum of total in-house costs from Line 6 and the minimum conversion differential from Line 14 is entered on Line 15. Refer to [paragraph C14.2.1](#) for additional information about conversion differential computations for new requirements.

C15.2. CALCULATIONS FOR A MIX OF IN-HOUSE AND CONTRACTED WORK

C15.2.1. If the cost comparison is a competition involving a mix of in-house and currently contracted work, the sum of total in-house costs from Line 6 and a computed portion of the minimum conversion differential from Line 14 are entered on Line 15. Refer to [paragraph C14.2.2](#) for additional information about conversion differential computations for mixed performance.

C15.2.2. **Example:** An in-house activity with a subcontract is competing to perform both the existing in-house and contracted workload. Total personnel costs on Line 1 are \$2,555,000. The conversion differential on Line 14 is \$255,500 (i.e., \$2,555,000 times .10). Twenty percent of total MEO personnel costs are added to the cost of converting currently contracted work to in-house performance (because 20% of the workload was contracted when the cost comparison began). Therefore, 20% or \$51,100 of the conversion differential is added to the total cost of in-house performance. Assuming the total cost of in-house performance on Line 6 is \$4,500,000, the entry for Line 15 is \$4,551,100 (i.e., \$4,500,000 + \$51,100).

C15.3. EXPANSIONS OF CURRENT WORKLOAD

C15.3.1. If the cost comparison is a competition involving an expansion of the current workload, the sum of total in-house costs from Line 6 and a computed portion of the minimum conversion differential from Line 14 are entered on Line 15. Refer to [paragraph C14.2.3](#) for additional information about conversion differential computations for expansions.

C15.3.2. **Example:** An in-house activity is competing to perform both the existing in-house and new or expanded workload. Total personnel costs on Line 1 are \$2,555,000. The conversion differential on Line 14 is \$255,500 (i.e., \$2,555,000 times .10). Twenty percent of total MEO personnel costs are the cost of performing the new or expanded work (because 20% of the work was new when the cost comparison began). Therefore, 20% (or \$51,100) of the conversion differential is added to the total cost of in-house performance. Assuming the total cost of in-house performance on Line 6 is \$4,500,000, the entry for Line 15 is \$4,551,100 (i.e., \$4,500,000 + \$51,100).



win.COMPARE² automatically calculates and enters the adjusted total cost of in-house performance based on the designation of Line 1 records (i.e., E for Expansion, M for Mix, etc.).

C16. CHAPTER 16
LINE 16, ADJUSTED TOTAL COST OF CONTRACT/ISSA PERFORMANCE

C16.1. ADJUSTED TOTAL CONTRACT/ISSA COST

C16.1.1. **In-House.** If the cost comparison is a competition for work currently performed in-house, the sum of total contract/ISSA costs from Line 13 and the minimum conversion differential from Line 14 are entered on Line 16.

C16.1.2. **Contracted.** If the cost comparison is a competition only for currently contracted work, the total contract/ISSA costs from Line 13 is replicated on Line 16 with no further adjustments.

C16.1.3. **New Requirement.** If the cost comparison is a competition only for a new requirement not currently performed in-house or by contract, the total contract/ISSA costs from Line 13 is replicated on Line 16 with no further adjustments.

C16.1.4. **Mix.** If the cost comparison is a competition with a mix of in-house and currently contracted work, the sum of total contract/ISSA costs from Line 13 and a computed portion of the minimum conversion differential from Line 14 are entered on Line 16. Refer to [paragraph C14.2.2.](#) for additional information about conversion differential computations on mixed performance.

C16.1.5. **Expansion.** If the cost comparison is a competition involving a severable expansion of the currently performed in-house, the total contractor/ISSA costs from Line 13 is replicated on Line 16 with no adjustments.

C16.2. EXAMPLES:

C16.2.1. **Mix.** An in-house activity with a subcontract is competing to perform both the existing and contracted workload. Total personnel costs on Line 1 are \$2,555,000. The conversion differential on Line 14 is \$255,500 (i.e., \$2,555,000 x .10). Eighty percent of total MEO personnel costs are added to the cost of contract performance because 80% of the work was performed in-house when the cost comparison began. Therefore, 80% or \$204,400 of the conversion differential is added to the total cost of contract performance. Assuming the total cost of contract/ISSA performance on Line 13 is \$5,000,000, the entry for Line 16 is \$5,204,400 (i.e., \$5,000,000 + \$204,400)

C16.2.2. **New or Expansion:** For an in-house activity with new or expanded workload with a total personnel costs on Line 1 of \$2,555,000, the conversion differential on Line 14 is \$255,500 (i.e., \$2,555,000 x .10). Eighty percent of total MEO personnel costs are added to the cost of contract performance because 80% of the work was performed in-house when the cost comparison began. Therefore, 80% or \$204,400 of the conversion differential is added to the total cost of contract performance. Assuming the total cost of contract/ISSA performance on Line 13 is \$5,000,000, the entry for Line 16 is \$5,204,400 (i.e., \$5,000,000 + \$204,400).



win.COMPARE² automatically calculates and enters the adjusted total cost of contract/ISSA performance (Line 16) based on the designation of Line 1 records (i.e., E for Expansion, M for Mix, etc.).

C17. CHAPTER 17
LINES 17 AND 18: THE COST COMPARISON DECISION

The cost comparison decision (i.e., when the cost of in-house offer is compared against the cost of the selected contract/ISSA offer) is computed by subtracting Line 15 from Line 16 and entering the result on Line 17. **win.COMPARE²** does this automatically. A positive amount on Line 17 of the CCF determines an in-house decision. A negative amount on Line 17 of the CCF determines a contract/ISSA decision. The “x” on Line 18 of the CCF, indicating either an in-house or contract/ISSA decision, supports the decision computed on Line 17.



win.COMPARE² computes the cost comparison decision automatically when the cost of contractor/ISSA performance is entered into Line 7.

C18. CHAPTER 18 POST-INDEPENDENT REVIEW ACTIONS

C18.1. SEALING THE IRO-CERTIFIED IHCE.

C18.1.1. When the IRO has completed the independent review, the IRO certifies the IHCE by signing and dating the CCF. The IHCE shall be sealed in an envelope and delivered to the contracting officer by the appropriate official, e.g., CA Team Lead, IRO. The contracting officer is responsible for safeguarding the Government Management Plan including the IHCE until the cost comparison is performed between the selected contract/ISSA offer and the in-house offer.

C18.1.2. For cost comparisons where a Cost/Technical Tradeoff source selection process will be used to select the contract/ISSA offer, the IHCE is sealed in a separate envelope from the Government Management Plan. The following information shall be included on the outside of the envelope containing the IHCE (the information for marking the envelope containing the Government Management Plan will be as described in [paragraph C18.1.3](#)):

- A statement that the envelope contains the in-house cost estimate* for (insert Solicitation Number)
- A warning that this envelope is **NOT** to be opened by the SSA or any member of the Source Selection Evaluation Team
- The solicitation amendment number (if any) through which the in-house cost estimate is effective
- The day/month/year the in-house cost estimate was sealed
- Point of Contact: Name, Telephone Number

***Note:** Do not use the IHCE acronym—write out the term so it is well understood what is contained in the envelope.

C18.1.3. For all other cost comparisons, the IHCE can be sealed in the same envelope as the Government Management Plan. The following information shall be included on the outside of this envelope:

- A statement that the envelope contains the in-house offer for (insert Solicitation Number)
- The solicitation amendment number (if any) through which the in-house cost estimate is effective.
- The day/month/year the in-house cost estimate was sealed
- Point of Contact: Name, Telephone Number

C18.2. ALLOWABLE MODIFICATIONS TO THE IHCE AFTER IRO CERTIFICATION BUT PRIOR TO THE DATE DESIGNATED FOR THE RECEIPT OF CONTRACT/ISSA OFFERS.

C18.2.1. Changes to the Government Management Plan, including the IHCE, are permitted **up to** the date designated for the receipt of contract/ISSA offers. (This is the closing date for proposals received in response to an RFP or the bid opening date for bids received in response to an IFB.)

C18.2.2. Allowable changes include any modifications to the Government's offer including revisions to the MEO, calculation errors, cost factor changes directed by OMB including inflation factors, wage and salary tables, fringe benefit factors and foreign exchange rates, if applicable. Any such changes require re-certification by the IRO in accordance with [paragraph C18.1](#) prior to the date for receipt of the contract/ISSA offers (as stated in [paragraph C18.1](#)).

C18.3. ALLOWABLE MODIFICATIONS TO THE IHCE AFTER IRO CERTIFICATION AFTER THE DATE DESIGNATED FOR RECEIPT OF CONTRACT/ISSA OFFERS BUT BEFORE THE IN-HOUSE COST ESTIMATE IS OPENED.

The following shall be the **only** three instances where changes shall be made to the IHCE prior to a tentative cost comparison decision but after the date designated for receipt of contract/ISSA offers per [paragraph C18.2.1](#).

C18.3.1. Formal amendments to the solicitation affecting the requirements in the PWS that must be reflected in the Government Management Plan that may impact the IHCE.

C18.3.2. Changes as a result of the evaluation of the Government Technical Performance Plan that may impact the IHCE. In this evaluation, the SSA may question if there are sufficient resources in the in-house offer; however, the SSA is not permitted to direct that a specific number of FTEs be added to the in-house offer. It is the responsibility of the individual who certifies the MEO as well as the IRO to ensure that the resources are sufficient to meet the requirements of the PWS. Furthermore, the SSA and the SSEB are not permitted to have access to the in-house cost estimate until after a tentative cost comparison decision is determined.

C18.3.3. For negotiated procurements only,

C18.3.3.1. In-house and contractor/ISSA offers shall be adjusted when the following events occur after private sector proposals have been received but before a tentative cost comparison decision is made:

C18.3.3.1.1. OPM directs official in-house salary/wage rate adjustments (includes GS and WG pay), and/or

C18.3.3.1.2. DoL directs contract wage rate adjustments in accordance with the SCA, and/or

C18.3.3.1.3. OMB directs inflation rate changes.

C18.3.3.2. The IRO must certify the new IHCE and confirm in writing that the only changes made to the IHCE were to reflect these official rate adjustments. This ensures the cost comparison decision is based on the most current information in order to determine the most cost-effective service provider.

C18.3.4. For sealed bid acquisitions, no OPM or DoL wage rate changes shall be made after receipt of contract/ISSA bids because all contract/ISSA offers and the IHCE are opened on the date that bids are due.

C18.4. RESUBMISSION TO THE CONTRACTING OFFICER

The following are the procedures for resubmission of the IHCE to the contracting officer after a change has been made as stated in:

C18.4.1. If a change is made in accordance with [paragraph C18.2.](#), resubmit the IHCE in accordance with [paragraph C18.1.](#)

C18.4.2. If a change is made in accordance with [paragraph C18.3.](#), resubmit the IHCE in accordance with [paragraph C18.1.](#) with the following exceptions:

C18.4.2.1. The original IHCE remains sealed and in the possession of the contracting officer.

C18.4.2.2. The revised IHCE reflecting any changes is created and certified by the appropriate parties who shall specify:

- That the changes have been in accordance with paragraphs [C18.3.1.](#) or [C18.3.2.](#), (whichever is appropriate) and the exact changes made to the IHCE.
- The revised IHCE is independently reviewed in accordance with [paragraph C18.1.](#) where the IRO shall validate the exact changes to ensure that only changes to the IHCE have been made as required by [paragraph C18.3.1.](#) or [C18.3.2.](#), and
- The revised IHCE shall be sealed as required by [paragraph C18.1.](#)

C19. CHAPTER 19 PHASE-IN PERIOD COSTS

C19.1. PHASE-IN PERIOD COSTS

C19.1.1. In certain solicitations, a designated phase-in period may be included in the bid schedule as part of the cost comparison. This phase-in period is the timeframe during which the incumbent service provider is transferring to the newly selected service provider. This period allows for an overlap of service providers in that there is a ramping up to the selected service provider while the incumbent service provider is ramping down. This allows for a better transition in some situations; however, the selected service provider will not be fully responsible for the service (i.e., PWS requirements) until the end of this phase-in period. This phase-in period includes costs associated with converting from the current organization to the selected performance provider, i.e., MEO or contract/ISSA. According to the RSH, these in-house costs are typically included on Line 5, Additional Costs, as part of the first performance period. However, for purposes of properly reflecting the phase-in period identified in the solicitation and costing it appropriately, these phase-in costs shall be reflected in a period prior to MEO/contract start date as this more accurately reflects the true time of performance and may be reflected on any line reflecting in-house costs (i.e., Lines 1-5). Contract offeror phase-in costs should be reflected in the contract price on Line 7.

C19.1.2. The first performance period may be designated as the Phase-In Period to allow these costs to be shown independent of the first **full** period of performance. When the first performance period is designated as the phase-in period, Lines 1 through 5 shall be used to document these costs. Estimated personnel costs shall be included by position on Line 1, material and supply costs shall be included on Line 2, and any other specifically attributable costs are included on Line 3. Additionally, the appropriate Line 4 overhead computations will be applied to the phase-in period costs. When a separate phase-in period is not designated in the solicitation, these costs shall be included, fully justified, on Line 5.

C19.2. EXAMPLE:

A Commercial Activity is currently performed by a workforce of 1400 military and 40 civilians. A cost comparison decision determines the MEO to be the selected service provider but MEO implementation requires the hiring of approximately 800 new civilian employees to fill the vacant MEO positions. The reason for this is that the majority of the current workforce is military and will be relocated to other military jobs thus creating actual vacancies in the new MEO. Therefore, the phase-in period, a separate CLIN of the Bid Schedule, will involve an intensive hiring and training effort to ramp up to the beginning of the first full period of performance when the MEO is performing and 100% responsible for the requirements of the PWS. The same would be true if the selected service provider is a contractor/ISSA offeror, as they would not have the pool of displaced Government employees from which to select for their vacancies.

APPENDIX AP1

DEFINITIONS

Accumulated Depreciation: The total amount of depreciation taken to date.

Acquisition Cost: The original purchase price including the expense for transportation and installation incurred to place the asset in operation (if not already in the purchase price).

Administrative Appeal Process: A formal process to review appeals concerning the IHCE after a tentative cost comparison decision. The AAP Authority evaluates appeals (submitted by eligible appellants during the Public Review Period) in order to determine if changes are necessary to correct the IHCE.

Administrative Appeal Process Authority: The responsible official who determines whether an appeal (submitted by an eligible appellant) is valid and directs changes to the IHCE as appropriate depending on their investigation of the appeals submitted. The AAP Authority reviews appeals to ensure that all costs are properly accounted for in accordance with the principles and procedures of this Manual and the RSH.

Age of Asset: The number of years between the purchase/construction date of the item (i.e., asset) and the date of the cost comparison.

Annualized: Calculation to reflect a rate based on a full year.

Annual Paid Hours: Per PL 97-253, Section 310, 2087 hours represents the number of hours annually paid for positions used on a pre-arranged regularly scheduled tour of duty. These hours are used to convert hourly pay to annual pay.

Annual Productive Hours: The number of hours annually available for work that excludes nonproductive time such as annual and sick leave, administrative leave, and training. There are 1,776 productive hours available for full-time permanent positions (or one full-time equivalent or FTE), and 2,007 productive hours available for intermittent positions. The difference in the number of productive hours between position types is attributed to the nonproductive time.

Basic Pay: A position's annual salary plus any other entitlements that receive the full fringe benefit rate.

Bid: An offer (i.e., price) made in response to an Invitation for Bid in Sealed Bid procurement.

Borrowed Military Manpower: Military manpower used to perform workload other than in their assigned work centers, including non-military essential activities, and often in other than their primary occupational specialties.

Capital Improvements: The costs of major overhauls and modifications that add value or prolong the life of a capital asset (i.e., equipment or facility).

Commercial Activity: A product or service obtainable (or obtained) from a commercial source.

Commercial Activity Management Information System: The DoD tracking system for execution of A-76 cost comparisons and direct conversions that monitors, collects and maintains data for cost comparisons and direct conversions.

Commercial Source: A business or other non-Federal activity that is eligible for contract award in accordance with Federal Acquisition Regulations.

Common Cost: These are costs the Government expects to incur at exactly the same rate under an in-house or contract/ISSA provider. These costs are often referred to as "wash" costs.

Component's 9.a. Official: A DoD Component's official that is designated as responsible for implementation of and compliance with the OMB Circular A-76 (per paragraph 9.a.). This official shall be at the assistant secretary or equivalent level.

Congressionally Mandated Cost Comparison Timeframes: The amount of time permitted by Congress to complete a cost comparison. For multi-function cost comparisons, the time allotted is no more than four years. For single function cost comparisons, the time allotted is no more than two years. The clock starts at public announcement (i.e., Congressional notification) and stops at tentative cost comparison decision.

Contract Administration: The actions necessary to administer the contract and to ensure the Government and contractor live up to their respective responsibilities under the contract. This includes tasks performed by warranted contracting officers or the contracting officer's technical representatives (COTR), and any related payment and evaluation staff.

Contract Award Date: The date the contract is awarded to a contractor by the Government, (i.e., signed by both the contracting officer and contractor). This date may or may not be the same date as the contract start date. For Negotiated acquisitions, the contract award date reflects the final cost comparison decision.

Contract Manyear Equivalent: An FTE expression for contracted requirements.

Contract Start Date: The date the contractor is scheduled to begin performing under the terms of the contract.

Conversion from Contract: The change of a commercial activity from contract performance by a commercial source to in-house performance by Federal employees.

Conversion to Contract: The change of a commercial activity from in-house performance by Federal employees to contract performance by a commercial source.

Cost Comparison: A point in time when there is a determination made for a specific service provider based upon the cost comparison process. It is at this time when the estimated cost of Government performance is formally compared to the cost of performance by a contract/ISSA provider to determine the most efficient and cost effective provider.

Cost Comparison End Date: The tentative cost comparison date. This is the day the “clock” stops on the congressionally mandated time frame for completion of the cost comparison.

Cost Comparison Process: A standard, formalized OMB competitive process used to determine the most efficient and cost-effective method of performance—contract/ISSA or in-house. The process results in a specific outcome—MEO or contract/ISSA performance of a commercial activity.

Cost Comparison Start Date: The date the cost comparison process begins. This is the date of Congressional notification, which is also the same date as public announcement. This is the day the “clock” starts on the congressionally mandated time frame for completion of the cost comparison.

Department of Labor Wage Determination: A Department of Labor determination on the minimum wages and fringe benefits for certain skills required to be paid by Government contractors in contracts covered by the Service Contract Act and/or the Davis-Bacon Act.

Depreciable Basis: The original acquisition cost plus the cost of capital improvements less residual value.

Direct Conversion: A method of converting an activity to or from in-house, contract, or ISSA performance without conducting a cost comparison. A direct conversion is another type of A-76 initiative where an MEO is not developed when 50 or fewer civilians are impacted by the conversion.

Disposal/Residual Value: An estimate of the asset’s worth (i.e., value) at the end of its useful life that is determined either by application of the disposal value factor listed at [Appendix 8](#) or an engineering estimate. For equipment, this is the worth of the equipment (i.e., value) that is equal to the acquisition cost times the disposal value

percentage unless a more accurate estimate is available. For facilities, the value of the facility is a locally computed estimate.

Eligible Appellants: Parties affected by a tentative cost comparison decision. This includes Federal employees (i.e., APF or NAF civilian employees whose work is being cost compared) or their representative(s), contractors who have submitted formal offers, and an agency that has submitted a formal offer via an ISSA.

Expansion: The modernization, replacement, upgrade or the enlargement of an in-house commercial activity or capability. If the expansion involves a 30-percent increase in the operating cost of the activity, a 30-percent increase in the total capital investment to perform the activity or an increase of 65 FTEs or more, a cost comparison is required prior to authorizing in-house performance. A consolidation of two or more existing commercial activities is not an expansion, unless the total operating cost is 30 percent greater than the total of the individual components or it requires an increase of 65 FTEs or more.

Final Cost Comparison Decision: The definitive cost comparison decision that follows the Public Review Period and, if appeals are filed, the AAP.

Full-Time Equivalent: Generally, in-house staffing should be expressed in terms of productive work hours. With the establishment of the number of productive work hours required, a conversion to the number of FTEs is needed. For civilian full-time, part-time, and temporary positions, estimate the total hours required by skill and divide by 1,776 annual available hours to determine the number of FTE positions required. For civilian intermittent positions to be expressed in FTEs, estimate total hours required by skill and divide by 2,007 annual available hours to determine the number of FTE positions required. For military positions, each service establishes annual available hours to be used for converting work hours to FTEs.

Government Management Plan: The document that reflects the Government's offer in a cost comparison. It outlines the changes that will result from the existing organization to the MEO and outlines how the MEO will meet the requirements of the PWS. It provides the staffing patterns and operating procedures that serve as a baseline for the IHCE. It consists of an MEO, QASP, IHCE, Transition Plan, and any supporting documentation as well as a TPP when required.

Independent Government Estimate: An estimate developed by the contracting office that is used to determine if contract/ISSA offers are fair and reasonable. It is an estimate of the costs and profit to perform the work depicted in a PWS that is used in evaluation of contract/ISSA offers. This estimate is not to be confused with the IHCE.

Independent Review Official: The official responsible for certifying the MEO's performance and the IHCE as being in full compliance with the procedures and requirements of this Manual and the RSH and the PWS. This is the same individual as the Independent Review Officer referred to in the RSH. The term "officer" may imply to

DoD Components that this individual must be a military officer in one of the military Services when it is OMB's intent is that this individual be an official responsible for performing the independent review. Therefore, to ensure that Components have the flexibility to designate any official as their IRO, DoD uses the term "official" vice "officer" when referring to IRO.

In-house Offer: The RSH term that represents a parallel between what the Government is offering and contract/ISSA offerors. The "in-house offer" is not strictly an offer as used in the FAR. This term is used to represent the Government Management Plan that is required by the RSH.

Inter-Service Support Agreement: An agreement between Federal agencies for the provision of a commercial activity. For A-76 cost comparison purposes, a non-DoD Federal agency may participate in the cost comparison process by competing with private sector offerors in the cost comparison process to determine which offeror (contract/ISSA) will compete against the in-house offer.

Invitation for Bids. Under sealed bidding procurement, the solicitation requesting submission of bids.

Joint Inventory: An accounting of materials, supplies, equipment, etc., that is performed to transfer responsibility for an existing inventory from an incumbent service provider to a newly selected service provider (i.e., MEO, contract ISSA) resulting from a cost comparison. This accounting verifies the quantity and condition of the property and identifies any discrepancies.

Just-in-Time Training: When applied to A-76, it is training that is provided "just-in-time" to individuals that will be impacted by or participate in the cost comparison process. "Just in time" means that the training provided includes the most recent policies and procedures and occurs as soon as possible after cost comparison start date. The purpose of this training is to ensure individuals are not trained months or years before the actual process begins.

Mix: A commercial activity that has a combination of work performed both in-house and by contract.

Market Value: The price that would be paid if the asset were sold on the open market.

Monthly Depreciation: The acquisition cost divided by the expected life, in months, of the asset.

Most Efficient Organization: The Government's in-house organization deemed to be the most efficient for competition with the private sector. It may include a mix of Federal civilian employees, military members and contract support. It is the basis for all Government costs entered on the CCF. The MEO is one of the products of the Government Management Plan and is based upon the PWS.

Multi-function Cost Comparison: A single cost comparison that competes many commercial activities under one solicitation or a single commercial activity that is competed at many locations as a single cost comparison under one solicitation.

Negotiated Procurement: A type of source selection process where offerors submit proposals in response to a Request for Proposal.

Net Book: The worth of an item equal to the original acquisition cost minus the accumulated depreciation.

New Asset: Newly acquired item.

New Requirement: A newly established need for a commercial product or service.

Offer: A proposal or bid submitted by any party (i.e., in-house, contract, ISSA) in response to a solicitation (i.e., Request for Proposal, Invitation for Bid).

Overhead: The standardized rate that accommodates overhead costs that are not necessarily visible to the CA or installation, but are clearly included in and provided by the Department's budget and represents costs that are comparable to those that a contractor must include, such as allocations for Chief Executive Officers, headquarters management support staff, etc. This factor includes costs that are not 100% attributable to the CA being competed but are generally associated with the recurring management or support of the CA. Use of the rate avoids a requirement to develop detailed allocations of all management and support costs within DoD and as provided by the Government at large to the commercial activity being competed.

Percentage of Shared Asset Usage: The estimated MEO use of an item (i.e., asset) if shared with an activity not undergoing a cost comparison (shown in decimal format); percentage is multiplied by the annual depreciation to determine the adjusted annual depreciation that is to be charged to the MEO in the IHCE.

Performance Work Statement: A PWS is a statement of the technical, functional and performance characteristics of the work to be performed. It identifies essential functions to be performed and determines performance factors, including the location of the work, the units of work, the quantity of work units, and the quality and timeliness of the work units. It serves as the scope of work and is the basis for all costs entered on the CCF. A PWS may be replaced by another type of requirements document, e.g., statement of work (SOW), performance requirements document (PRD), technical requirements document (TRD), statement of objective (SOO). It serves as the scope of work and is the basis for all costs entered on the CCF and must comply with Performance-based Service Contracting requirements.

Phase-In Period Costs: Costs associated with a designated transition timeframe included in the bid schedule of some solicitations. Phase-in periods are commonly used for operations. The period is an overlap period where the incumbent phases out its performance and the selected service provider phases in its performance. This period includes costs associated with converting from the current provider to the selected provider to ramp-up into full compliance with the PWS.

Plug Cost: A cost the contracting officer inserts in the solicitation that all offerors must insert in their offer. This is often represented as a ceiling and/or a “not-to-exceed” amount for items such as material or travel.

Post-MEO Performance Review: An internal review confirming that the MEO has been implemented in accordance with the Transition Plan, establishes the MEO’s ability to perform the services of the PWS and confirms that actual costs are within the estimates contained in the IHCE.

Preferential Procurement Programs: Special required commercial source programs such as Federal Prison Industries and the workshops administered by the Committee for Purchase from the Blind and Other Severely Handicapped under the Javits-Wagner-O’Day Act.

Proposal: An offer (that typically includes technical management and cost sections) made in response to a Request for Proposals in a negotiated procurement.

Public Review Period: A specific time frame (from 20 to 30 calendar days) during which an eligible appellant may submit a cost comparison appeal for consideration during the AAP.

Quality Assurance Surveillance Plan: A plan describing the methods of inspection to be used, the reports required, and resources to be employed with estimated work hours. This plan should be an organized, written document containing sampling guides, checklists, and decision tables used for contractor/ISSA or MEO quality assurance surveillance. If the method of surveillance for the MEO will be different from that specified in the QASP for contractor/ISSA surveillance, an MEO QASP must be developed and included in the Management Plan.

Request for Proposal: The request to potential offerors to submit proposals in a negotiated procurement.

Retained Pay: Retained pay is the same as “saved pay”. It provides pay protection for an employee whose grade or pay is reduced due to management actions for which the employee is not responsible, e.g., placed in a lower graded position by reduction in force (RIF) action or reduced in grade due to reclassification of the employee’s former position. When such actions occur, the employee’s pay is preserved indefinitely, with minor exceptions.

Saved Pay: See retained pay.

Sealed Bid Procurement: A type of procurement where contractors submit bids in response to an invitation for bids.

Severable Expansion: An increase of work currently performed either by contract, in-house or ISSA that could be provided using the current approach or could be competed since the increase in work is separable. Thus a PWS can be written for the work without severe additional administrative burden, in order to be subjected to competition, i.e., cost comparison. Economies of scale are not justification for dismissing new or expanded work as severable; these economies will be tested through competitive offers.

Service Contract Act: A law that sets the minimum wages and fringe benefits for labor, which must be paid to all “service workers”. The law applies to all contracts that are primarily for services and entered into by Federal Government agencies, whose value is estimated to exceed \$2,500.

Supporting Documentation: The IHCE and all relevant documentation to explain the costing of the IHCE to the IRO, AAP Authority, and any eligible appellant during the AAP.

Transferred Asset: An item (i.e., asset) transferred from another activity to the competing activity.

Technical Performance Plan: The technical approach of the MEO to meet the requirements of the PWS. It is prepared in accordance with Section L of the solicitation and depicts the MEO’s technical approach. A Government TPP is only required as part of the Government Management plan when the Cost/Technical Tradeoff source selection process is used.

Tentative Cost Comparison Decision: The cost comparison decision pending the outcome of the Public Review Period and AAP.

Transition Plan: A written plan for the transition from the current organizational structure to MEO or contract/ISSA performance, designed to minimize disruption, adverse impacts, capitalization, and startup requirements.

Useful Life: The estimated period of economic worth (i.e., usefulness) of an asset in a particular operation.

Wash Cost: See common costs.

APPENDIX AP2

ACRONYMS

AAP	Administrative Appeal Process
ADP	Automated Data Processing
APF	Appropriated Fund
CA	Commercial Activities
CAMIS	Commercial Activities Management Information System
CARE	Civilian Assistance and Reemployment
CCF	Cost Comparison Form
CFR	Code of Federal Regulations
CLIN	Contract Line Item Number
CME	Contract Man-year Equivalent
COLA	Cost of Living Adjustment
COR	Contracting Officer's Representative
COTR	Contracting Officer's (Technical) Representative
CPMS	Civilian Personnel Management Service
DBA	Davis-Bacon Act
DFARS	Defense Federal Acquisition Regulation Supplement
DLA	Defense Logistics Agency
DoD	Department of Defense
DoDD	Department of Defense Directive
DoDHRA	Department of Defense Human Resource Activity
DoDI	Department of Defense Instruction
DOL	Department of Labor
DUSD(I)	Deputy Under Secretary of Defense (Installations)
EDP	Environmental Differential Pay
EPA	Economic Price Adjustment
FAR	Federal Acquisition Regulation
FICA	Federal Insurance Contributions Act
FSC	Federal Supply Code
FTE	Full-time Equivalents
FWS	Federal Wage System
FY	Fiscal Year
GFE	Government-Furnished Equipment
GFF	Government-Furnished Facilities
GFM	Government-Furnished Materials
GFP	Government-Furnished Property
GS	General Schedule

GSA	General Services Administration
IHCE	In-house Cost Estimate
IFB	Invitation for Bid
IGE	Independent Government Estimate
IRO	Independent Review Officer
ISSA	Inter-Service Support Agreement
MEO	Most Efficient Organization
NAF	Non-Appropriated Fund
NAFI	Non-Appropriated Fund Instrumentality
NIB	National Industries for the Blind
NISH	National Industries for the Severely Handicapped
OMB	Office of Management and Budget
OPM	Office of Personnel Management
OSD	Office of the Secretary of Defense
OSHA	Occupation Safety and Health Administration
OUSD(AT&L)	Office of the Under Secretary of Defense (Acquisition, Technology and Logistics)
PCH	Packing, Crating and Handling
PWS	Performance Work Statement
QAE	Quality Assurance Evaluator
QASP	Quality Assurance Evaluation Plan
QSI	Quality Step Increase
RFP	Request For Proposal
RSH	Revised Supplemental Handbook (to OMB Circular A-76)
SBA	Small Business Administration
SCA	Service Contract Act
SSP	Sustained Superior Performance
TP	Transition Plan
TPP	Technical Performance Plan
USA	United States Army
USAF	United States Air Force
USMC	United States Marine Corps
USN	United States Navy
WD	Wage Director

WG	Wage Grade
WL	Wage Leader
WS	Wage Supervisor

APPENDIX AP3

REFERENCES AND RESOURCES

**OFFICE OF MANAGEMENT AND BUDGET CIRCULAR A-76, REVISED
SUPPLEMENTAL HANDBOOK, TRANSMITTAL MEMORANDA, & UPDATES**

www.whitehouse.gov/OMB/
www2.whitehouse.gov/omb/circulars/a076/a076s.html
<http://gravity.lmi.org/ec003/website/web/ombmemos.html>
<http://gravity.lmi.org/ec003/website/web/a76updates.html>

For OMB Transmittal Memoranda and Updates no longer on the OMB site refer to: <http://www.acq.osd.mil/installation/csp/>

DEPARTMENT OF DEFENSE A-76 POLICY & PROCEDURES

<http://www.acq.osd.mil/installation/csp/>
<http://emissary.acq.osd.mil/inst/share.nsf>
<http://web7.whs.osd.mil/pdf/d410015p.pdf>
<http://web7.whs.osd.mil/pdf/i410033p.pdf>
http://www.cpms.osd.mil/cpm/cpm.html#CHAP_1200

Department of Defense Fuels Factors

<http://www.acq.osd.mil/installation/csp/>

Department of Defense Transportation Factors

<http://www.acq.osd.mil/installation/csp/>

Department of Defense Packing, Crating & Handling Factor

<http://www.acq.osd.mil/installation/csp/>

Department of Defense Costing Help Desk

<http://emissary.acq.osd.mil/inst/share.nsf>
<http://www.acq.osd.mil/installation/csp/>

GENERAL SCHEDULE SALARY TABLES

www.opm.gov/oca/payrates/index.htm

FEDERAL WAGE SYSTEM- LOCALITY PAY SCHEDULES

www.cpms.osd.mil/wage/scheds/afusa.htm

NON-APPROPRIATED REGULAR WAGE RATE SCHEDULES

www.cpms.osd.mil/wage/scheds/naf/survey-sch/

PERSONNEL COSTS**Code of Federal Regulations, Part 340**

www.access.gpo.gov/nara/cfr/waisidx_99/5cfr340_99.html

Code of Federal Regulations, Part 532

www.access.gpo.gov/nara/cfr/waisidx_99/5cfr532_99.html

Code of Federal Regulations, Part 550

www.access.gpo.gov/nara/cfr/waisidx_99/5cfr550_99.html

DoD Financial Management Regulation, Volume 8

<http://www.dtic.mil/comptroller/fmr/08/index.html>

DoD 1400.25-M (NAFI and Foreign National policy)

http://www.cpms.osd.mil/cpm/cpm.html#CHAP_1200

Handbook of Occupational Groups and Families

<http://www.opm.gov/fedclass/gshbkocc.pdf>

GS Position Classification Standards

<http://www.opm.gov/fedclass/html/gclass.htm>

FWS Position Classification Standards

<http://www.opm.gov/fedclass/html/fwsdocs.htm>

Non-foreign Area Cost-of-Living Allowance Rate Table

www.opm.gov/oaca/cola/html/c-rates.htm

SERVICE CONTRACT ACT & WAGE DETERMINATION**Employee Standards Administration**

www.dol.gov/dol/esa/public/regs/compliance/whd/web/SCA_FAQ.htm

FEDERAL ACQUISITION REGULATION (FAR)

www.arnet.gov/far

DEFENSE FEDERAL ACQUISITION REGULATION SUPPLEMENT (DFARS)

www.acq.osd.mil/dp/dars/dfars/dfars.html

MILITARY COMPOSITE RATES FOR ALL BRANCHES

www.dtic.mil/comptroller/rates

NAVY COMPETITIVE & STRATEGIC SOURCING SUPPORT OFFICES

www.n4.hq.navy.mil

<http://help.n4.hq.navy.mil/>

<http://www.acq-ref.navy.mil>

MARINE A-76 WEBSITE

<http://lrhome.hqmc.usmc.mil/busplan1.nsf/A76Frameset>

ARMY A-76

www.hqda.army.mil/acsimweb/ca/ca1.htm

<http://www.usacpw.belvoir.army.mil/programs/a76/a76.htm>

www.forscom.army.mil

ARMY PUBLICATIONS

www.usapa.army.mil

AIR FORCE A-76

<http://www.afmia.randolph.af.mil>

<http://www.xp.hq.af.mil/>

<http://www.aetc.randolph.af.mil/>

DEFENSE LOGISTICS AGENCY (DLA) A-76

<http://www.dla.mil/j-8/a-76/a-76main.html>

<http://www.supply.dla.mil/A76/default.asp>

GENERAL A-76 HELP AND LINKS

<http://compare.mevatec.com/>

<http://206.166.238.227/helpdesk/>

<http://emissary.acq.osd.mil/inst/share.nsf>

MISCELLANEOUS: (For policy, current solicitations, resources, etc.)

<http://help.n4.hq.navy.mil/StrategicSourcing.cfm?doc=2>

www.hqda.army.mil/simweb/ca/links.htm

www.defenselink.mil/dodreform/index.htm

www.cic.pearl.fisc.navy.mil

<http://web2.deskbook.osd.mil/default.asp>

<http://clerkweb.house.gov/mbrcmtee/legis/obtdocs.htm>

www.opm.gov/fedclass/index.htm

www.access.gpo.gov/su_docs/aces/aaces002.html

www.dtic.mil/perdiem/pdrates.html

www.efdpac.navfac.navy.mil

APPENDIX AP4

CHECKLIST FOR IN-HOUSE COST ESTIMATE DATA COLLECTION



All collected data should be from the most recent complete fiscal year if possible. Previous or partial years are acceptable when other is not available. Effective dates, sources, and copies should be noted and retained by the CA Team as supporting documentation to be available for the IRO.



Any information in the Government Management Plan that affects the use of historical cost data should be provided to and noted by the preparer of the IHCE. Such items include changes in staffing levels that impact the use of historical overtime and premium pay, surplus of equipment, change in materials and supplies based upon projected workload, and change in workload or activities to be performed by the MEO versus the current commercial activity.

- ❑ Expected contract start data and performance periods from the contracting office.
- ❑ Cost comparison title and solicitation number.
- ❑ Wage determination list for determination of those MEO positions that are comparable to those covered by the SCA or DBA.
- ❑ Current wage rate schedules and/or pay tables for APF and NAF positions, and current general schedule.
- ❑ Basis for staffing estimate including labor categories, wage rates, and hours estimated to perform the requirements of the solicitation as documentation in the event of an appeal. This also includes calculations for contract administration support of MEO subcontracts.
- ❑ Documentation from the contracting or human resource offices mapping the MEO positions not subject to EPA to the DOL wage determination list.

- Historical pay records detailing types of premium pays paid to employees.
 - Overtime
 - Hazardous Differential Pay
 - Environmental Differential Pay
 - Sunday Pay
 - Holiday Pay
 - Bonuses
 - Shift or Night Differentials

- Material and supply information for all items that will not be Government-furnished. This includes the nomenclature, unit price, total annual quantities, sources and category (GSA, local purchase, DoD Stock Fund, other).

- Capital asset depreciation information for all capital assets that will not be Government-furnished. This includes:
 - Facility source category (permanent, semi-permanent, temporary)
 - Acquisition cost
 - Replacement cost (i.e., Cost to attain a new one at time of cost comparison)

- Information for all capital assets that will not be Government-furnished. The following pieces of information are needed:
 - Acquisition cost
 - Acquisition date
 - Replacement cost
 - Disposal/Residual value
 - Percent of shared usage with an activity not under this cost comparison

- Rental or lease costs that are not continuing in the event of contract performance; this includes facility and equipment rental costs. Common examples are vehicle and office equipment leases.

- Maintenance and repair costs for facilities and equipment used solely by the commercial activity that is undergoing a cost comparison and that will not be Government-furnished; this also includes maintenance and repair costs for facilities and equipment that will be furnished, but where the contractor/ISSA provider will be responsible for these costs. Maintenance sub-contracts for shop and office equipment are the most common examples.

- Utility costs (i.e., fuel, electricity, telephone, water and sewerage services) for the utility services that will not be provided or reimbursed in the event of contract performance. Utility costs for facilities that are shared with an activity not within the scope of this cost comparison may be prorated based upon the estimated percentage of usage by the activity that is undergoing a cost comparison.

- Travel costs that are not continuing or that are not reimbursed in the event of contract performance for MEO positions only; do not include travel costs for inherently Governmental positions or the residual organization.
- Tuition and training costs projected for the MEO that are not continuing in the event of contract performance.
- Other costs that are not continuing in the event of contract performance; examples may include certain purchased services and MEO subcontracts.
- Capital improvement costs (e.g., costs of major overhauls and modifications that add value or prolong the life of a capital asset) for equipment and facilities that will not be Government-furnished.
- Costs for minor items that will not be Government-furnished. A minor item is a durable item with a current replacement cost of less than \$5000; common examples include overhead projectors, shop tools, and computers and peripherals. 10% of the estimated annual cost for minor items should be included in the IHCE as an estimated replacement cost for these items on an annual basis.
- Contract administration costs to be incurred by the Government in assuring that a contract is faithfully executed. [Figure C8.F1](#) specifies the allowable contract administration factor to be cost on Line 8 based upon the size of the MEO.

APPENDIX AP5

IMPORTANT FACTORS AND RATES

<i>win.COMPARE² TABLE FACTOR NAME</i>	<i>win.COMPARE² TABLE NUMBER</i>	Title	Source
	Table 11	Intermittent Employee Annual Available Work Hours	OMB Circular A-76 Revised Supplemental Handbook (Factors Updated Regularly via OMB Transmittal Memorandum*) http://www2.whitehouse.gov/omb/circulars/
	Table 11	Full-time / Part-time / Temporary Employee Annual Available Work Hours	OMB Circular A-76 Revised Supplemental Handbook (Factors Updated Regularly via OMB Transmittal Memorandum*) http://www2.whitehouse.gov/omb/circulars/
	Table 11	Hourly to Annual Pay Conversion Hours	OMB Circular A-76 Revised Supplemental Handbook (Factors Updated Regularly via OMB Transmittal Memorandum*) http://www2.whitehouse.gov/omb/circulars/
	Table 11	Military Positions Annual Available Work Hours	OMB A-76 Supplemental Handbook, Part II, Chapter 2, Paragraph B.5., states the military agency comptroller will establish comparable productive hours for military personnel included in a Most Efficient Organization. http://www2.whitehouse.gov/omb/circulars/
CS Fringe	Table 7	Federal Employees Standard Full Fringe Benefit Factor	OMB A-76 Revised Supplemental Handbook (Factors Updated Regularly via OMB Transmittal Memorandum*) http://www2.whitehouse.gov/omb/circulars/ ; http://gravity.lmi.org/ec003/website/web/ombmemos.html All factors in Revised Supplemental Handbook, Part II, Chapter 2, Paragraph B.6.f.1 (a), (b), and (c) are combined: Medicare Factor, Federal Employee Standard Retirement Factor, Federal Employees Insurance/Health Benefits Factor, and Federal Employees Miscellaneous Fringe Benefits Factor
MEDICARE	Table 7	MEDICARE Factor	IRS Publication 15 Circular E, Employer's Tax Guide http://www.irs.ustreas.gov/forms_pubs/pubs/p1512.htm
OA/S INS	Table 7	Old Age/Survivors Insurance Factor	IRS Publication 15 Circular E, Employer's Tax Guide http://www.irs.ustreas.gov/forms_pubs/pubs/p1512.htm
CS RET	Table 7	Federal Employee Standard Retirement Factor	OMB Circular A-76 Revised Supplemental Handbook (Factors Updated Regularly via OMB Transmittal Memorandum*) http://www2.whitehouse.gov/omb/circulars/ http://www.whitehouse.gov/OMB/circulars/a076/a076tm19.html
FICA	Table 7	Federal Insurance Contribution Act Factor	OMB Circular A-76 Revised Supplemental Handbook (Factors Updated Regularly via OMB Transmittal Memorandum*) http://www2.whitehouse.gov/omb/circulars/
HEALTH	Table 7	Federal Employees Insurance / Health Benefits Factor	OMB Circular A-76 Revised Supplemental Handbook (Factors Updated Regularly via OMB Transmittal Memorandum*) http://www2.whitehouse.gov/omb/circulars/ http://www.whitehouse.gov/OMB/circulars/a076/a076tm19.html
MISC	Table 7	Federal Employees Miscellaneous Fringe Benefits Factor	OMB Circular A-76 Revised Supplemental Handbook (Factors Updated Regularly via OMB Transmittal Memorandum*) http://www2.whitehouse.gov/omb/circulars/
ATC RET	Table 7	Air Traffic Controller Retirement Factor	OMB Circular A-76 Revised Supplemental Handbook (Factors Updated Regularly via OMB Transmittal Memorandum*) http://www2.whitehouse.gov/omb/circulars/ http://www.whitehouse.gov/OMB/circulars/a076/a076tm19.html
LEF RET	Table 7	Law Enforcement/Fire Protection Retirement Factor	OMB Circular A-76 Revised Supplemental Handbook (Factors Updated Regularly via OMB Transmittal Memorandum*) http://www2.whitehouse.gov/omb/circulars/ http://www.whitehouse.gov/OMB/circulars/a076/a076tm19.html
SEVPAY	Table 8	Severance Pay Rate	OMB Circular A-76 Revised Supplemental Handbook (Factors Updated Regularly via OMB Transmittal Memorandum*) http://www2.whitehouse.gov/omb/circulars/
LABINF	Table 8	Labor Inflation Factor	OMB Circular A-76 Revised Supplemental Handbook (Factors Updated Regularly via OMB Transmittal Memorandum*) http://www2.whitehouse.gov/omb/circulars/

<i>win.COMPARE² TABLE FACTOR NAME</i>	<i>win.COMPARE² TABLE NUMBER</i>	Title	Source
MILPAY	Table 8	Military Pay Inflation Factor	OMB Circular A-76 Revised Supplemental Handbook (Factors Updated Regularly via OMB Transmittal Memorandum*) http://www2.whitehouse.gov/omb/circulars/
LIBINS	Table 8	Liability Insurance Rate	OMB Circular A-76 Revised Supplemental Handbook (Factors Updated Regularly via OMB Transmittal Memorandum*) http://www2.whitehouse.gov/omb/circulars/
OVERHEAD	Table 8	Overhead Cost Factor	OMB Circular A-76 Revised Supplemental Handbook (Factors Updated Regularly via OMB Transmittal Memorandum*) http://www2.whitehouse.gov/omb/circulars/
CAP	Table 8	Cost of Capital Inflation Rates	OMB Circular A-94 Discount Rates to be Used in Evaluating Time-Distributed Costs and Benefits Appendix C http://www2.whitehouse.gov/omb/circulars/a094/a094.html#ap-c
CAS INS	Table 8	Casualty Insurance Rate	OMB Circular A-76 Revised Supplemental Handbook (Factors Updated Regularly via OMB Transmittal Memorandum*) http://www2.whitehouse.gov/omb/circulars/
CONVDIFF	Table 8	Conversion Differential	OMB Circular A-76 Revised Supplemental Handbook (Factors Updated Regularly via OMB Transmittal Memorandum*) http://www2.whitehouse.gov/omb/circulars/
O&M	Table 8	Operations & Maintenance Inflation Factor	OMB Circular A-76 Revised Supplemental Handbook (Factors Updated Regularly via OMB Transmittal Memorandum*) http://www2.whitehouse.gov/omb/circulars/
FUELS	Table 8	Fuels Inflation Factor	DoDI 4100.33, "Commercial Activities Program Procedures http://emissary.acq.osd.mil/inst/share.nsf
PCH	Table 8	Packing, Crating and Handling Rate	DoDI 4100.33, "Commercial Activities Program Procedures http://emissary.acq.osd.mil/inst/share.nsf
TRANSP	Table 8	Transportation Rate	DoDI 4100.33, "Commercial Activities Program Procedures http://emissary.acq.osd.mil/inst/share.nsf
GSA WHOLESale	Table 10	GSA Wholesale and Direct Stores Delivery Markup Factor	Determined Locally
GSA RETAIL	Table 10	GSA Retail Markup Factor	Determined Locally
GSA NONSTORES	Table 10	GSA Non-Stores and Competitive Federal Supply Schedules Markup Factor	Determined Locally
DOD WHOLESale	Table 10	DoD Wholesale Stock Fund Markup Factor	Determined Locally
DOD DELIVERY	Table 10	DoD Direct Delivery Markup Factor	Determined Locally
LOCAL PURCHASE	Table 10	Local Purchase Markup Factor	Determined Locally
OTH GOV AGENCIES	Table 10	Other Government Agencies Markup Factor	Determined Locally
FC LOCAL PURCHASE	Table 10	Foreign Country Local Purchase Markup Factor	Determined Locally
LISTING	Table 10	See Material and Supply Listing	Determined Locally

*RSH updated by OMB via OMB Transmittal Memorandum

APPENDIX AP6

COSTING OF NON-APPROPRIATED FUND INSTRUMENTALITIES

DoD Components shall follow the policies and procedures in DoD 1401.1-M and in DoD 1400.25-M, Department of Defense Civilian Personnel Manual, Subchapters 1403 and 1405. Premium pay for NAF positions is detailed [in DoD 1400.25-M, Subchapter 1405, Appendix D](#) and [5 CFR Part 550](#) and [5 CFR Parts 532.505, .507, .509](#) referenced therein. These documents set forth the policy to be used in determining salaries for newly created NAF positions the MEO, as well as the computation of Other Pay and Other Entitlements. In addition, Components shall comply with Component-specific policy set forth for determining NAF personnel costs for an A-76 cost comparison. For further information and assistance regarding NAF personnel policy, contact:

**DoD NAF Personnel Policy Office
1400 Key Boulevard, Suite B200
Arlington, VA 22209-5144
Phone: (703) 696-3310**

The process for calculating personnel costs for the IHCE and comparing that cost between the MEO and the contract/ISSA offeror, is designed for the APF employee pay scale and not NAF pay banding. The NAF employee pay banding and benefits vary from the APF pay scale and benefit costs (e.g., FWS, GS and the standard 32.85% fringe benefits as described in Chapter 1). Therefore, it is recommended for NAF employees, salaries, excluding benefits, for the IHCE to reflect the actual salary to be paid to each NAF employee listed in the MEO. The salary computation for vacant NAF positions or newly created positions will be an average of the salaries currently paid to all NAF employees in the same series and pay band.

Example:

1101-NF/3 encumbered actual salary \$20,000
1101-NF/3 encumbered position actual salary \$21,500
1101-NF/3 vacant position computed salary \$20,750*
1101-NF/3 newly created position computed salary \$20,750*

*Average salary of the two encumbered positions in the same series and pay band.

Salary computations for newly established positions, as a result of the MEO, when no similar encumbered position exists will be the salary, excluding benefits, that are established utilizing existing NAF pay setting procedures for NAF employees. Benefits are then included.

Example:

A determination is made that the salary, excluding benefits, for a newly created position series 188-NF/2, is to be \$16,500. The IHCE should reflect a salary of \$16,500 for this position. The fringe benefit factor appropriate to the position type is then applied.

APPENDIX AP7

COSTING OF FOREIGN NATIONAL POSITIONS

When conducting a cost comparison involving FN positions, Components must work with the local personnel office to determine appropriate position types, salaries, wages, and fringe benefits for the country in which the installation resides. DoD Components shall follow the policies and procedures in [DoD 1400.25-M, Department of Defense Civilian Personnel Manual](#), Chapter 1200 (Overseas Employment), Subchapters 1231 (Employment of Foreign Nationals), and Subchapter 1251 (Compensation Programs for Foreign Nationals). For further information and assistance regarding FN personnel policy, Components must contact their headquarters. e.g., United States Army Europe (USAREUR), United States Air Forces Europe (USAFE)]. Note: The United States Department of State has no role in setting of foreign national compensation for DoD employees. Other than the Component headquarters, the appropriate source for information and assistance is the [Wage and Salary Division](#), Civilian Personnel Management Service.

APPENDIX AP8

USEFUL LIFE AND DISPOSAL VALUE TABLE

Disposal Value Expected FSC Number	Nomenclature	Factor as a Useful Life (Years)	Percent of Acquisition
1005	Guns, through 30mm	15	0.03150
1010	Guns, over 30mm up to 75mm	20	0.01180
1015	Guns, 75mm through 125mm	25	0.00630
1025	Guns, over 125mm through 200mm	25	0.02140
1030	Guns, over 200mm through 300mm	25	0.02610
1040	Chemical Weapons and Equipment Launchers, Rocket and Pyrotechnic	16	0.02000
1080	Camouflage and Deception Equipment	10	0.01750
1090	Assemblies Interchangeable between Weapons in Two or More Classes	25	0.02250
1095	Misc. Weapons	20	0.01060
1105	Nuclear Bombs	19	0.05500
1110	Nuclear Projectiles	14	0.05500
1115	Nuclear Warheads and Warhead Sections	19	0.05500
1125	Nuclear Demolition Charges	15	0.05500
1127	Nuclear Rockets	15	0.05500
1135	Fusing and Firing Devices, Nuclear Ordnance	16	0.00080
1190	Specialized Test and Handling Equipment, Nuclear Ordnance	8	0.00600
1195	Miscellaneous Nuclear Ordnance	15	0.05500
1220	Fire Control Computing Sights and Devices	8	0.00290
1230	Fire Control System, Complete	11	0.05500
1240	Optical Sighting and Ranging Equipment	11	0.01800
1250	Fire Control Stabilizing Mechanisms	11	0.01760
1260	Fire Control Designating and Indicating Equipment	12	0.00580
1265	Fire Control Transmitting and Receiving Equipment, except Airborne	11	0.00390
1270	Aircraft Gunnery Fire Control Components	11	0.00220
1280	Aircraft Bombing Fire Control Components	11	0.00220
1285	Fire Control Radar Equipment, except Airborne	11	0.01190

Disposal Value Expected FSC No.	Nomenclature	Factor as a Useful Life (Years)	Percent of Acquisition
1290	Misc. Fire Control Equipment	19	0.00790
1336	Guided Missile Warheads and Explosives Components	20	0.05500
1337	Guided Missile and Space Vehicle Explosive Propulsion Units	20	0.05500
1338	Guided Missile and Space Vehicle Inert Propulsion Units	22	0.05500
1340	Rockets, Rocket Ammo, and Rocket Components	18	0.03620
1370	Pyrotechnics	9	0.05500
1375	Demolition Materials	10	0.01370
1377	Cartridge and Propellant Activated Devices and Components	9	0.01280
1385	Surface Use Explosive Ordnance Disposal Tools and Equipment	12	0.05500
1398	Specialized Ammo Handling and Servicing Equipment	12	0.00520
1410	Guided Missiles	19	0.01550
1420	Guided Missile Components	15	0.00130
1425	Guided Missile Systems, Complete	16	0.05500
1427	Guided Missile Subsystems	16	0.05500
1430	Guided Missile Remote Control Systems	19	0.00450
1440	Launchers, Guided Missile	17	0.00660
1450	Guided Missile Handling and Servicing Equipment	17	0.00650
1510	Aircraft Fixed Wing	16	0.01660
1520	Aircraft, Rotary Wing	17	0.01000
1540	Gliders	17	0.05500
1550	Drones	16	0.05500
1560	Airframe Structural Components	20	0.02480
1610	Aircraft Propellers	10	0.04580
1615	Helicopter Rotor Blades, Drive Mechanisms, and Components	10	0.03520
1620	Aircraft Landing Gear Components	10	0.02710
1630	Aircraft Wheel and Brake Systems	10	0.04920
1650	Aircraft Hydraulic, Vacuum and De-icing System Components	10	0.02190
1660	Aircraft Air Conditioning, Heating, and Pressurizing Equipment	10	0.02230
1670	Parachutes Aerial Pick Up, Delivery, Recovery Systems, and Cargo Tie Down Equipment	7	0.05520

Disposal Value Expected FSC No.	Nomenclature	Factor as a Useful Life (Years)	Percent of Acquisition
1730	Aircraft Ground Servicing Equipment	20	0.03120
1740	Airfield Specialized Trucks and Trailers	9	0.06370
1810	Space Vehicles	20	0.05500
1830	Space Vehicles Remote Control Systems	20	0.05500
1840	Space Vehicles Launchers	20	0.05500
1850	Space Vehicles Handling & Servicing Equipment	20	0.05500
1860	Space Survival Equipment	30	0.05500
1905	Combat Ships and Landing Vessels	20	0.02530
1910	Transport Vessels, Passenger and Troop	30	0.05500
1915	Cargo and Tanker Vessels	30	0.08540
1925	Special Service Vessels	25	0.08540
1930	Barges and Lighters, Cargo	27	0.11050
1935	Barges and Lighters, Special Purpose	30	0.19830
1940	Small Craft	23	0.06350
1945	Pontoons and Floating Docks	30	0.14420
1990	Misc. Vessels	20	0.08740
2010	Ship and Boat Propulsion Components	20	0.10260
2030	Deck Machinery	20	0.03310
2040	Marine Hardware and Hull Items	20	0.16570
2050	Buoys	20	0.11050
2090	Misc. Ship and Marine Equipment	20	0.04810
2210	Locomotives	29	0.16510
2220	Rail Cars	40	0.10270
2230	Right-of-Way Construction and Maintenance Equipment, Railroad	20	0.18690
2240	Locomotive and Rail Car Accessories and Components	14	0.09980
2250	Track Materials, Railroad	14	0.41000
2305	Ground Effect Vehicles	15	0.00000
2310A	Passenger Motor Vehicles, Passenger Cars and Station Wagons	6	0.17000
2310B	Passenger Motor Vehicles, Buses (11 or more passengers)	8	0.17000
2310C	Passenger Motor Vehicles, Ambulances	7	0.17000
2320A	Trucks and Truck Tractors, Wheeled, Less than 12,500 (payload 1 ton and less)	6	0.17960
2320D	Trucks and Truck Tractors, Wheeled, Multiple Drive Vehicles	6	0.17960
2330	Trailers	23	0.10090

Disposal Value Expected FSC No.	Nomenclature	Factor as a Useful Life (Years)	Percent of Acquisition
2340	Motorcycles, Motor Scooters, and Bicycles	12	0.27310
2350	Combat, Assault and Tactical Vehicles, Tracked	14	0.32820
2410	Tractors, Full Track, Low Speed	14	0.27620
2420	Tractors, Wheeled	13	0.22700
2430	Tractors, Track Laying, High Speed	14	0.07420
2510	Vehicular Cab, Body and Frame Structural Components	10	0.14180
2520	Vehicular Power Transmission Components	12	0.16220
2530	Vehicular Brake, Steering, Axle, Wheel and Track Components	12	0.12170
2540	Vehicular Furniture and Accessories	18	0.06950
2590	Misc. Vehicular Components	10	0.07040
2805	Gasoline Reciprocating Engines, except Aircraft and Components	7	0.05680
2810	Gasoline Reciprocating Engines, Aircraft and Components	12	0.03430
2815	Diesel Engines and Components	12	0.13330
2835	Gas Turbines and Jet Engines, except Aircraft and Components	15	0.03590
2840	Gas Turbines and Jet Engines, Aircraft, and Components	12	0.01770
2845	Rocket Engines and Components	12	0.00110
2910	Engine Fuel System Components, Non-aircraft	12	0.08010
2915	Engine Fuel System Components, Aircraft	12	0.03010
2920	Engine Electrical System Components, Non-aircraft	12	0.10320
2925	Engine Electrical System Components, Aircraft	12	0.07940
2950	Turbosuperchargers	12	0.08260
2990	Misc. Engine Accessories, Nonaircraft	12	0.07770
2995	Misc. Engine Accessories, Aircraft	12	0.04100
3010	Torque Converters and Speed Changers	12	0.05930
3020	Gears, Pulleys, Sprockets and Transmission Chain	12	0.04640
3040	Misc. Power Transmission Equipment	12	0.03220
3110	Bearings, Antifriction, Unmounted	12	0.22140
3120	Bearings, Plain, Unmounted	12	0.04780

Disposal Value Expected FSC No.	Nomenclature	Factor as a Useful Life (Years)	Percent of Acquisition
3130	Bearings, Mounted	12	0.07800
3210	Sawmill and Planing Mill Machinery	15	0.28410
3220	Woodworking Machines	15	0.27370
3405	Saws and Filing Machines	20	0.30870
3408	Machining Centers and Way-Type Machines	20	0.07490
3410	Electrical and Ultrasonic Erosion Machines	10	0.09750
3411	Boring Machines	20	0.49610
3413	Drilling and Tapping Machines	15	0.40160
3414	Gear Cutting and Finishing Machines	10	0.29580
3415	Grinding Machines	15	0.35060
3416	Lathes	20	0.39840
3417	Milling Machines	20	0.28220
3418	Planners and Shapers	20	0.27660
3419	Misc. Machine Tools	15	0.17920
3422	Rolling Mills and Drawing Machines	10	0.68350
3424	Metal Heat Treating and Nonthermal Treating Equipment	25	0.11720
3426	Metal Finishing Equipment	20	0.06630
3431	Electric Arc Welding Equipment	10	0.09870
3432	Electric Resistance Welding Equipment	15	0.09900
3433	Gas Welding, Heat Cutting, and Metalizing Equipment	15	0.06760
3436	Welding Positioners and Manipulators	30	0.26880
3438	Misc. Welding Equipment	10	0.04880
3439	Misc. Welding, Soldering, and Brazing Supplies and Accessories	5	0.10980
3441	Bending and Forming Machines	25	0.42250
3442	Hydraulic and Pneumatic Presses, Power Driven	10	0.20140
3443	Mechanical Presses, Power Driven	11	0.59410
3444	Manual Presses	30	0.29670
3445	Punching and Shearing Machines	15	0.44830
3446	Forging Machinery and Hammers	20	0.77560
3447	Wire and Metal Ribbon Forming Machines	18	0.24600
3448	Riveting Machines	10	0.14120
3449	Misc. Secondary Metal Forming and Cutting Machines	10	0.35220
3450	Machine Tools, Portable	20	0.13280
3455	Cutting Tools for Machine Tools	10	0.09890

Disposal Value Expected FSC No.	Nomenclature	Factor as a Useful Life (Years)	Percent of Acquisition
3456	Cutting and Forming Tools for Secondary Metalworking Machinery	10	0.05500
3460	Machine Tool Accessories	15	0.17410
3461	Accessories for Secondary Metalworking Machinery	12	0.04320
3465	Production Jigs, Fixtures, and Templates	5	0.02280
3470	Machine Shop Sets, Kits, and Outfits	10	0.03570
3510	Laundry and Dry Cleaning Equipment	13	0.04570
3520	Shoe Repairing Equipment	17	0.08550
3530	Industrial Sewing Machines and Mobile Textile Repair Shops	12	0.15030
3540	Wrapping and Packaging Machinery	9	0.07350
3590	Misc. Service and Trade Equipment	10	0.09100
3605	Food Products Machinery and Equipment	30	0.10530
3610	Printing, Duplicating, and Bookbinding Equipment	16	0.04310
3611	Industrial Marking Machines	10	0.02200
3620	Rubber and Plastics Working Machinery	8	0.45180
3625	Textile Industries Machinery	11	0.12760
3635	Crystal and Glass Industries Machinery	10	0.02610
3650	Chemical and Pharmaceutical Products Manufacturing Machinery	9	0.07850
3655	Gas Generating and Dispersing Systems	12	0.07350
3660	Industrial Size Reduction Machinery	9	0.27300
3680	Foundry Machinery, and Related Equipment & Supplies	10	0.12610
3690	Specialized Ammo and Ordnance Machinery and Related Equipment	12	0.03410
3693	Industrial Assembly Machine	12	0.00450
3740	Pest, Disease & Frost Control Equipment	13	0.03980
3750	Gardening Implements & Tools	6	0.06510
3805	Earth Moving & Excavating Equipment	13	0.23800
3810	Cranes & Crane-Shovels	17	0.17690
3815	Crane & Crane-Shovel Attachments	10	0.08990
3820	Mining, Rock Drilling, Earth Boring, Equipment	14	0.23860
3825	Road Clearing & Cleaning Equipment	11	0.13130
3830	Truck & Tractor Attachments	11	0.22870
3835	Petroleum Production & Distribution Equipment	14	0.15980
3895	Misc. Construction Equipment	14	0.11170
3910	Conveyors	12	0.06850

Disposal Value Expected FSC No.	Nomenclature	Factor as a Useful Life (Years)	Percent of Acquisition
3915	Materials Feeders	12	0.06850
3920	Materials Handling Equipment Nonself Propelled	22	0.09070
3930A	Whse Trucks and Tractors, Self Propelled, Gasoline, Fork Truck (2,000 pounds)	8	0.18600
3930B	Whse Trucks and Tractors, Self Propelled, Gasoline, Fork Truck (over 6,000 pound	10	0.18600
3930C	Whse Trucks & Tractors, Self Propelled, Gasoline, Tractor	8	0.18600
3930D	Whse Trucks & Tractors, Self Propelled, Gasoline, Crane	12	0.18600
3930E	Whse Trucks and Tractors, Self Propelled, Gasoline, Platform Truck	8	0.18600
3930F	Whse Trucks and Tractors, Self Propelled, Gasoline, Straddle Truck	15	0.18600
3930G	Whse Trucks and Tractors, Self Propelled, Electric, All types	15	0.18600
3940	Blocks, Tackle, Rigging, and Slings	12	0.09610
3950	Winches, Hoists, Cranes, and Derricks	13	0.10230
3990	Misc. Materials Handling Equipment	30	0.08710
4010	Chain and Wire Rope	10	0.05110
4020	Fiber Rope, Cordage, and Twine	10	0.06810
4030	Fittings for Rope, Cable, and Chain	10	0.13160
4110	Refrigeration Equipment	11	0.07070
4120	Air Conditioning Equipment	10	0.03820
4130	Refrigeration and Air Conditioning Components	16	0.04260
4140	Fans, Air Circulators, and Blow Equipment	7	0.04790
4210	Fire Fighting Equipment	14	0.06550
4220	Marine Lifesaving and Diving Equipment	10	0.05650
4230	Decontaminating and Impregnating Equip	17	0.05870
4240	Safety and Rescue Equipment	19	0.02530
4310	Compressors and Vacuum Pumps	10	0.07590
4320	Power and Hand Pumps	15	0.04270
4330	Centrifuges, Separators, and Pressure and Vacuum Filters	20	0.04900
4410	Industrial Boilers	9	0.03780
4420	Heat Exchanges and Steam Condensers	28	0.09730

Disposal Value Expected FSC No.	Nomenclature	Factor as a Useful Life (Years)	Percent of Acquisition
4430	Industrial Furnaces, Kilns, Lehrs, and Ovens	10	0.06590
4440	Dryers, Dehydrators, and Anhydrators	10	0.04550
4460	Air Purification Equipment	11	0.03710
4510	Plumbing Fixtures and Accessories	15	0.05910
4520	Space Heating Equipment and Domestic Water Heaters	8	0.08360
4540	Misc. Plumbing, Heating, and Sanitation Equipment	8	0.03010
4610	Water Purification Equipment	14	0.04550
4620	Water Distillation Equipment, Marine and Industrial	15	0.15610
4710	Pipe and Tube	10	0.07790
4720	Hose and Tubing, Flexible	10	0.06130
4730	Fittings and Specialties, Hose, Pipe, and Tube	10	0.04830
4810	Valves, Powered	10	0.02200
4820	Valves, Nonpowered	10	0.04910
4910	Motor Vehicle Maintenance and Repair Shop Specialized Equipment	11	0.06630
4920	Aircraft Maintenance and Repair Shop Specialized Equipment	20	0.01580
4925	Ammo. Maintenance, Repair, and Checkout Specialized Equipment	21	0.01670
4927	Rocket Maintenance, Repair, and Checkout Specialized Equipment	10	0.05500
4930	Lubrication and Fuel Dispensing Equip.	15	0.05000
4931	Fire Control Maintenance and Repair Shop Specialized Equipment	9	0.01180
4933	Weapons Maintenance and Repair Shop Specialized Equipment	15	0.01910
4935	Guided Missile Maintenance, Repair, and Check-out Specialized Equipment	19	0.00400
4940	Misc. Maintenance and Repair Shop Specialized Equipment	20	0.04480
5110	Hand Tools, Edged, Nonpowered	10	0.09260
5120	Hand Tools, Nonedged, Nonpowered	21	0.05530
5130	Hand Tools, Power Driven		10
5133	Drill Bits, Counterbores and Countersinks, Hand and Machine	10	0.24070
5136	Taps, Dies and Collets, Hand and Machine	10	0.08080

Disposal Value Expected FSC No.	Nomenclature	Factor as a Useful Life (Years)	Percent of Acquisition
5140	Tool and Hardware Boxes	20	0.26420
5180	Sets, Kits, and Outfits of Hand Tools	23	0.03830
5210	Measuring Tools, Craftsmen	10	0.04870
5220	Inspection Gages and Precision Layout Tools	12	0.03170
5280	Sets, Kits, and Outfits of Measuring Tools	25	0.01010
5410	Prefabricated and Portable Building	8	0.02480
5411	Rigid Wall Shelters	20	0.02440
5420	Bridges, Fixed and Floating	17	0.07250
5430	Storage Tanks	7	0.06830
5440	Scaffolding Equipment and Concrete Forms	5	0.06830
5445	Prefabricated Tower Structures	23	0.05230
5450	Misc. Prefabricated Structure	25	0.01300
5670	Architectural and Related Metal Products		10
5680	Misc. Construction Materials	69	0.09590
5805	Telephone and Telegraph Equipment	23	0.02370
5810	Communications Security Equipment and Components	16	0.00400
5811	Other Cryptologic Equipment and Components	11	0.01250
5815	Teletype and Facsimile Equipment	22	0.00990
5820	Radio and Television Communications Equipment, except Airborne	8	0.02440
5821	Radio and Television Communications Equipment, Airborne	24	0.01010
5831	Intercommunication and Public Address Systems, Airborne	25	0.00610
5835	Sound Recording and Reproducing Equipment	22	0.01430
5840	Radar Equipment, except Airborne	23	0.00920
5841	Radar Equipment, Airborne	24	0.00530
5845	Underwater Sound Equipment	13	0.01140
5850	Visible and Invisible Light Communication Equipment	24	0.00320
5855	Night Vision Equipment, Emitted and Reflected Radiation	25	0.01180
5860	Stimulated Coherent Radiation Devices, Components, and Accessories	25	0.00710
5865	Electronic Countermeasures, Counter Countermeasures and Quick Reaction Capability	20	0.00270

Disposal Value Expected FSC No.	Nomenclature	Factor as a Useful Life (Years)	Percent of Acquisition
5895	Misc. Communications Equipment	23	0.00670
5905	Resistors	8	0.01020
5910	Capacitors	8	0.02320
5915	Filters and Networks	25	0.00930
5920	Fuses and Lightning Arrestors	25	0.03120
5925	Circuit Breakers	10	0.07490
5930	Switches	10	0.01550
5935	Connectors, Electrical	22	0.20610
5940	Lugs, Terminals, and Terminal Strips	8	0.01660
5945	Relays and Solenoids	25	0.01360
5950	Coils and Transformers	8	0.01350
5955	Piezoelectric Crystals	8	0.00650
5960	Electron Tubes and Associated Hardware	8	0.01000
5961	Semiconductor Devices and Associated Hardware	8	0.01040
5962	Microcircuits, Electronic	8	0.00540
5963	Electronic Modules	8	0.05500
5965	Headsets, Handsets, Microphones, and Speakers	24	0.04280
5970	Electrical Insulators and Insulating Materials	8	0.34930
5975	Electrical Hardware and Supplies	23	0.03730
5977	Electrical Contact Brushes and Electrodes	8	0.02080
5985	Antennas, Waveguide, and Related Equipment	8	0.02020
5990	Synchros and Resolvers	14	0.01650
5995	Cable, Cord and Wire Assemblies, and Communications Equipment	24	0.04160
5999	Misc. Electrical and Electronic Components	20	0.01010
6030	Fiber Optic Devices	20	0.05500
6070	Fiber Optic Accessories and Supplies	20	0.05500
6080	Fiber Optic Kits and Sets	20	0.05500
6105	Motors, Electrical	10	0.05310
6110	Electrical Control Equipment	8	0.02450
6115	Generators and Generator Sets, Electrical	19	0.06500
6116	Fuel Cell Power Units, Components, and Accessories	15	0.22880
6120	Transformers: Distribution and Power Station	36	0.07870

Disposal Value Expected FSC No.	Nomenclature	Factor as a Useful Life (Years)	Percent of Acquisition
6125	Converters, Electrical, Rotating	25	0.02880
6130	Converters, Electrical, Nonrotating	22	0.01750
6135	Batteries, Primary	15	0.02510
6140	Batteries, Secondary	25	0.06910
6145	Wire and Cable, Electrical	25	0.16290
6150	Misc. Electric Power and Distribution Equipment	15	0.02550
6210	Indoor and Outdoor Electric Lighting Fixture	16	0.03950
6220	Electric Vehicular Light and Fixtures	10	0.04580
6230	Electric Portable and Hand-Lighting Equipment	17	0.03440
6240	Electric Lamps	10	0.06920
6250	Ballasts, Lampholders, and Starters	10	0.03910
6310	Traffic and Transit Signal Systems	4	0.03520
6320	Shipboard Alarm and Signal Systems	4	0.02680
6340	Aircraft Alarm and Signal Systems		25
6350	Misc. Alarm, Signal, and Security Detection Systems	6	0.01380
6515	Medical and Surgical Instruments, Equipment and Supplies	9	0.02540
6520	Dental Instruments, Equipment, and Supplies	8	0.07660
6545	Medical Sets, Kits & Outfits	10	0.05600
6605	Navigational Instruments	15	0.00870
6610	Flight Instruments	17	0.02300
6615	Automatic Pilot Mechanisms and Airborne Gyro Components	25	0.01170
6620	Engine Instruments	15	0.03040
6625	Electrical and Electronic Properties Measuring and Testing Instruments	15	0.01550
6630	Chemical Analysis Instruments	5	0.01700
6635	Physical Properties Testing Equipment	13	0.06620
6636	Environmental Chambers and Related Equipment	10	0.02200
6640	Laboratory Equipment and Supplies	20	0.02120
6645	Time Measuring Instruments	25	0.05540
6650	Optical Instruments	8	0.02310
6655	Geophysical and Astronomical Instruments	25	0.02020
6660	Meteorological Instruments and Apparatus	20	0.01050

Disposal Value Expected FSC No.	Nomenclature	Factor as a Useful Life (Years)	Percent of Acquisition
6665	Hazard-Detecting Instruments and Apparatus	16	0.01440
6670	Scales and Balances	18	0.04770
6675	Drafting, Surveying, and Mapping Instruments	19	0.02440
6680	Liquid and Gas Flow, Liquid Level, and Mechanical Motion Measuring Instruments	10	0.02870
6685	Pressure, Temperature, and Humidity Measuring and Controlling Instruments	10	0.02530
6695	Combination and Misc. Instruments	8	0.02060
6710	Cameras, Motion Pictures	25	0.05290
6720	Cameras, Still Picture	24	0.01820
6730	Photographic Projection Equipment	25	0.03520
6740	Photographic Developing and Finishing Equipment	24	0.03320
6750	Photographic Supplies	25	0.08640
6760	Photographic Equipment and Accessories	24	0.01360
6780	Photographic Sets, Kits, and Outfits	22	0.03240
6910	Training Aids	20	0.00960
6920	Armament Training Devices	20	0.03220
6930	Operation Training Devices	21	0.00620
6940	Communication Training Devices		21
7010	ADPE Configuration	8	0.00730
7021	ADP Central Processing Unit, Digital	15	0.00730
7022	ADP Central Processing Unit, Hybrid	15	0.00730
7025	ADP Input/Output and Storage Devices	13	0.01010
7030	ADP Software	15	0.00970
7035	ADP Accessorial Equipment	13	0.00720
7040	Punched Card Equipment	15	0.00870
7045	ADP Supplies and Support Equipment	11	0.01500
7050	ADP Components	15	0.00950
7105	Household Furniture	10	0.09940
7110	Office Furniture	10	0.16200
7125	Cabinets, Lockers, Bins, and Shelving	20	0.09470
7195	Misc. Furniture and Fixtures	10	0.061
7310	Food Cooking, Baking, and Serving Equipment	12	0.05400
7320	Kitchen Equipment and Appliances	18	0.05600
7330	Kitchen Hand Tools and Utensils	14	0.05500
7340	Cutlery and Flatware	14	0.05500
7350	Tableware	8	0.05500

Disposal Value Expected FSC No.	Nomenclature	Factor as a Useful Life (Years)	Percent of Acquisition
7360	Sets, Kits, and Outfits: Food Preparation and Serving	10	0.11410
7420A	Accounting and Calculating Machine, Electric	12	0.01460
7420B	Accounting and Calculating Machine, Manual	15	0.01460
7430B	Typewriters and Office Type Composing Machines, Manual	15	0.06100
7450	Office Type Sound Recording and Reproducing Machines	12	0.01170
7450	Office Type Sound Recording and Reproducing Machines	12	0.01170
7460	Visible Record Equipment	10	0.02260
7490	Misc Office Machines	12	0.03300
7710	Musical Instruments	12	0.14670
7730	Phonographs, Radios, TV Sets: Home Type	8	0.05500
7830	Recreational and Gymnastic Equipment	10	0.05500
7910	Floor Polishers and Vacuum Cleaning Equipment	12	0.05720
8110	Drums & Cans	10	0.37650
8115	Boxes, Cartons & Crates	10	0.09650
8120	Commercial and Industrial Gas Cylinders		10
8125	Bottles and Jars	6	0.05500
8130	Reels and Spools	10	0.05500
8135	Packaging & Packing Bulk Materials	10	0.11690
8140	Ammo and Nuclear Ordnance Boxes, Packages, and Special Containers	15	0.12330
8145	Specialized Shipping and Storage Containers	22	0.06550
8340	Tents and Tarpaulins	5	0.04860
8345	Flags and Pennants	5	0.08300
8415	Clothing, Special Purpose	5	0.10810
8820	Live Animals, Not Raised for Food	3	0.55050
9320	Rubber Fabricated Materials	5	0.19400
9340	Glass Fabricated Materials	5	0.04140
9515	Armor Plate	10	0.19000
9530	Metal Bar	10	0.47510
9535	Metal Plate	10	0.52440
9905	Signs, Advertising Display, ID Plates	8	0.05500
9910	Jewelry	45	0.95000
9915	Collectors and/or Historical Items		99

Disposal Value Expected FSC No.	Nomenclature	Factor as a Useful Life (Years)	Percent of Acquisition
LIST	Listing	0	0.00000

NOTE: This table contains average values often used to compute depreciation costs and disposal/transfer costs. The code "List" means a separate listing was used to summarize some or all of these costs; when used, applicable values are shown on the listing.

IMPORTANT: When considered appropriate, an installation may develop their own useful life and disposal values.

APPENDIX AP9

TAX RATE TABLE

NOTE: Tax rates are in relation to business receipts. They do not reflect revisions contained in the 1987 Standard Classification Manual.

<u>Code No.</u>	<u>Industry</u>	<u>Tax Rate (%)</u>
Extractive Industries		
10-01-0400	Agriculture Production	0.80
10-01-0600	Agriculture Services	0.50
20-02-1010	Mining Iron Ores	3.80
20-02-1070	Mining Copper, Lead, Zinc, Gold and Silver Ores	8.30
20-02-1098	Mining Other Metals	0.60
20-03-1150	Coal Mining	1.10
20-05-1430	Sand, Gravel, Dimension, Crushed and Broken Stone	2.20
Construction		
30-06-1510	General Building (Construction)	0.40
30-06-1531	Operative Builders (Construction)	0.80
30-07-1600	Heavy Construction	0.80
30-08-1711	Plumbing, Heating, and Air Conditioning	0.40
30-08-1731	Electrical Work	0.50
30-08-1798	Other Special Trades	0.50
Manufacturing		
40-09-2010	Meat Products	0.50
40-09-2020	Dairy Products	2.10
40-09-2030	Preserved Fruits and Vegetables	2.00
40-09-2040	Grain Mill Products	2.10
40-09-2050	Bakery Products	1.10
40-09-2060	Sugar and Confectionery Products	1.90
40-09-2089	Bottled Soft Drinks and Flavorings	2.10
40-09-2096	Other Food and Kindred Products	0.90
40-12-2315	Men's and Boy's Clothing	1.50
40-12-2345	Women's and Children's Clothing	1.10
40-12-2388	Other Apparel and Accessories	0.50
40-12-2390	Other Fabricated Textile Products	0.50
40-13-2415	Logging, Sawmills, and Planning Mills	2.10

<u>Code No.</u>	<u>Industry</u>	<u>Tax Rate (%)</u>
Manufacturing (continued)		
40-13-2430	Millwork, Plywood, and Related Products	1.30
40-13-2498	Other Wood Products	0.50
40-14-2500	Furniture and Fixtures	1.10
40-15-2625	Pulp, Paper, and Board Mills	2.80
40-15-2699	Other Paper Products	2.40
40-16-2710	Newspapers (Printing and Publishing)	3.70
40-16-2720	Periodicals (Printing and Publishing)	1.60
40-16-2735	Books, Greeting Cards, and Misc. Publishing	3.90
40-16-2799	Commercial and Other Printing and Printing Trade Services	1.10
40-17-2815	Industrial Chemicals, Plastic Materials, and Synthetics	3.30
40-17-2830	Drugs	5.90
40-17-2840	Soap, Cleaners, and Toilet Goods	2.10
40-17-2850	Paints And Allied Products	1.50
40-17-2898	Agricultural and other Chemical Products	1.60
40-18-2998	Petroleum and Coal Products, Not Elsewhere Classified	1.30
40-19-3050	Rubber Products, Plastics, Footwear, Hose and Belting	1.60
40-19-3070	Misc. Plastics and Products	1.00
40-20-3140	Leather Footwear	1.30
40-20-3198	Leather and Leather Products Not Elsewhere Classified	0.80
40-21-3225	Glass Products	1.80
40-21-3240	Cement, Hydraulic	0.80
40-21-3270	Concrete, Gypsum and Plaster Products	1.40
40-21-3298	Other Nonmetallic Mineral Products	2.30
40-22-3370	Ferrous Metal Industries and Misc. Primary Metal Products	1.20
40-22-3380	Nonferrous Metal Industries	1.10
40-23-3410	Metal Cans And Shipping Containers	1.90
40-23-3428	Cutlery, Hand Tools, and Hardware; Screw Machine Products, Bolts, and Similar Products	2.20
40-23-3430	Plumbing and Heating, Except Electric and Warm Air	2.00
40-23-3440	Fabricated Structural Metal Products	1.00
40-23-3460	Metal Forgings and Stampings	1.00
40-23-3470	Casting, Engraving and Allied Services	1.00
40-23-3480	Ordnance and Accessories, Except Vehicles and Guided Missiles	1.20

<u>Code No.</u>	<u>Industry</u>	<u>Tax Rate (%)</u>
Manufacturing (continued)		
40-23-3490	Misc. Fabricated Metal Products	1.00
40-24-3520	Farm Machinery	1.20
40-24-3530	Construction and Related Machinery	1.60
40-24-3540	Metal Working Machinery	1.10
40-24-3550	Special Industry Machinery	1.10
40-24-3570	Office and Computing Machines	5.20
40-24-3598	Other Machinery, except Electrical	1.70
40-25-3665	Radio, Television, and Communication Equipment	1.30
40-25-3670	Electronic Components and Accessories	2.40
40-25-3698	Other Electrical Equipment	2.20
40-26-3710	Motor Vehicles and Equipment	1.70
40-27-3725	Aircraft, Guided Missiles, and Parts	3.00
40-27-3730	Ship and Boat Building and Repairing	0.80
40-27-3798	Other Transportation Equipment, Except Motor Vehicles	1.30
40-28-3815	Scientific Instruments and Measuring Devices; Watches and Clocks	4.00
40-28-3845	Optical, Medical, and Ophthalmic Goods	2.90
40-28-3860	Photographic Equipment and Supplies	2.50
40-29-3998	Misc. Manufacturing and Manufacturing Not Allocable	1.40
Transportation & Utilities		
50-30-4000	Railroad Transportation	2.50
50-30-4100	Local and Interurban Passenger Transit	0.40
50-30-4200	Trucking and Warehousing	0.60
50-30-4400	Water Transportation	1.20
50-30-4500	Transportation By Air	2.00
50-30-4600	Pipe Lines, Except Natural Gas	1.50
50-30-4700	Transportation Services Not Elsewhere Classified	0.40
50-31-4825	Telephone, Telegraph, and Other Communication Services	3.10
50-31-4830	Radio and Television Broadcasting	4.40
50-32-4910	Electric Services	3.00
50-32-4920	Gas Production and Distribution	1.70
50-32-4930	Combination Utility Services	3.00
50-32-4990	Water Supply and Other Sanitary Services	2.70

<u>Code No.</u>	<u>Industry</u>	<u>Tax Rate (%)</u>
Wholesale Trade		
61-33-5004	Groceries and Related Products	0.30
61-34-5008	Machinery, Equipment, Supplies	0.60
61-35-5010	Motor Vehicles and Automotive Equipment	0.60
61-35-5030	Lumber and Construction Materials	0.30
61-35-5050	Metals and Minerals, Except Petroleum and Scrap	0.70
61-35-5060	Electrical Goods	0.50
61-35-5070	Hardware, Plumbing and Heating	0.50
61-35-5098	Other Durable Goods	0.50
61-35-5110	Paper and Paper Products	0.40
61-35-5129	Drugs, Chemicals, and Allied Products	0.50
61-35-5130	Apparel, Piece Goods, and Notions	0.60
61-35-5150	Farm-Product Raw Materials	0.30
61-35-5170	Petroleum and Petroleum Products	0.30
61-35-5180	Alcoholic Beverages	0.30
61-35-5190	Misc. Nondurable Goods; Wholesale Trade Not Allocable	0.50
Retail Trade		
62-36-5220	Building Materials Dealers	0.40
62-36-5251	Hardware Stores	0.40
62-36-5265	Garden Supplies and Mobile Home Dealers	0.40
62-37-5300	General Merchandise Stores	1.10
62-38-5400	Food Stores	0.30
62-39-5541	Gasoline Service Stations	0.20
62-39-5598	Other Automotive Dealers	0.30
62-40-5600	Apparel and Accessory Stores	1.10
62-41-5700	Furniture and Home Furnishing Stores	0.80
62-42-5800	Eating and Drinking Places	0.60
62-43-5912	Drug Stores and Proprietary Stores	0.60
62-43-5921	Liquor Stores	0.20
62-43-5995	Other Retail Stores	0.60
63-44-5997	Wholesale and Retail Trade Not Allocable	0.30

<u>Code No.</u>	<u>Industry</u>	<u>Tax Rate (%)</u>
Services		
80-52-7000	Hotels and Other Lodging Places	1.00
80-53-7200	Personal Services	0.80
80-54-7310	Advertising Services	0.70
80-54-7389	Business Services, Except Advertising	0.80
80-55-7500	Auto Repair and Services	0.70
80-55-7600	Misc. Repair Services	0.40
80-56-7812	Motion Picture Production, Distribution, & Services	1.80
80-56-7830	Motion Picture Theaters	1.10
80-56-7900	Amusement and Recreation Services, Except Motion Pictures	1.40
80-57-8015	Physicians' Services	0.20
80-57-8021	Dentists' Services	0.10
80-57-8050	Nursing and Personal Care Facilities	0.20
80-57-8071	Medical Laboratories	1.20
80-57-8099	Other Medical Services	0.70
80-57-8111	Legal Services	0.20
80-57-8200	Educational Services	0.50
80-57-8980	Misc. Services, not Elsewhere Classified	0.50