



OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON
WASHINGTON, DC 20301-3000

September 4, 2007

ACQUISITION,
TECHNOLOGY
AND LOGISTICS

MEMORANDUM FOR ASSISTANT SECRETARY OF THE ARMY (INSTALLATIONS
AND ENVIRONMENT)
ASSISTANT SECRETARY OF THE NAVY (INSTALLATIONS
AND ENVIRONMENT)
DEPUTY CHIEF OF STAFF FOR PERSONNEL, UNITED STATES
AIR FORCE
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTORS OF THE DoD FIELD ACTIVITIES

SUBJECT: Competitive Sourcing Program Policy - Streamlined Competitions,
Conversion Differential Application, and Competitions of Segregable Expansions

This memorandum provides DoD policy for performing streamlined competitions, applying the conversion differential in public-private competitions, and conducting public-private competitions of segregable expansions of commercial activities. This policy is necessary, in part, to comply with section 2461 of title 10, United States Code. Section 2461 of title 10, United States Code, prohibits converting, in whole or in part, a function of the Department of Defense that is performed by 10 or more Department of Defense civilian employees, to performance by a contractor unless the conversion is based on the results of a public-private competition. The statute requires continued performance of the function by Department of Defense civilian employees unless the difference in the cost of performance of the function by a contractor compared to the cost of performance of the function by Department of Defense civilian employees would, over all performance periods required by the solicitation, be equal to or exceed the lesser of-- (i) 10 percent of the personnel-related costs for performance of that function in the agency tender; or (ii) \$10,000,000."

To implement the above statute's requirements, DoD Components shall:

- a. Perform a streamlined competition in accordance with Attachment 1 when a function or any portion of a function is performed by at least one but fewer than 10 DoD civilian employee authorizations on the competition start date. A standard competition shall not be permitted when a function or any portion of a function is performed by at least one but fewer than 10 DoD civilian employee authorizations on the competition start date.
- b. Comply with the policy at Attachment 2 for calculating the conversion differential for public-private competitions where a performance decision has not been made. Under some circumstances, the conversion differential prescribed by OMB Circular A-76 is inconsistent with the conversion differential prescribed by 10 U.S.C. § 2461.



c. Conduct a standard competition of a segregable or non-segregable activity before converting it (in whole or in part) to contract performance when it is performed by 10 or more DoD civilian employee authorizations on the competition's start date. This statute limits the Circular's flexibility provided in paragraph 5.b., which states

A streamlined or standard competition is **not** required for private sector performance of a new requirement, private sector performance of a **segregable expansion to an existing commercial activity performed by government personnel**, or continued private sector performance of a commercial activity. . . . (emphasis added)

Please direct questions to Annie L. Andrews at (703) 602-2608 or Annie.Andrews@osd.mil.



Joseph K. Sikes
Director, Housing and Competitive Sourcing

Attachments:

1. Streamlined Competitions
2. Calculating Conversion Differential for Public-Private Competitions

SUBJECT: Streamlined Competitions

- REFERENCES:** (a) Office of Management and Budget Circular Number A-76, “Performance of Commercial Activities”, May 29, 2003¹
(b) 10 USC, Section 2461
(c) Section 8013 of the Department of Defense Appropriations Act, 2007
(d) Section 8019 of the Department of Defense Appropriations Act, 2007
(e) DoD Baseline Costing For Public-Private Competitions, August 1, 2005
(f) DoD A-76 Costing Manual, March 14, 2001

1. PURPOSE. This Department of Defense (DoD) policy provides the Department’s implementation policy for performing streamlined competitions under reference (a) (hereafter referred to as “the Circular”) and references (b), (c), and (d).

2. APPLICABILITY. This guidance applies to the Office of the Secretary of Defense, the Military Departments, the Chairman of the Joint Chiefs of Staff, the Combatant Commands, the Office of the Inspector General of the Department of Defense, the Defense Agencies, the DoD Field Activities, and all other organizational entities of the Department of Defense (hereafter referred to collectively as “the DoD Components”).

3. DEFINITIONS. Terms and definitions used in this guidance are consistent with the Circular. Terms used in this guidance that are not used in the Circular follow:

3.1. Civilian Employee Authorization. A DoD civilian employee position that is authorized by DoD, funded through DoD appropriated funds or Defense working capital funds, allocated to a DoD commercial activity, and expressed in terms of one year of full-time workload (see civilian employee and full-time equivalent definitions in OMB Circular A-76).

3.2. Final Decision. The decision that is implemented (e.g., contract award, most efficient organization letter of obligation) following resolution of any type of challenge (e.g., contest, protest) regarding a performance decision or, if no such challenges are received, the time allowed for submission of challenges. The final decision date is the date when either (a) all certifications are completed on a standard or streamlined competition form that results from the resolution of challenges, or (b) if no challenges are received, the time allowed for submission of such challenges. (See paragraphs 5.5.1. and 5.5.2.)

3.3. Performance Decision. Consistent with the Circular’s definition of performance decision, the decision that identifies the end and outcome of the public-private competition process. A performance decision occurs prior to resolution of any type of challenge (e.g., contests, protests) regarding the performance decision or, if no such challenges are received, the time allowed for submission of challenges. The performance decision date is the official end date for a streamlined or standard competition, which occurs when all certifications are completed on the standard or streamlined competition form signifying a performance decision. The performance decision date is also the end date for the time frames specified under Section

¹ www.omb.gov

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8019 of the Department of Defense Appropriations Act, 2007 (including recurrences of this section in DoD Appropriations Acts in subsequent fiscal years). (See paragraphs 5.5.1. and 5.5.2.)

4. POLICY. A DoD Component shall comply with this policy and the Circular when performing a streamlined competition. When the Circular's streamlined competition procedures and this policy conflict, a DoD Component shall comply with this policy thus ensuring DoD uses a single, standardized method for performing streamlined competitions and complying with the Department's statutory obligations. See streamlined competition diagram at Enclosure 1.

4.1. Streamlined Competition Prohibited. A DoD Component shall not perform a standard competition when a function or any portion of a function is performed by fewer than 10 DoD civilian employee authorizations on the competition start date.

4.2. Streamlined Competition Required. A DoD Component shall conduct a streamlined competition if, on the competition start date:

4.2.1. An activity or any portion of an activity is performed by at least one but fewer than ten DoD civilian employee authorizations **and** the agency cost estimate will be based on fewer than ten DoD civilian employee authorizations, or

4.2.2. An activity or any portion of an activity is performed by at least one but fewer than 10 DoD civilian employee authorizations and any number of military **and** the agency cost estimate will be based on (a) fewer than ten DoD civilian employee authorizations, (b) a combination of fewer than ten DoD civilian employee authorizations and any number of military, or (c) any number of military and no DoD civilian employee authorizations.

4.3. Streamlined Competition Permitted. A DoD Component has the option of performing a streamlined competition or a standard competition **only** if on the competition start date, a commercial activity is:

4.3.1. Performed by any number of military authorizations and no DoD civilian employee authorizations **and** the agency cost estimate will be based on (a) fewer than ten DoD civilian employee authorizations, (b) a combination of fewer than ten DoD civilian employee authorizations and any number of military, or (c) any number of military and no DoD civilian employee authorizations, or

4.3.2. Performed by a private sector (contract) or public reimbursable (fee for service agreement) source **and** the agency cost estimate will be based on fewer than ten DoD civilian employee authorizations, or

4.3.3. A new requirement **and** the agency cost estimate will be based on fewer than ten DoD civilian employee authorizations.

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4.4. Cancellation of a Streamlined Competition. To cancel a streamlined competition, a Component Competitive Sourcing Official (CCSO) shall submit a written request with justification for cancellation to the DoD Competitive Sourcing Official (CSO). The streamlined competition shall not be cancelled without written CSO approval.

5. PROCEDURES.

5.1. Public Announcements.

5.1.1. Start Date. A DoD Component shall make a public announcement using the format at Enclosure 2 when initiating the start of the streamlined competition.

5.1.2. End Date (Performance Decision). A DoD Component shall make a public announcement to identify the performance decision in accordance with paragraphs 5.5.1. or 5.5.2. below.

5.1.3. Final Decision. A DoD Component shall make a public announcement to identify a final decision for a streamlined competition in accordance with paragraphs 5.5.1. or 5.5.2. below.

5.2. Time Limit. A DoD Component shall make a performance decision within the time limits required by paragraph C.2. of Attachment B to the Circular.

5.3. Requirements. A DoD Component shall provide the performance work statement (PWS) and quality assurance surveillance plan (QASP) to the cost estimating officials. The requirement for a quality control plan is at the discretion of the DoD Component.

5.4. Cost Estimates.

5.4.1. Appointment of Cost Estimating Officials. A DoD Component shall identify three individuals to prepare cost estimates and maintain firewalls between these individuals as required by paragraph C.1.d. in Attachment B to the Circular and this guidance.

5.4.1.1. Preparer of the Agency Cost Estimate. One government individual shall calculate the cost of agency performance to complete Streamlined Competition Form (SLCF) Lines 1, 2, 3 (limited to existing, awarded contracts supporting agency performance), 4, and 6 in accordance with Attachments B and C of the Circular. For a streamlined competition, the preparer of the agency cost estimate may also be the Baseline Costing Official who developed the preliminary planning baseline cost.

5.4.1.2. Preparer of the Private Sector Cost Estimate. A contracting officer shall calculate the lowest cost of private sector performance by determining an estimated contract price, using documented market research in accordance with the FAR and enter this estimate on Line 7 of the SLCF. The private sector costs to be estimated shall include costs

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similar to those that will be calculated in the agency cost estimate (i.e., costs on SLCF Lines 1, 2, 3 (limited to existing, awarded contracts supporting agency performance), and 4).

5.4.1.3. Decision Certifying Official. The Performance Decision certification shall be signed by a government official independent of the (a) contracting officer and (b) preparer of the agency cost estimate.

5.4.2. General Costing Guidance. In addition to the PWS and QASP, a DoD Component shall provide the following, in writing, to the Cost Estimating Officials.

5.4.2.1. Performance Periods. Identification of the phase-in period, base year and four option years that shall be used to calculate costs.

5.4.2.2. Due Date. Requirement that both the agency cost estimate and private sector cost estimate be submitted on a specific due date.

5.4.2.3. Phase-in Costs. Requirement that phase-in costs shall be documented and included in cost estimates in the first performance period.

5.4.2.4. Administration Costs. Requirement that the costs for contract administration for private sector performance and letter of obligation administration for agency performance be based on Figure C6 in the Circular (i.e., the cost reflected on SLCF Line 1 for administration of the letter of obligation is the same cost identified on SLCF Line 8 for administration of a private sector contract).

5.4.2.5. Inflation. Requirement that inflation for each performance period be calculated in accordance with the Circular, Attachment C, paragraph A.9.

5.4.2.6. Conversion Differential. Statement that a conversion differential shall not be included on the SLCF.

5.4.2.7. Types of Cost to Estimate. A requirement that the types of costs to be estimated include costs similar to those that will be calculated in the agency cost estimate (i.e., costs on SLCF Lines 1, 2, 3 (limited to existing, awarded contracts supporting agency performance), and 4). If other types of cost are required to perform the activity, a standard competition should be performed.

5.5. Performance Decision. A DoD Component shall comply with the following to make a low-cost performance decision. All signed SLCFs (including all related documentation for each SLCF) shall be retained in the competition file.

5.5.1. Agency Performance Decision. If SLCF Line 18 indicates an agency performance decision, the DoD Component shall implement the performance decision regardless of the incumbent service provider. The DoD Component shall not issue a solicitation. The

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performance decision shall be the final decision and a public announcement of this decision shall be made using the format provided at Enclosure 3.

5.5.2. Private Sector Performance Decision. If SLCF Line 18 indicates a private sector performance decision and the activity is a new requirement or the incumbent service provider is (a) fewer than 10 DoD civilian employee authorizations, (b) fewer than 10 DoD civilian employee authorizations and any number of military authorizations, (c) any number of military and no DoD civilian employee authorizations, or (d) a private sector contractor, a DoD Component shall comply with the following to make a final decision.

5.5.2.1. Make a public announcement of the performance decision using the format at Enclosure 4.

5.5.2.2. Not divulge the costs entered on SLCF Lines 1, 2, 3, 4, and 6 to the contracting officer or any prospective service provider until a final decision.

5.5.2.3. Issue a solicitation using the performance periods identified in paragraph 5.4.2.1. and the PWS prepared in paragraph 5.3. to obtain private sector cost proposals upon which to award a contract.

5.5.2.3.1. The solicitation shall state that “On (enter the date of certified SLCF) a streamlined competition determined that the private sector may be a more cost effective source for performing these activities than the agency. Since this determination was based on market research, this solicitation is now necessary to solicit actual private sector offers upon which to award a contract. Only prospective providers from the private sector are invited to respond to this solicitation but they are advised that if no private sector cost proposal is lower than the SLCF agency cost estimate (enter date on certified SLCF) a contract will not be awarded, the solicitation will be cancelled, and a final decision will result in agency performance. The SLCF agency cost estimate (enter date on certified SLCF) shall not be adjusted in any manner except to incorporate changes necessary to reflect formal OMB or DoD cost factor or rate changes, and any such changes shall be documented in writing. The SLCF used to make the performance decision and the SLCF used to make the final decision as well as all supporting documentation for each SLCF shall be made available upon request only after a final decision has been determined.”

5.5.2.3.2. Since formal private sector cost estimates are being solicited upon which to award a contract and an agency cost estimate has already been submitted in the streamlined competition, an agency response to the solicitation is not necessary. If a DoD Component wishes to permit such a response, a standard competition must be performed in lieu of the streamlined competition.

5.5.2.4. Select a low-cost private sector offeror.

5.5.2.5. Not make any cost adjustments to SLCF Lines 1, 2, 3, 4, and 6 except as required by official cost factor changes. Any such changes shall be justified and

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auditable to the original SLCF costs, documented in writing, and shall become part of the competition file.

5.5.2.6. Calculate a revised SLCF where only Line 7 is revised to identify the lowest cost private sector cost proposal to make a final decision.

5.5.2.7. When no private sector or public reimbursable source responds to a solicitation, the DoD Component shall implement the agency cost estimate.

5.5.2.8. Make a public announcement of the final decision using the format at Enclosure 5.

5.6. Final Decision. A DoD Component shall implement the final decision in a public-private competition in accordance with paragraph C.3.d. of Attachment B to the Circular. The SLCF used to make the performance decision and the SLCF used to make the final decision as well as all supporting documentation for each SLCF shall be made available upon request only after a final decision has been determined.

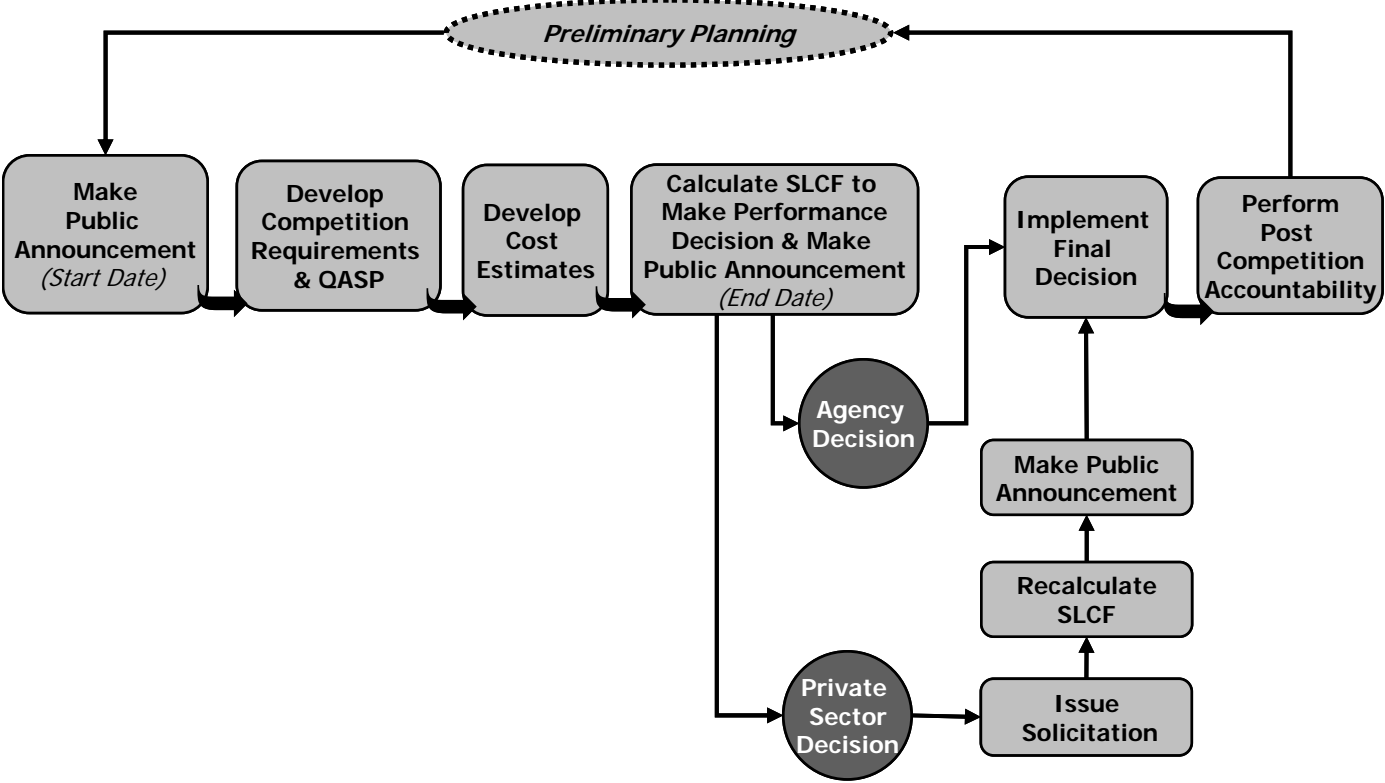
5.7. Post-competition Accountability. A DoD Component shall comply with the post-competition accountability requirements of the Circular, Attachment B, paragraph E. for the performance periods identified on the SLCF.

5 Enclosures

1. Streamlined Competition Diagram
2. FEDBIZOPPS Notice: Initiation of a Streamlined Competition
3. FEDBIZOPPS Notice: Streamlined Competition Performance/Final Decision
4. FEDBIZOPPS Notice: Streamlined Competition Performance Decision
5. FEDBIZOPPS Notice: Streamlined Competition Final Decision

ENCLOSURE 1
STREAMLINED COMPETITION DIAGRAM

THE STREAMLINED COMPETITION PROCESS



ENCLOSURE 2
FEDBIZOPPS Notice: Initiation of a Streamlined Competition

**PUBLIC ANNOUNCEMENT OF PUBLIC-PRIVATE COMPETITION
(INITIATION OF A STREAMLINED COMPETITION)**

D-OMB Circular A-76: Department of Defense Public-Private Competition of _____
(*insert the commercial activities to be competed (e.g., public works, information technology, , transportation)*)
performed by the _____(*insert the DoD Component Name (e.g., Department of the
Navy, Defense Logistics Agency) and, as applicable, major command, claimant, subordinate activity*)¹
located at _____(*insert the locations of the activities to be
competed (e.g., Fort Belvoir, Virginia; Langley Air Force Base, Virginia; Arlington, Virginia)*)

Document Type: Special Notice

POINT OF CONTACT: (*insert appropriate point of contact*)

Classification Code:

Description: **THIS IS NOT A SOLICITATION NOTICE.** In accordance with Office of Management and Budget Circular A-76 (Revised), Performance of Commercial Activities, May 29, 2003, this notice represents the formal public announcement and official start date of a public-private competition of (*insert the commercial activities as stated above*) performed at (*insert the locations as stated above*). The incumbent service providers affected by this public-private competition are approximately (*insert total number*) of Department of Defense government personnel positions consisting of [(*insert number*) of Department of Defense civilians and (*insert number*) of military), and (*insert number and provide list*) of Department of Defense contracts (**NOTE: do not include the number of contract employees, only the number of contracts**). The preliminary planning baseline costs are available upon request.

A streamlined competition will be conducted in accordance with the revised circular and Department of Defense interim guidance. This guidance is posted on SHARE A-76! at <http://share76.fedworx.org/>. The contracting officer shall calculate the lowest cost of private sector performance based on market research and the agency cost estimate will be calculated in accordance with the circular using performance periods that will consist of a phase-in period, base year and four option years. Prospective service providers are advised that a solicitation (1) will not be issued if the estimated cost of contract performance is greater than the estimated cost of agency performance, and (2) will be issued if the estimated cost of agency performance is greater than the estimated cost of contract performance.

The Department of Defense Competitive Sourcing Official is Mr. Philip W. Grone, Deputy Under Secretary of Defense (Installations and Environment). The Component Competitive Sourcing Official for (*insert DoD Component name*) is (*insert appropriate name and title*). The date of this public announcement is the official start date for this public-private competition and the projected end date of the competition is (*insert date*). The contracting officer is (*insert name and title*). The point of contact for questions regarding this public-private competition is (*insert name, title, and phone number/email address*).

NOTE: DoD Components shall not use abbreviations or acronyms in FEDBIZOPPS Notices

¹ For new requirements, insert “, which is a new requirement”.

ENCLOSURE 3
FEDBIZOPPS Notice: Streamlined Competition Performance/Final Decision
(Favoring Agency Performance)

**PUBLIC ANNOUNCEMENT OF PUBLIC-PRIVATE COMPETITION
(PERFORMANCE/FINAL DECISION OF A STREAMLINED COMPETITION)**

D-OMB Circular A-76: Department of Defense Public-Private Competition of _____
(*insert the commercial activities to be competed (e.g., public works, information technology, , transportation)*)
performed by the _____(*insert the DoD Component Name (e.g., Department of the
Navy, Defense Logistics Agency) and, as applicable, major command, claimant, subordinate activity*)¹
located at _____(*insert the locations of the activities to be
competed (e.g., Fort Belvoir, Virginia; Langley Air Force Base, Virginia; Arlington, Virginia)*)

Document Type: Special Notice

POINT OF CONTACT: (*insert appropriate point of contact*)

Classification Code:

Description: **THIS IS NOT A SOLICITATION NOTICE.** Description: In accordance with OMB Circular A-76, May 29, 2003, this notice provides the formal public announcement of a streamlined competition performance decision, which is also the final decision, of the (*insert the commercial activities as stated above*) performed at (*insert the locations as stated above*). The incumbent service providers affected by this public-private competition are approximately (*insert total number*) of Department of Defense government personnel positions consisting of [(*insert number*) of Department of Defense civilians and (*insert number*) of military], and (*insert number and provide list*) of Department of Defense contracts (**NOTE: do not include the number of contract employees, only the number of contracts**).

The streamlined competition form indicates that government personnel are the most cost effective source. A letter of obligation will be issued and the post-competition accountability requirements of the Circular will be performed by the requiring activity. The adjusted baseline costs and streamlined competition form and documentation are available upon request. **Prospective service providers are advised that a solicitation will not be issued for these services.**

The Department of Defense Competitive Sourcing Official is Mr. Philip W. Grone, Deputy Under Secretary of Defense (Installations and Environment). The Component Competitive Sourcing Official for (*insert DoD Component name*) is (*insert appropriate name and title*). The contracting officer is (*insert name and title*). The point of contact for questions regarding this public-private competition is (*insert name, title, and phone number/email address*).

NOTE: DoD Components shall not use abbreviations or acronyms in FEDBIZOPPS Notices

¹ For new requirements, insert “, which is a new requirement”.

ENCLOSURE 4
FEDBIZOPPS Notice: Streamlined Competition Performance Decision
(Favoring Private Sector Performance)

**PUBLIC ANNOUNCEMENT OF PUBLIC-PRIVATE COMPETITION
(PERFORMANCE DECISION OF A STREAMLINED COMPETITION)**

D-OMB Circular A-76: Department of Defense Public-Private Competition of _____
(*insert the commercial activities to be competed (e.g., public works, information technology, transportation)*)
performed by the _____(*insert the DoD Component Name (e.g., Department of the
Navy, Defense Logistics Agency) and, as applicable, major command, claimant, subordinate activity*)¹
located at _____(*insert the locations of the activities to be
competed (e.g., Fort Belvoir, Virginia; Langley Air Force Base, Virginia; Arlington, Virginia)*)

Document Type: Special Notice

POINT OF CONTACT: (*insert appropriate point of contact*)

Classification Code:

Description: **THIS IS NOT A SOLICITATION NOTICE.** Description: In accordance with OMB Circular A-76, May 29, 2003, this notice provides the formal public announcement of a streamlined competition performance decision of the (*insert the commercial activities as stated above*) performed at (*insert the locations as stated above*). The incumbent service providers affected by this public-private competition are approximately (*insert total number*) of Department of Defense government personnel positions, consisting of [(*insert number*) of Department of Defense civilians and (*insert number*) of military], and (*insert number and provide list*) of Department of Defense contracts (**NOTE: do not include the number of contract employees, only the number of contracts**).

The streamlined competition form indicates that, based on market research, a private sector source may be a more cost effective source than agency performance. Therefore, prospective private sector service providers are advised that a solicitation will be issued on (*insert date*) for these services. The agency costs on the SLCF used to make this performance decision on (enter date on SLCF) shall not be adjusted in any manner except to incorporate changes necessary to reflect formal OMB or DoD cost factor rate changes, and will be made available after a final decision has been determined.

The Department of Defense Competitive Sourcing Official is Mr. Philip W. Grone, Deputy Under Secretary of Defense (Installations and Environment). The Component Competitive Sourcing Official for (*insert DoD Component name*) is (*insert appropriate name and title*). The contracting officer is (*insert name and title*). The point of contact for questions regarding this public-private competition is (*insert name, title, and phone number/email address*).

NOTE: DoD Components shall not use abbreviations or acronyms in FEDBIZOPPS Notices

¹ For new requirements, insert “, which is a new requirement”.

ENCLOSURE 5
FEDBIZOPPS Notice: Streamlined Competition Final Decision

**PUBLIC ANNOUNCEMENT OF PUBLIC-PRIVATE COMPETITION
(FINAL DECISION OF A STREAMLINED COMPETITION)**

D-OMB Circular A-76: Department of Defense Public-Private Competition of _____
(*insert the commercial activities to be competed (e.g., public works, information technology, , transportation)*)
performed by the _____(*insert the DoD Component Name (e.g., Department of the
Navy, Defense Logistics Agency) and, as applicable, major command, claimant, subordinate activity*)¹
located at _____(*insert the locations of the activities to be
competed (e.g., Fort Belvoir, Virginia; Langley Air Force Base, Virginia; Arlington, Virginia)*)

Document Type: Special Notice

POINT OF CONTACT: (*insert appropriate point of contact*)

Classification Code:

Description: **THIS IS NOT A SOLICITATION NOTICE.** Description: In accordance with OMB Circular A-76, May 29, 2003, this notice provides the formal public announcement of a streamlined competition final decision of the (*insert the commercial activities as stated above*) performed at (*insert the locations as stated above*). The incumbent service providers affected by this public-private competition are approximately (*insert total number*) of Department of Defense government personnel positions consisting of [(*insert number*) of Department of Defense civilians and (*insert number*) of military], and (*insert number and provide list*) of Department of Defense contracts (**NOTE: do not include the number of contract employees, only the number of contracts**).

Based on the issuance of a solicitation and receipt of private sector proposals, the streamlined competition form indicates that (*insert either (1) the government personnel are, or (2) a private sector contractor is*) the most cost effective service provider. [- or -] [A solicitation was issued but no responsive private sector proposals were received; therefore, an agency final decision will be implemented based on the agency cost estimate.] The adjusted baseline costs and streamlined competition form and documentation are available upon request.

The Department of Defense Competitive Sourcing Official is Mr. Philip W. Grone, Deputy Under Secretary of Defense (Installations and Environment). The Component Competitive Sourcing Official for (*insert DoD Component name*) is (*insert appropriate name and title*). The contracting officer is (*insert name and title*). The point of contact for questions regarding this public-private competition is (*insert name, title, and phone number/email address*).

NOTE: DoD Components shall not use abbreviations or acronyms in FEDBIZOPPS Notices

¹ For new requirements, insert “, which is a new requirement”.

SUBJECT: Calculating The Conversion Differential For Public-Private Competitions

- REFERENCES:** (a) Office of Management and Budget Circular Number A-76, Performance of Commercial Activities, May 29, 2003¹
(b) 10 USC, Section 2461
(c) Section 8013 of the Department of Defense Appropriations Act, 2007
(d) DoD A-76 Costing Manual, March 14, 2001

1. PURPOSE. Department of Defense (DoD) costing policy is hereby amended with respect to calculating the conversion differential for a standard or streamlined competition. Under some circumstances, the conversion differential prescribed by OMB Circular A-76 is inconsistent with section 2461 of title 10, United States Code. This policy provides guidance on calculating the conversion differential within DoD to ensure compliance with the statute.

2. APPLICABILITY. This guidance applies to the Office of the Secretary of Defense, the Military Departments, the Chairman of the Joint Chiefs of Staff, the Combatant Commands, the Office of the Inspector General of the Department of Defense, the Defense Agencies, the DoD Field Activities, and all other organizational entities of the Department of Defense (hereafter referred to collectively as “the DoD Components”).

3. DEFINITIONS. Terms and definitions used in this guidance are consistent with the Circular. Terms used in this guidance that are not used in the Circular follow:

3.1. Civilian Employee Authorization. A DoD civilian employee position that is authorized by DoD, funded through DoD appropriated funds or Defense working capital funds, allocated to a DoD commercial activity, and expressed in terms of one year of full-time workload (see civilian employee and full-time equivalent definitions in OMB Circular A-76).

3.2. Final Decision. The decision that is implemented (e.g., contract award, most efficient organization letter of obligation) following resolution of any type of challenge (e.g., contest, protest) regarding a performance decision or, if no such challenges are received, the time allowed for submission of challenges. The final decision date is the date when either (a) all certifications are completed on a standard or streamlined competition form that results from the resolution of challenges, or (b) if no challenges are received, the time allowed for submission of such challenges.

3.3. Performance Decision. Consistent with the Circular’s definition of performance decision, the decision that identifies the end and outcome of the public-private competition process. A performance decision occurs prior to resolution of any type of challenge (e.g., contests, protests) regarding the performance decision or, if no such challenges are received, the time allowed for submission of challenges. The performance decision date is the official end date for a streamlined or standard competition, which occurs when all certifications are completed on the standard or streamlined competition form signifying a performance decision. The performance decision date is also the end date for the time frames specified under Section 8020 of the

¹ www.omb.gov

SUBJECT: Calculating The Conversion Differential For Public-Private Competitions

Department of Defense Appropriations Act, 2007 (including recurrences of this section in DoD Appropriations Acts in subsequent fiscal years).

4. POLICY.

4.1. Standard Competition. A DoD Component shall perform a single or multi-function² standard competition when a function or any portion of a function is performed by 10 or more DoD civilian employee authorizations on the start date of the competition. A DoD Component shall not perform a standard competition when a function or any portion of a function is performed by at least one but fewer than ten DoD civilian employee authorizations on the competition start date. DoD Components shall calculate the conversion differential for a standard competition in accordance with the procedures specified in paragraph 5 in lieu of paragraph D. in Attachment C. of OMB Circular A-76.

4.2. Streamlined Competition. A DoD Component shall perform a streamlined competition when a function or any portion of a function is performed by at least one but fewer than 10 DoD civilian employee authorizations on the competition start date in accordance with DoD Competitive Sourcing Program Guidance on Streamlined Competitions, August 2007. The conversion differential shall not be calculated for a streamlined competition.

5. PROCEDURES.

5.1. Calculation of the Conversion Differential for a Standard Competition. The conversion differential shall be calculated by multiplying SCF Line 1 personnel costs for all performance periods by 10 percent. If the calculated conversion differential is less than \$10 million, the calculated conversion differential shall be entered on SCF Line 14. If the calculated conversion differential is greater than or equal to \$10 million, \$10 million shall be entered on SCF Line 14.

5.1.1. Conversion From Agency to Contract Performance. The sum of SCF Lines 13 and 14 shall be entered on SCF Line 16.

5.1.2. Expansion (Segregable or Non-segregable). DoD Components shall not prorate the conversion differential to accommodate the expansion (segregable or non-segregable) of a function that is the subject of a standard competition. The sum of SCF Lines 13 and 14 shall be entered on SCF Line 16.

5.1.3. Partial Conversion From Contract To Agency Performance. DoD Components shall not prorate the conversion differential to accommodate a partial conversion from contract to agency performance. The sum of SCF Lines 13 and 14 shall be entered on SCF Line 16.

² The terms “function” and “commercial activity” are synonymous in this guidance.

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5.1.4. Total Conversion From Contract To Agency Performance. The sum of SCF Lines 6 and 14 shall be entered on SCF Line 15.

5.1.5. New Requirement. The sum of SCF Lines 6 and 14 shall be entered on SCF Line 15.

5.2. COMPARE. This policy does not require a change to the COMPARE software; however, users must now select the correct option in one data element. When creating an agency cost estimate for a standard competition, the **“A-Standard (Agency Source)”** option in the “Competition Type/Method of Operation” field in COMPARE shall be selected for all methods of operation except for New Requirements or Total Conversions from Contract to Agency Performance. This selection ensures that the statutory conversion differential will be applied on SCF Line 14.