



# Department of Defense **INSTRUCTION**

NUMBER 7041.04

July 3, 2013

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CAPE

**SUBJECT:** Estimating and Comparing the Full Costs of Civilian and Active Duty Military Manpower and Contract Support

**References:** See Enclosure 1

1. **PURPOSE.** This instruction, in accordance with the authority in DoD Directive 5105.84 (Reference (a)):

- a. Establishes policy, assigns responsibilities, and provides procedures to estimate and compare the full costs of active duty military and DoD civilian manpower and contract support.
- b. Provides a consistent approach for all DoD Components to estimate costs of manpower.
- c. Provides a list of the potential cost factors associated with manpower that should be considered in the decision-making process even when manpower costs are not the only factor.
- d. Incorporates and cancels Directive-type Memorandum 09-007 (Reference (b)).

2. **APPLICABILITY.** This instruction applies to:

- a. OSD, the Military Departments, the Office of the Chairman of the Joint Chiefs of Staff and the Joint 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 within the DoD (referred to collectively in this instruction as the “DoD Components”).
- b. Only appropriated funded activities.

3. **POLICY.** It is DoD policy that:

- a. When developing national security policies and making program commitments, DoD officials must be aware of the full costs of manpower and have a thorough understanding of the implications of those costs to the DoD and, on a broader scale, to the Federal Government. This

instruction provides the business rules to estimate the full costs of the defense workforce and contracted support in support of planning, defense acquisition, and force structure decisions.

b. The business rules in this instruction will be used:

(1) When performing a benefit analysis, an economic analysis, or business case analysis in support of workforce mix decisions. This includes, but is not limited to, determining the workforce mix of new or expanding mission requirements that are not inherently governmental or exempt from private-sector performance.

(2) To decide whether to use DoD civilians to perform functions that are currently being performed by contractors.

c. The cost elements in this instruction can be modified or augmented in each specific case as necessary, but DoD Components should be prepared to support such decisions with sufficient justification.

4. RESPONSIBILITIES. See Enclosure 2.

5. PROCEDURES

a. Enclosure 3 provides a list of cost elements and methodologies for estimating and comparing the full costs of active duty military and civilian manpower and contract support. Reserve and National Guard military manpower costs are not addressed in this instruction. A cost model for DoD-wide employment of Enclosure 3's business rules is at <https://fcom.cape.osd.mil/>.

b. Enclosure 4 provides the data sources and calculations for direct labor cost elements for active duty military and DoD civilian personnel.

c. Enclosure 5 provides a list of non-labor cost factors (goods, services, and benefits) associated with manpower that should be considered in the decision-making process when manpower costs are not the only factor.

6. RELEASABILITY. **Unlimited**. This instruction is approved for public release and is available on the Internet from the DoD Issuances Website at <http://www.dtic.mil/whs/directives>.

7. EFFECTIVE DATE. This instruction:

a. Is effective July 3, 2013.

b. Must be reissued, cancelled, or certified current within 5 years of its publication in accordance with DoD Instruction 5025.01 (Reference (c)). If not, it will expire effective July 3, 2023 and be removed from the DoD Issuances Website.



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Enclosures

1. References
  2. Responsibilities
  3. Business Rules for Estimating and Comparing the Full Costs of DoD Manpower and Contract Support
  4. Cost Elements and Data Sources
  5. List of Goods, Services, and Benefits
- Glossary

TABLE OF CONTENTS

ENCLOSURE 1: REFERENCES.....6

ENCLOSURE 2: RESPONSIBILITIES.....7

    DIRECTOR OF COST ASSESSMENT AND PROGRAM EVALUATION (DCAPE) .....7

    UNDER SECRETARY OF DEFENSE (COMPTROLLER)/CHIEF FINANCIAL  
    OFFICER, DEPARTMENT OF DEFENSE (USD(C)/CFO) AND DCAPE.....7

    USD(C)/CFO, UNDER SECRETARY OF DEFENSE FOR PERSONNEL AND  
    READINESS (USD(P&R)), AND DCAPE .....7

    OSD AND DoD COMPONENT HEADS.....7

ENCLOSURE 3: BUSINESS RULES FOR ESTIMATING AND COMPARING THE FULL  
COSTS OF DoD MANPOWER AND CONTRACT SUPPORT .....8

    GENERAL.....8

        Manpower Costs .....8

        Workforce Mix Decisions.....8

        Program and Budget Submissions .....9

    BUSINESS RULES FOR DoD MANPOWER .....10

        Labor Costs .....10

        Non-Labor Costs.....13

    BUSINESS RULES FOR CONTRACT SUPPORT .....14

    METHODOLOGY .....16

        Manpower Costs .....16

        Manpower Conversions - Military to DoD Civilian or DoD Civilian to Military.....17

        Cost Comparisons of DoD Manpower and Contract Support .....17

        Other Considerations .....19

ENCLOSURE 4: COST ELEMENTS AND DATA SOURCES .....20

ENCLOSURE 5: LIST OF GOODS, SERVICES, AND BENEFITS .....29

ENCLOSURE 6: COST COMPARISON EXAMPLE.....31

    SAMPLE COST COMPARISON .....31

    BASE PAY WITH LOCALITY AND BAH.....31

    PROGRAMMED AMOUNT .....31

    FULL COST TO DoD .....32

    FULL COST TO FEDERAL GOVERNMENT .....32

GLOSSARY .....34

    PART I: ABBREVIATIONS AND ACRONYMS .....34

PART II: DEFINITIONS.....35

TABLES

1. Direct Labor Cost Elements for Military and DoD Civilian Personnel.....13  
2. Military Cost Elements and Data Sources .....20  
3. Civilian Cost Elements and Data Sources .....26  
4. Sample Cost Comparison.....31

FIGURES

1. Cost Elements of the Full Cost of Manpower.....10  
2. Agencies with Outlays for Military Personnel and Retirees, Typical Fiscal Year .....11

ENCLOSURE 1

REFERENCES

- (a) DoD Directive 5105.84, "Director of Cost Assessment and Program Evaluation (DCAPE)," May 11, 2012
- (b) Directive-type Memorandum 09-007, "Estimating and Comparing the Full Costs of Civilian and Military Manpower and Contract Support," January 29, 2010, as amended (hereby cancelled)
- (c) DoD Instruction 5025.01, "DoD Directives Program," September 26, 2012
- (d) Title 10, United States Code
- (e) DoD Instruction 1100.22, "Policy and Procedures for Determining Workforce Mix," April 12, 2010
- (f) Office of Management and Budget Circular A-76, "Performance of Commercial Activities," May 29, 2003
- (g) Office of Federal Procurement Policy Letter 11-01, October 12, 2011
- (h) DoD Directive 5118.03, "Under Secretary of Defense (Comptroller)/Chief Financial Officer, Department of Defense (USD(C)/CFO)," April 20, 2012
- (i) Section 1431 of Title 50, United States Code
- (j) Title 42, United States Code
- (k) Title 49, United States Code
- (l) Title 5, United States Code
- (m) DoD Instruction 3020.41, "Operational Contract Support (OCS)," December 20, 2011

ENCLOSURE 2

RESPONSIBILITIES

1. DIRECTOR OF COST ASSESSMENT AND PROGRAM EVALUATION (DCAPE). In addition to the responsibilities in sections 2, 3, and 4 of this enclosure, the DCAPE will prepare clarifying guidance as needed for this instruction.

2. UNDER SECRETARY OF DEFENSE (COMPTROLLER)/CHIEF FINANCIAL OFFICER, DEPARTMENT OF DEFENSE (USD(C)/CFO) AND DCAPE. In addition to the responsibilities in sections 3 and 4 of this enclosure, the USD(C)/CFO and DCAPE will continue to issue separate guidance as part of the annual integrated program and budget review process for developing DoD civilian and military personnel and contract support costs for consideration in program and budget submissions.

3. USD(C)/CFO, UNDER SECRETARY OF DEFENSE FOR PERSONNEL AND READINESS (USD(P&R)), AND DCAPE. In addition to the responsibilities in section 4 of this enclosure, the USD(C)/CFO, USD(P&R), and DCAPE will develop a cost model for DoD-wide application that employs the business rules in Enclosure 3 of this instruction.

4. OSD AND DoD COMPONENT HEADS. The OSD and DoD Component heads will use the business rules set in Enclosure 3 of this instruction:

a. To estimate the full costs of the defense workforce in support of planning, defense acquisition, and force structure decisions.

b. When performing a cost benefit analysis, an economic analysis, or business case analysis in support of workforce mix decisions. This includes, but is not limited to, determining manpower costs associated with new or expanding mission requirements that are not inherently governmental or exempt from private-sector performance, in accordance with section 2463 of Title 10, United States Code (U.S.C.) (Reference (d)) and DoD Instruction 1100.22 (Reference (e)).

c. To decide whether to use DoD civilians to perform functions that are currently being performed by contractors.

ENCLOSURE 3

BUSINESS RULES FOR ESTIMATING AND COMPARING  
THE FULL COSTS OF DoD MANPOWER AND CONTRACT SUPPORT

1. GENERAL. These business rules establish standard DoD procedures for estimating and comparing the costs of different configurations of manpower (military and DoD civilian) and contract support.

a. Manpower Costs. When answering questions about the costs of manpower for a specific unit, organization, function, mission, or defense acquisition program, analysts should report the full costs of military and civilian DoD manpower (e.g., DoD Components should account for the full costs of manpower when developing independent cost estimates and analyses of alternatives for defense acquisition programs and when pricing units in the force structure). Manpower cost estimates normally address costs to the DoD. However, in certain cases, analysts may be asked to report full manpower costs to the Federal Government. These business rules address both kinds of requests.

b. Workforce Mix Decisions. Sections 129a, 2330a, 2461, and 2463 of Reference (d), Reference (e), Office of Management and Budget Circular A-76 (Reference (f)), and Office of Federal Procurement Policy letter 11-01 (Reference (g)) are particularly relevant to decisions on workforce mix. Cost analysts will consult these references and determine workforces mix options before using this instruction to calculate the costs of those workforce mix decisions. In all cases, if functions or activities are no longer required, they will be terminated.

(1) New or Expanded Missions. If a manpower analysis shows that a new or expanded mission requirement is not inherently governmental or exempt from private-sector performance, as required by section 2463 of Reference (d), the official responsible for the function(s) in question will conduct a cost comparison using the business rules prescribed in this enclosure to determine which would cost less: DoD civilian employees or a private-sector contractor.

(2) Conversion From Contractor to Government Performance - In-sourcing. If a review shows that a function is not inherently governmental or exempted by section 2463 of Reference (d) and Reference (e), conversion to DoD civilian employee performance must conduct a cost comparison using the business rules prescribed in this enclosure to determine whether DoD civilian employees or a private sector contractor would perform a function at a lower cost. Conversions must meet the cost differential requirements set by section 2463 of Reference (d).

(3) Manpower Conversions—Military to DoD Civilian or DoD Civilian to Military. Manpower may be either military or DoD civilian performance based, and can be converted from one to the other as needed in accordance with Reference (e). Although cost is not the only factor in such decisions, analysts may be asked to estimate the cost impact of the conversions. In such cases, an analyst will conduct a cost comparison using the business rules prescribed in this enclosure, to estimate the cost of converting a function from military to DoD civilian performance or from DoD civilian to military performance.



(4) Conversions From Government to Contractor Performance. DoD Components are required to conduct public-private competitions in accordance with Reference (f), section 2461 of Reference (d), and other applicable laws and regulations, in determining whether to convert a commercial activity performed by any number of civilian DoD personnel to private-sector performance.

c. Program and Budget Submissions

(1) Policies and procedures for calculating DoD civilian and military manpower costs for programming and budgeting purposes are established through separate guidance issued by the USD(C)/CFO and the DCAPE as part of the annual integrated program and budget review process.

(2) The DoD composite rates, as published by the USD(C)/CFO, pursuant to paragraph 6.1 of DoD Directive 5118.03 (Reference (h)), will be used to calculate manpower costs for program and budget submissions. However, these DoD composite rates do not account for the full costs of military or DoD civilian personnel. For example, the outlays for compensation costs and for retirement and medical accrual accounts for active-duty military personnel represent only a fraction of total federal outlays. For this reason, composite rates should not be the only source of data used when answering questions about the cost of the defense workforce, making workforce-mix decisions, or determining the cost impact of manpower conversions.

2. BUSINESS RULES FOR DoD MANPOWER. The cost elements and methodologies described in this section are to be used when estimating workforce costs, as detailed in paragraphs 2a(1) through 2b(3) of this enclosure. Cost elements for DoD civilian and military manpower can be divided into labor and non-labor costs and are detailed in Enclosures 4 and 5 (see Figure 1) of this instruction.

Figure 1. Cost Elements of the Full Cost of Manpower

	Military	DoD Civilian	Contract
<b>Labor Costs</b>	<ul style="list-style-type: none"> <li>• Current                             <ul style="list-style-type: none"> <li>- Cash</li> <li>- In-Kind</li> </ul> </li> <li>• Deferred                             <ul style="list-style-type: none"> <li>- Cash</li> <li>- In-Kind</li> </ul> </li> </ul> <p><i>(detailed in Enclosure 4, Table 2)</i></p>	<ul style="list-style-type: none"> <li>• Current                             <ul style="list-style-type: none"> <li>- Cash</li> <li>- In-Kind</li> </ul> </li> <li>• Deferred                             <ul style="list-style-type: none"> <li>- Cash</li> <li>- In-Kind</li> </ul> </li> </ul> <p><i>(detailed in Enclosure 4, Table 3)</i></p>	<ul style="list-style-type: none"> <li>• Cost of the Contract to the Government</li> </ul> <p><i>(will include non-separable, non-labor costs)</i></p>
<b>Non-labor Costs</b>	<ul style="list-style-type: none"> <li>• Goods</li> <li>• Services</li> <li>• Benefits</li> <li>• General &amp; Administrative</li> <li>• Overhead</li> </ul> <p><i>(detailed in Enclosure 5)</i></p>	<ul style="list-style-type: none"> <li>• Goods</li> <li>• Services</li> <li>• Benefits</li> <li>• General &amp; Administrative</li> <li>• Overhead</li> </ul> <p><i>(detailed in Enclosure 5)</i></p>	<ul style="list-style-type: none"> <li>• Goods</li> <li>• Services</li> <li>• Benefits</li> <li>• General &amp; Administrative</li> <li>• Overhead</li> </ul> <p><i>(detailed in Enclosure 5)</i></p> <ul style="list-style-type: none"> <li>• Contract Oversight / Administration</li> </ul>

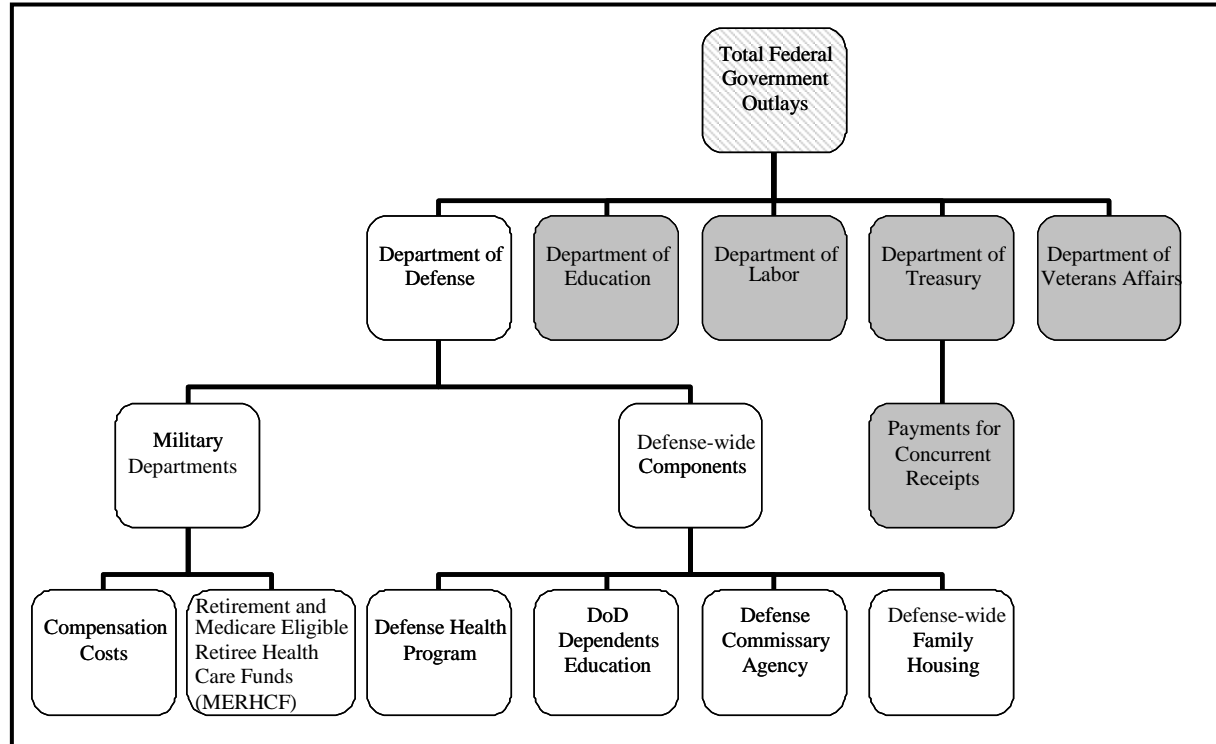
a. Labor Costs

(1) Direct Labor Costs

(a) Direct labor costs for military and DoD civilian manpower can be divided into two categories: costs paid by the DoD and costs paid by other federal agencies. Examples of military and DoD civilian personnel costs paid by other federal agencies include payments for concurrent receipts (a form of deferred compensation for military personnel with disabilities), which are paid by the Department of Treasury, and health benefits for civilian retirees, which are

paid by the Office of Personnel Management. Figure 2 lists the agencies that typically have outlays for Active and Reserve Component personnel and for retirees paid by the DoD and other federal agencies.

Figure 2. Agencies with Outlays for Military Personnel and Retirees, Typical Fiscal Year



(b) Direct labor costs for military and DoD civilian manpower can be further divided into three subcategories: costs that are variable in the short run, fixed in the short run, and pay-as-you-go costs that are deferred.

1. Costs That Are Variable in the Short Run. These costs directly relate to, and are driven by, the size of the workforce (e.g., basic pay, allowances, health care benefits). These costs vary annually in relation to the number of personnel in each pay status.

2. Costs That Are Fixed in the Short Run. These costs of benefits are not directly tied to, or driven by, the size of the workforce. They are adjusted over time if changes occur in the size of the workforce that are significant enough and of long enough duration to justify a change in the services provided (e.g., appropriated funds for commissaries, day care centers). These costs change only if workforce numbers grow or shrink so significantly that the size or number of commissaries or day care centers has to change in order to properly serve the population.

3. Costs That Are Deferred. These costs will be incurred in the future, including some, but not all, types of deferred compensation. Deferred compensation costs are funded in two ways.

a. Some deferred costs are pay-as-you-go costs that are fully funded. Operating accounts used for civilian and military pay are budgeted to fully fund accruals for future retirement benefits. For every Service member in an active or reserve status today, a payment is made into an accrual fund from which his or her retirement pay will be drawn in the future. Deferred compensation of this type is considered to be a variable cost in the short run because changes made today in the size of the workforce trigger corresponding changes in the amount of money that must be paid into the accrual fund today.

b. Other types of deferred compensation are not fully funded. One example is the non-Medicare-eligible retiree health benefit. In this situation, DoD incurs liabilities today that it pays for in the future, when the services actually are provided (i.e., when an employee retires and uses his or her health care benefits). To estimate these future liabilities, a proxy is used—the current annual cost of providing such a benefit or compensation.

(c) The taxonomy described in paragraph 2a(1)(b) of this enclosure results in six distinct types of direct labor costs for both military and DoD civilian personnel. Table 1 lists the direct cost elements for each of the six types of direct labor costs for military and DoD civilian personnel incurred by the DoD and other federal agencies. Enclosure 4 of this instruction provides the data sources and calculations for the cost elements addressed in Table 1.

**Table 1. Direct Labor Cost Elements for Military and DoD Civilian Personnel**

	Military		Civilian	
	DoD	Other Federal Agency	DoD	Other Federal Agency
<b>Variable Costs in the Short Run</b>	Basic pay	Child education (Education)	Basic pay/locality pay	
	Retired pay (accrual)	Concurrent receipt (Treasury)	Allowances and special pays	
	Basic Allowance for Housing (BAH)	Contribution to MERHCF (Treasury)	Incentive/performance awards	
	Basic Allowance for Subsistence (BAS)	Contribution to Military retirement (Treasury)	Overtime/holiday/other pays	
	Incentive / Special Pays		Recruiting, advertising etc.	
	Permanent Change of Station		Life insurance/worker's compensation benefits	
	Miscellaneous (as defined by DoD Financial Management Regulation 7000.14-R, Volume 11A, Chapter 6); includes contribution to Social Security; transportation subsidies, separation pays, clothing allowance, etc.		Health benefit (government share of Federal Employee Health Benefit Program (FEHBP))	
	Health benefit, retiree (>65 MERHCF accrual)		Retired pay (government share)	
	Health benefit, active duty and dependents		Social Security and Medicare	
	Recruitment, advertising, etc.		Travel/PCS/transportation subsidy/relocation bonus	
	Education assistance		(Object Class (OC) 11 & 12 Load Factors)	
	Training costs			
<b>Fixed Costs in the Short Run</b>	Child development		Child development	
	Discount groceries		Discount groceries	
	Family support services			
<b>Deferred Pay-as-you-Go Costs</b>	Health benefit, retiree (<65 Non-Medicare Eligible Retiree Health Care)	Employment training (Labor)	Severance health benefit	Retirement benefit (Civil Service Retirement System (CSRS) unfunded) (Treasury)
		VA benefits (Veterans Affairs)	Severance pay/incentive	Life insurance benefit (for CSRS only)
			(OC 13 Load Factors)	Health benefit (for CSRS only)

(2) Indirect Labor Costs. No indirect labor costs considerations are required.

b. Non-Labor Costs

(1) Direct Non-Labor Costs. Items that are rented and services that are contracted for by an organization belong to this cost category. For example, if an organization rents office space for its exclusive use, its monthly rental payments are a direct cost to that organization. If an office has its own copier, the costs of operating and maintaining the copier (including supply purchases and repair calls) are a direct cost to that office. See Enclosure 5 of this instruction for a listing of the kinds of goods, services, and benefits that should be considered when developing non-labor cost estimates. Common costs across manpower types under consideration may be set aside.

(2) Indirect Non-Labor Costs—General and Administrative (G&A) and Overhead Costs. Indirect costs for military and DoD civilian manpower are the costs of goods, services, and benefits that support more than one organization and thus are allocated across the organizations drawing on them rather than being borne by a single organization. While there are indirect labor costs associated with the provision of these services, consider the entirety of these costs together as a service.

(a) If an organization produces or provides more than one product or service, indirect costs would include the fair share of the recurring costs of higher-level management (i.e., the fair share of the labor and non-labor costs of higher-level management) and the fair share of the recurring costs of shared professional support services performed externally to, but in support of, the organization (e.g., the fair share of the labor and non-labor costs of accounting, legal, human resources, budget, data processing, and base operating support). Do not simply look at the fair share portion of the salaries of the personnel providing these functions and services, but rather at the fair share portion of total costs of these functions and services.

(b) Indirect costs also include the fair share of the recurring costs of commonly shared goods (e.g., materials, supplies, equipment, facilities, and other related items), services, and benefits. For example, the fair share of the rent, utility costs, and cleaning expenses incurred by an agency would be an indirect cost to all of the organizations encompassed within that agency. Also, the fair share of the costs of equipment, such as a commonly shared copier, including supply and maintenance costs, would be an indirect cost to all of the offices using the copier.

(c) See Enclosure 5 of this instruction for the kinds of goods, services, and benefits that should be considered when developing estimates of indirect costs. If these individual costs cannot be calculated, use an overhead rate of 12 percent applied to all the variable costs in the short run that are applicable to the DoD (see Table 1).

3. BUSINESS RULES FOR CONTRACT SUPPORT. The costs of service contracts are variable costs in the short run paid by the DoD. The full costs of contracts include the prices of the contracts plus any additional indirect costs.

a. When estimating the full costs of contract support, cost analysts for the requiring activity should begin with the negotiated price of the contract. If the estimate is for a new or expanded mission requirement for which a comparable, existing contract cannot be found, an estimate of the price of the contract obtained through market research and updated, if necessary and where available, with cost and manpower data from the enterprise Contract Manpower Reporting Application (eCMRA).

(1) Contractor rates for many services can be obtained from the General Services Administration (GSA) Advantage Web site at <http://www.gsaadvantage.gov> or from Army's eCMRA at <http://www.asamra.army.mil/scra> but these rates are not available by location. Contractor rates for many services can also be obtained, if necessary and where available from the eCMRA. Army's eCMRA has accumulated data over a number of years by location and

function at: <http://www.asamra.army.mil/scra>. The eCMRA data includes direct labor costs, total costs and non-labor costs for many services by location and year.

(2) Hourly rates reported in the GSA schedule can be converted to annual rates using the Office of Management and Budget's standard rate for productive hours of 1,776 work-hours per year.

(3) If all the tasks being performed by a contract are planned for conversion to government performance, using an existing contract as the basis for determining the contract costs is appropriate. However, where only certain tasks in a contract are being considered for conversion to government performance, further analysis is required. Specifically, the costs for the direct labor hours corresponding to contracted tasks as described in the contract are to be compared to the hours corresponding to the tasks in the DoD civilian employee position descriptions when it is proposed to convert from contract to DoD civilian employee performance. These hours must not be converted to a full time equivalent but made on an hourly basis, unless there is documentation of the contractor's leave and work-day shift policies that can inform an accurate full time equivalent for them. Costing associated with the tasks described in the contract should be analyzed at the skill level specified in the contract (and corresponding DoD civilian employee position description analyzed at that same skill level, with an accounting of any differences in skill levels or additional tasks performed in the DoD civilian employee position description).

(4) The negotiated price of the contract includes direct costs, including labor and non-labor, and indirect costs (e.g., overhead and G&A) borne by the contractor, plus an allowance for profit.

(5) When estimating the price of contract support, cost analysts should consider all direct and indirect costs discussed in paragraphs 3a and 3b of this enclosure.

b. Beyond the contract price, the full cost of a contract includes non-labor costs such as the costs of goods, services, and benefits provided in-kind to contractors or reimbursed to contractors by the DoD, plus the costs of services performed by the Department in support of the contract and contract administration:

(1) Goods, services, and benefits that are provided to contractors by the DoD should be identified when estimating the full costs of a contract since these are common costs. Included in this category are the costs of any goods that are provided to the contractor as government-furnished property. The estimate also should include the fair share of the costs of any higher-level management and professional DoD support under the terms of the service contract. In addition, if the contract calls for DoD provision of services or benefits, these costs should be identified since they are common costs. See Enclosure 5 of this instruction for the kinds of goods, services, and benefits that should be considered when estimating the full costs of a service contract.

(2) The costs incurred by the DoD for contract administration and oversight, including the costs of the contracting officer (CO), contracting officer's representative (COR) (allocated by

the time spent on the contract), and supplies, equipment, transportation, etc., should be included in the estimate of the full costs of a service contract.

(3) An estimate of the full cost of a service contract should include expenses that are incurred by the DoD including, but not limited to those contained in section 1431 of Title 50, U.S.C. (Reference (i)) and, if known, other indemnification costs. Examples of expenses that are incurred include:

(a) Reimbursements to the contractor or its insurance company under standard federal contract clauses regarding liability to third parties.

(b) Reimbursements to a contractor for payments the contractor, its insurance company, or the Department of Labor makes in sections 1651 through 1654 of Title 42, U.S.C., also known as “the Defense Base Act and War Hazards Compensation Act” (Reference (j)).

(c) Reimbursements the DoD is obligated to make with respect to publicly-sponsored insurance (e.g., air carrier insurance sponsored by the Federal Aviation Administration pursuant to Title 49, U.S.C. (Reference (k))).

(d) Any costs associated with alleged patent or copyright infringement arising out of the performance of the contract or out of the use of any supplies furnished or work or services performed under the contract.

(e) If practical and if data are available, DoD Components should incorporate these costs into their estimates.

#### 4. METHODOLOGY

a. Manpower Costs. Manpower costs discussed in paragraph 2a of this enclosure can be accounted for in four ways, each applicable in different situations. If analysis is required beyond the current year, future-year costs should be inflated at rates consistent with the President’s Budget updates. Cost Assessment and Program Evaluation (CAPE) developed a cost model, “Full Cost of Manpower,” for DoD-wide application that employs the business rules set in this enclosure. This cost model can be found at <https://fcom.cape.osd.mil/>.

(1) Base Pay with Locality Adjustments and Allowances. Analysts should use organizational information and judgment when selecting the base pay of an alternate pay schedule employee by cross-walking to general schedule (GS) table equivalency. Base pay, with locality adjustments and BAH, may be used as a reference point when comparing costs across types of personnel (e.g., military and DoD civilian) and across different organizations (e.g., Military Services, civilian components of the DoD, and other federal agencies).

(2) Programmed Amount



(a) For military personnel, the programmed amount is normally the annual DoD Composite Rate, which includes an average base pay, BAH, BAS, incentive and specialty pays, permanent change of station expenses, the DoD contribution to medical health care coverage and to the MERHCF, and the DoD contribution to the retired pay accrual account listed in Enclosure 4 of this instruction.

(b) For civilian personnel, the programmed amount includes base pay, adjusted for locality (listed in Enclosure 4), plus the applicable Civilian Personnel Fringe Benefit rate (established annually by the USD(C)/CFO pursuant to Reference (h), and published at OUSD(C)/CFO website. This rate varies by Military Service and DoD Component. It includes miscellaneous fringe benefits and DoD contributions to Federal Employees Retirement System (FERS), FEHBP, Federal Employees Group Life Insurance (FEGLI), Old Age, Survivors, and Disability Insurance (OASDI), and Medicare.

(3) Full Cost to DoD. Full cost to the DoD is determined by adding the programmed amount to the costs of additional benefits that are borne by the DoD as a result of employing military or DoD civilian personnel (e.g., subsidized groceries, child development and family support services, family housing subsidies, education assistance, training, and advertising and recruiting). These additional benefits borne by the DoD are listed in Enclosure 4 of this instruction.

(4) Full Cost to the Federal Government. Full cost to the Federal Government is determined by adding the full cost to the DoD to the additional costs that are borne by other federal agencies as a result of the Department employing military or DoD civilian personnel. For military personnel, the additional costs that must be taken into account include Department of Treasury contributions toward payments for concurrent receipts; Department of Education contributions to the Impact Aid Program; Department of Labor contributions for the training and employment of veterans; and the full costs of the Department of Veterans Affairs. See Enclosure 4 for specifics. For civilian personnel, costs that must be taken into account include Department of Treasury contributions to the unfunded portion of the civilian retirement fund and to the annuitants' health and life insurance benefits listed in Enclosure 4 of this instruction.

b. Manpower Conversions - Military to DoD Civilian or DoD Civilian to Military. When comparing the costs of military and DoD civilian manpower, as discussed in paragraph 2a, all cost elements in paragraph 4a(3) should be considered in determining the full costs to the DoD, and all costs elements in paragraph 4a(4) should be considered in determining the full costs to the Federal Government. The direct non-labor costs addressed in paragraph 2b(1) and the indirect non-labor costs addressed in paragraph 2b(2) should also be reviewed. Direct and indirect non-labor costs that are common costs may be excluded from both estimates provided the cost comparison is for an equal number of DoD civilian and military personnel. Where the number of military and DoD civilian personnel differ, adjustments must be made to the estimates to account for the difference in indirect costs that result from the difference in the number of military and DoD civilian personnel.

c. Cost Comparisons of DoD Manpower and Contract Support. The rules that appear in paragraphs 4c(1) through 4c(3) of this enclosure apply when comparing the costs of DoD

manpower and contract support, as discussed in sections 2 and 3 of this enclosure. However, the methodology will vary depending on whether or not the work is performed at a DoD installation or some other location, and whether the DoD will provide any or all of the goods, services, and benefits required to perform the function. When developing cost estimates for DoD manpower and contract support, the full costs to the DoD are considered and only common costs are excluded.

(1) Cost Estimates for Services Performed at a Government Site. The full cost of a service contract includes the price of the contract, as discussed in paragraph 3a of this enclosure. In addition, the costs of goods, services, and benefits discussed in paragraph 3b of this enclosure must also be reviewed. If a function is performed on government property, the costs of goods, services, and benefits that are common costs may be excluded from both estimates provided the number of government and contractor personnel is equivalent. Where the number of government and contractor personnel differs, adjustments must be made to the estimates to account for the difference in number of government and contractor personnel. When estimating the full cost of DoD manpower, all of the cost elements in paragraphs 2a and 2b of this enclosure should be considered and only common costs excluded.

(2) Cost Estimates for Services Performed Off-Site. The full cost of a service contract includes the price of the contract, as discussed in paragraph 3a, plus any additional expenses the government incurs for goods, services, or benefits addressed in paragraph 3b that would not be incurred if government personnel performed the work.

(a) When estimating these costs, consider the scope of the function to be performed and whether the DoD is providing any of the direct or indirect support services or is continuing to perform a portion of the direct labor. For example, military personnel in combat service support units provide their own security. When a contractor provides the support service, however, the DoD might have to provide the security. In such cases, the cost of the security is not a common cost but is an additional expense that must be factored into the cost of the service contract.

(b) Also, if a contractor is performing a function at a location that is not owned either by the contractor or the DoD, the Department might have to provide additional services and benefits (e.g., medical care, housing). If the contractor is performing the work at one of its facilities, all indirect costs addressed in paragraph 3b should be considered and only common costs excluded.

(c) When estimating the full cost of DoD manpower, all of the cost elements in paragraphs 2a and 2b should be considered and only common costs excluded.

(3) Miscellaneous Costs

(a) Any other significant costs associated with converting from contract to government performance, as discussed in paragraph 2b, that are not common costs should be included in the cost estimate. Such costs might include a phase-in or transition plan, training costs, relocation costs (for federal civilians only), security clearance costs, professional

certification costs, transportation benefit costs, educational loan forgiveness costs, or other costs not common to both alternatives.

(b) Section 2461(a)(1)(G) of Reference (d) prohibits contractors from receiving an advantage for proposals that reduce costs to the DoD in a public-private competition by:

1. Not making an employer-sponsored health insurance plan, health savings account, or medical savings account available to workers who would be employed to perform the function under the contract.

2. Offering workers an employer-sponsored health benefits plan that requires the employer to contribute less toward the premium or subscription share than the amount that the DoD pays for health benefits for civilian employees pursuant to chapter 89 of Title 5, U.S.C. (Reference (1)).

3. Offering workers a retirement benefit that, in any year, costs less than the annual retirement cost element applicable to DoD civilian employees pursuant to chapter 84 of Reference (1).

(c) Where possible and appropriate, cost analysts should make adjustments to the full costs of a service contract by adding an amount equivalent to the amount borne by the government (as listed in Enclosure 4 of this instruction) to the contract's cost.

d. Other Considerations. Other cost factors may exist that should be considered in estimating the costs of manpower that are not included in Enclosure 4, Tables 2 or 3, nor in Enclosure 5 of this instruction. For example, the cost factors in paragraphs 4d(1) through 4d(3) of this enclosure could be considered when estimating the costs of manpower to the Federal Government:

(1) Tax Revenue. Corporate income tax revenue that is generated by hiring a contractor to complete work for the DoD could partially offset costs of the contract to the Federal Government, but not to the DoD.

(2) Lost Productivity During Periods of Transition. Some workforce decisions that result in a transition from public-to-private sourcing, private-to-public sourcing, or private-to-private sourcing, might result in productivity losses. These costs could be taken into consideration.

(3) Other Costs Related to Manpower. Analysts should include any other costs that they deem relevant to the calculation of the costs of manpower. Cost analysts must support such decisions with sufficient justification.

ENCLOSURE 4

COST ELEMENTS AND DATA SOURCES

Table 2. Military Cost Elements and Data Sources

Military Cost Element	Service	Numerator	Denominator
Basic pay Retired pay (accrual) Basic Allowance for Housing (BAH) Basic Allowance for Subsistence (BAS) Incentive / Special Pays Permanent Change of Station Miscellaneous (as defined by DoD Financial Management Regulation 7000.14-R, Volume 11A, Chapter 6); includes contribution to Social Security; transportation subsidies, separation pays, clothing allowance, etc. Health benefit, retiree (>65 MERHCF accrual) Health benefit, active duty and dependents	ALL	If computing using these tables, use the DoD Composite Rate (including the normal per capita rate for MERHCF and the acceleration factor for medical health care costs of active duty military members and their dependents) to capture all of these costs; < <a href="http://comptroller.defense.gov/rates/fyxxxx/xxxx_k.pdf">http://comptroller.defense.gov/rates/fyxxxx/xxxx_k.pdf</a> > (where xxxx is the four digit year) Users of the web-based cost model under development by CAPE will be able to generate a more precise figure by inputting specific entries for location (BAH), occupational specialty (incentive/special pays), etc.	N/A
Child Development Program	ALL	Sum of all elements of Child Development Services for all components (Active, National Guard, and Reserves, as appropriate) from Service budget justification material (Operation and Maintenance (O&M) exhibits in year xxxx, where xxxx is the four digit year)	Authorized Active Duty Endstrength < <a href="http://comptroller.defense.gov/defbudget/fyxxxx/fyxxxx_OM_Overview.pdf">http://comptroller.defense.gov/defbudget/fyxxxx/fyxxxx_OM_Overview.pdf</a> > (where xxxx is the four digit year) Use table "Military Personnel\Active Force Personnel" for actual endstrength figures by service + END STRENGTHS FOR RESERVES ON ACTIVE DUTY IN SUPPORT OF THE RESERVES (<From the NDAA for year xxxx>) + MAXIMUM NUMBER OF RESERVE PERSONNEL AUTHORIZED TO BE ON ACTIVE DUTY FOR OPERATIONAL SUPPORT (<From the NDAA for year xxxx>)

Table 2. Military Cost Elements and Data Sources, Continued

Military Cost Element	Service	Numerator	Denominator
Child Education (Impact Aid)	ALL	Use "Appropriated Impact Aid" total. < <a href="http://www2.ed.gov/about/overview/budget/budgetxx/summary/xxsummary.pdf">http://www2.ed.gov/about/overview/budget/budgetxx/summary/xxsummary.pdf</a> >,	Authorized Active Duty Endstrength < <a href="http://comptroller.defense.gov/defbudget/fyxxxx/fyxxxx_OM_Overview.pdf">http://comptroller.defense.gov/defbudget/fyxxxx/fyxxxx_OM_Overview.pdf</a> > (where xxxx is the four digit year) Use table "Military Personnel\Active Force Personnel" for actual endstrength figures by service + END STRENGTHS FOR RESERVES ON ACTIVE DUTY IN SUPPORT OF THE RESERVES (<From the NDAA for year xxxx>) + MAXIMUM NUMBER OF RESERVE PERSONNEL AUTHORIZED TO BE ON ACTIVE DUTY FOR OPERATIONAL SUPPORT (<From the NDAA for year xxxx>)
Discount Groceries	ALL	Appropriations for FYxxxx (where xxxx is the four digit year) < <a href="http://comptroller.defense.gov/defbudget/fyxxxx/budget_justification/pdfs/06_Defense_Working_Capital_Fund/DeCA_FY_xxxx_PB.pdf">http://comptroller.defense.gov/defbudget/fyxxxx/budget_justification/pdfs/06_Defense_Working_Capital_Fund/DeCA_FY_xxxx_PB.pdf</a> >	Number of Military Retirees (< <a href="http://actuary.defense.gov/statbookxx.pdf">http://actuary.defense.gov/statbookxx.pdf</a> > , where xx is the two-digit year) + Authorized Active Duty Endstrength < <a href="http://comptroller.defense.gov/defbudget/fyxxxx/fyxxxx_OM_Overview.pdf">http://comptroller.defense.gov/defbudget/fyxxxx/fyxxxx_OM_Overview.pdf</a> > (where xxxx is the four digit year) Use table "Military Personnel\Active Force Personnel" for actual endstrength figures by service + END STRENGTHS FOR RESERVES ON ACTIVE DUTY IN SUPPORT OF THE RESERVES (<From the NDAA for year xxxx>) + MAXIMUM NUMBER OF RESERVE PERSONNEL AUTHORIZED TO BE ON ACTIVE DUTY FOR OPERATIONAL SUPPORT (<From the NDAA for year xxxx>)
Department of Defense Education Activity (DoDEA) and Family Assistance	ALL	DODEA appropriated funds < <a href="http://dodea.edu/home/facts.cfm?cId=budget">http://dodea.edu/home/facts.cfm?cId=budget</a> > FYxx Appropriated Funds, (where xx is the two digit year).	Authorized Active Duty Endstrength < <a href="http://comptroller.defense.gov/defbudget/fyxxxx/fyxxxx_OM_Overview.pdf">http://comptroller.defense.gov/defbudget/fyxxxx/fyxxxx_OM_Overview.pdf</a> > (where xxxx is the four digit year) Use table "Military Personnel\Active Force Personnel" for actual endstrength figures by service + END STRENGTHS FOR RESERVES ON ACTIVE DUTY IN SUPPORT OF THE RESERVES (<From the NDAA for year xxxx>) + MAXIMUM NUMBER OF RESERVE PERSONNEL AUTHORIZED TO BE ON ACTIVE DUTY FOR OPERATIONAL SUPPORT (<From the NDAA for year xxxx>)

Table 2. Military Cost Elements and Data Sources, Continued

Military Cost Element	Service	Numerator	Denominator
Education Assistance	Army	Sub-Activity Group (SAG) Long Title = "Off-Duty And Voluntary Education"; SAG Number 333	Service End Strength < <a href="http://comptroller.defense.gov/defbudget/fyxxxx/fyxxxx_OM_Overview.pdf">http://comptroller.defense.gov/defbudget/fyxxxx/fyxxxx_OM_Overview.pdf</a> > (where xxxx is the four digit year) Use table "Military Personnel\Active Force Personnel" for actual endstrength figures by service
Education Assistance	Navy	SAG Long Title = "Off-Duty And Voluntary Education"; SAG Number 3C3L	Service End Strength < <a href="http://comptroller.defense.gov/defbudget/fyxxxx/fyxxxx_OM_Overview.pdf">http://comptroller.defense.gov/defbudget/fyxxxx/fyxxxx_OM_Overview.pdf</a> > (where xxxx is the four digit year) Use table "Military Personnel\Active Force Personnel" for actual endstrength figures by service
Education Assistance	Air Force	SAG Long Title = "Off-Duty And Voluntary Education"; SAG Number 033C	Service End Strength < <a href="http://comptroller.defense.gov/defbudget/fyxxxx/fyxxxx_OM_Overview.pdf">http://comptroller.defense.gov/defbudget/fyxxxx/fyxxxx_OM_Overview.pdf</a> > (where xxxx is the four digit year) Use table "Military Personnel\Active Force Personnel" for actual endstrength figures by service
Education Assistance	Marine Corps	SAG Long Title = "Off-Duty And Voluntary Education"; SAG Number 3C2F	Service End Strength < <a href="http://comptroller.defense.gov/defbudget/fyxxxx/fyxxxx_OM_Overview.pdf">http://comptroller.defense.gov/defbudget/fyxxxx/fyxxxx_OM_Overview.pdf</a> > (where xxxx is the four digit year) Use table "Military Personnel\Active Force Personnel" for actual endstrength figures by service
Health benefit, retiree (<65 Non-Medicare Eligible Retiree Health Care)	ALL	If computing using these tables, use the normal per capita rate for MERHCF accrual as published in OUSD(C)'s FYXXXX Department of Defense (DoD) Military Personnel Composite Standard Pay and Reimbursement Rates Memo, available at < <a href="http://comptroller.defense.gov/rates/fyxxxx/xxxx_k.pdf">http://comptroller.defense.gov/rates/fyxxxx/xxxx_k.pdf</a> > (where xxxx is the four digit year) Users of the web-based cost model under development by CAPE will be able to retrieve a more precise figure generated by DoD actuaries (using non-publicly available sources).	N/A

Table 2. Military Cost Elements and Data Sources, Continued

<b>Military Cost Element</b>	<b>Service</b>	<b>Numerator</b>	<b>Denominator</b>
Recruitment, Advertising, Other Training	Army	Sum of all recruiting, advertising and other training costs from O&M budget justificaion documents (Sum of BA-3, Activity Group/Sub-activity Group (AGSAG) 331 + 332 + 335)	Service End Strength < <a href="http://comptroller.defense.gov/defbudget/fyxxxx/fyxxxx_OM_Overview.pdf">http://comptroller.defense.gov/defbudget/fyxxxx/fyxxxx_OM_Overview.pdf</a> > (where xxxx is the four digit year) Use table "Military Personnel\Active Force Personnel" for actual endstrength figures by service
Recruitment, Advertising, Other Training	Navy	Sum of all recruiting, advertising and other training costs from O&M budget justificaion documents (Sum of BA-3, AGSAG 3C1L + 3C5L)	Service End Strength < <a href="http://comptroller.defense.gov/defbudget/fyxxxx/fyxxxx_OM_Overview.pdf">http://comptroller.defense.gov/defbudget/fyxxxx/fyxxxx_OM_Overview.pdf</a> > (where xxxx is the four digit year) Use table "Military Personnel\Active Force Personnel" for actual endstrength figures by service
Recruitment, Advertising, Other Training	Air Force	Sum of all recruiting, advertising and other training costs from O&M budget justificaion documents (Sum of BA-3, AGSAG 033A + 033B + 033E)	Service End Strength < <a href="http://comptroller.defense.gov/defbudget/fyxxxx/fyxxxx_OM_Overview.pdf">http://comptroller.defense.gov/defbudget/fyxxxx/fyxxxx_OM_Overview.pdf</a> > (where xxxx is the four digit year) Use table "Military Personnel\Active Force Personnel" for actual endstrength figures by service
Recruitment, Advertising, Other Training	Marine Corps	Sum of all recruiting, advertising and other training costs from O&M budget justification documents (Sum of BA-3, AGSAG 3C1F + 3C3F)	End Strength < <a href="http://comptroller.defense.gov/defbudget/fyxxxx/fyxxxx_OM_Overview.pdf">http://comptroller.defense.gov/defbudget/fyxxxx/fyxxxx_OM_Overview.pdf</a> > (where xxxx is the four digit year) Use table "Military Personnel\Active Force Personnel" for actual endstrength figures by service
Training	Army	Sum of all training costs from O&M budget justificaion documents (Sum of BA-3, AGSAG 311 + 312 + 313 + 314 + 321 + 322 + 323 + 324)	Service End Strength < <a href="http://comptroller.defense.gov/defbudget/fyxxxx/fyxxxx_OM_Overview.pdf">http://comptroller.defense.gov/defbudget/fyxxxx/fyxxxx_OM_Overview.pdf</a> > (where xxxx is the four digit year) Use table "Military Personnel\Active Force Personnel" for actual endstrength figures by service
Training	Navy	Sum of all training costs from O&M budget justificaion documents (Sum of BA-3, AGSAG 3A1J + 3A2J + 3A3 + 3B1K + 3B2K + 3B3K + 3B4K)	Service End Strength < <a href="http://comptroller.defense.gov/defbudget/fyxxxx/fyxxxx_OM_Overview.pdf">http://comptroller.defense.gov/defbudget/fyxxxx/fyxxxx_OM_Overview.pdf</a> > (where xxxx is the four digit year) Use table "Military Personnel\Active Force Personnel" for actual endstrength figures by service

Table 2. Military Cost Elements and Data Sources, Continued

Military Cost Element	Service	Numerator	Denominator
Training	Air Force	Sum of all training costs from O&M budget justification documents (Sum of BA-3, AGSAG 031A + 031B + 031D + 032A + 032B + 032C + 032D)	Service End Strength < <a href="http://comptroller.defense.gov/defbudget/fyxxxx/fyxxxx_OM_Overview.pdf">http://comptroller.defense.gov/defbudget/fyxxxx/fyxxxx_OM_Overview.pdf</a> > (where xxxx is the four digit year) Use table "Military Personnel\Active Force Personnel" for actual endstrength figures by service
Training	Marine Corp	Sum of all training costs from O&M budget justification documents (Sum of BA-3, AGSAG 3A1C + 3A2C + 3B1D + 3B2D + 3B3D + 3B4D)	Service End Strength < <a href="http://comptroller.defense.gov/defbudget/fyxxxx/fyxxxx_OM_Overview.pdf">http://comptroller.defense.gov/defbudget/fyxxxx/fyxxxx_OM_Overview.pdf</a> > (where xxxx is the four digit year) Use table "Military Personnel\Active Force Personnel" for actual endstrength figures by service
Treasury Contribution for Concurrent Receipts	ALL	"Federal Contributions (concurrent Receipt Accruals), Military Retirement Fund", (The Budget for Fiscal Year xxxx, < <a href="http://www.gpoaccess.gov/usbudget/">http://www.gpoaccess.gov/usbudget/</a> > (navigate to year of interest), Other Defense-Civil Programs, Trust Funds, Military Retirement Fund)	Number of Military Retirees (< <a href="http://actuary.defense.gov/statbookxx.pdf">http://actuary.defense.gov/statbookxx.pdf</a> > , where xx is the two-digit year)
Treasury Contribution to MERHCF	ALL	"Federal Contributions, DoD Medicare-Eligible Retiree Health Care Fund", (The Budget for Fiscal Year xxxx, < <a href="http://www.gpoaccess.gov/usbudget/">http://www.gpoaccess.gov/usbudget/</a> > (navigate to year of interest), Other Defense-Civil Programs, Retiree Health Care, DEPARTMENT OF DEFENSE MEDICARE-ELIGIBLE RETIREE HEALTH CARE FUND)	Number of Military Retirees (< <a href="http://actuary.defense.gov/statbookxx.pdf">http://actuary.defense.gov/statbookxx.pdf</a> > , where xx is the two-digit year) + Authorized Active Duty Endstrength < <a href="http://comptroller.defense.gov/defbudget/fyxxxx/fyxxxx_OM_Overview.pdf">http://comptroller.defense.gov/defbudget/fyxxxx/fyxxxx_OM_Overview.pdf</a> > (where xxxx is the four digit year) Use table "Military Personnel\Active Force Personnel" for actual endstrength figures by service + END STRENGTHS FOR RESERVES ON ACTIVE DUTY IN SUPPORT OF THE RESERVES (<From the NDAA for year xxxx>) + MAXIMUM NUMBER OF RESERVE PERSONNEL AUTHORIZED TO BE ON ACTIVE DUTY FOR OPERATIONAL SUPPORT (<From the NDAA for year xxxx>)



Table 2. Military Cost Elements and Data Sources, Continued

Military Cost Element	Service	Numerator	Denominator
Treasury Contribution to Retirement	ALL	Use Other Defense-Civil Programs, Treasury payment to Military Retirement Fund or Federal Contributions, Military Retirement Fund< <a href="http://www.gpo.gov/fdsys/pkg/BUDGET-xxxx-APP/pdf/BUDGET-xxxx-APP-1-22.pdf">http://www.gpo.gov/fdsys/pkg/BUDGET-xxxx-APP/pdf/BUDGET-xxxx-APP-1-22.pdf</a> >, (where xxxx is the four digit year);	Number of Military Retirees (< <a href="http://actuary.defense.gov/statbookxx.pdf">http://actuary.defense.gov/statbookxx.pdf</a> > , where xx is the two-digit year) + Authorized Active Duty Endstrength < <a href="http://comptroller.defense.gov/defbudget/fyxxxx/fyxxxx_OM_Overview.pdf">http://comptroller.defense.gov/defbudget/fyxxxx/fyxxxx_OM_Overview.pdf</a> > (where xxxx is the four digit year) Use table "Military Personnel\Active Force Personnel" for actual endstrength figures by service + END STRENGTHS FOR RESERVES ON ACTIVE DUTY IN SUPPORT OF THE RESERVES (<From the NDAA for year xxxx>) + MAXIMUM NUMBER OF RESERVE PERSONNEL AUTHORIZED TO BE ON ACTIVE DUTY FOR OPERATIONAL SUPPORT (<From the NDAA for year xxxx>)
Veterans' Benefits (Cash and In-Kind)	ALL	"Total expenditure" for year xxxx (Use year xxxx figures from "Expenditure Tables" (as appropriate) < <a href="http://www.va.gov/vetdata/Expenditures.asp">http://www.va.gov/vetdata/Expenditures.asp</a> >)	"Veteran population" for year xxxx (Use year xxxx figures from "Expenditure Tables" (as appropriate) < <a href="http://www.va.gov/vetdata/Expenditures.asp">http://www.va.gov/vetdata/Expenditures.asp</a> >)
Veterans' Employment and Training	ALL	Use Vocational Rehabilitation & Employment < <a href="http://www.whitehouse.gov/sites/default/files/omb/budget/fyxxxx/assets/veterans.pdf">http://www.whitehouse.gov/sites/default/files/omb/budget/fyxxxx/assets/veterans.pdf</a> >; (where xxxx is the four digit year).	"Veteran population" for year xxxx (Use year xxxx figures from "Expenditure Tables" (as appropriate) < <a href="http://www.va.gov/vetdata/Expenditures.asp">http://www.va.gov/vetdata/Expenditures.asp</a> >)

Table 3. Civilian Cost Elements and Data Sources

Civilian Cost Element	Service	Numerator	Denominator
Basic Pay / Locality Pay / COLA / Title 38 Special Salary Rates	ALL	GS Pay Schedule with Locality Adjustments ( <a href="http://www.opm.gov/oca/xxtables/indexgs.asp">http://www.opm.gov/oca/xxtables/indexgs.asp</a> ), where xx is the two digit year	N/A
Discount Groceries (Outside of the Continental United States only)	ALL	< <a href="http://comptroller.defense.gov/defbudget/fyxxxx/budget_justification/pdfs/06_Defense_Working_Capital_Fund/DeCA_FY_xxxx_PB.pdf">http://comptroller.defense.gov/defbudget/fyxxxx/budget_justification/pdfs/06_Defense_Working_Capital_Fund/DeCA_FY_xxxx_PB.pdf</a> > Appropriations (page 7) (where xxxx is the four digit year)	Number of Military Retirees (< <a href="http://actuary.defense.gov/statbookxx.pdf">http://actuary.defense.gov/statbookxx.pdf</a> > , where xx is the two-digit year) + Authorized Active Duty Endstrength < <a href="http://comptroller.defense.gov/defbudget/fyxxxx/fyxxxx_OM_Overview.pdf">http://comptroller.defense.gov/defbudget/fyxxxx/fyxxxx_OM_Overview.pdf</a> > (where xxxx is the four digit year) Use table "Military Personnel\Active Force Personnel" for actual endstrength figures by service + END STRENGTHS FOR RESERVES ON ACTIVE DUTY IN SUPPORT OF THE RESERVES (<From the NDAA for year xxxx>) + MAXIMUM NUMBER OF RESERVE PERSONNEL AUTHORIZED TO BE ON ACTIVE DUTY FOR OPERATIONAL SUPPORT (<From the NDAA for year xxxx>)
OC11 Load Factor (as percentage of base pay)	ALL	Total Civilian Personnel Costs < <a href="http://comptroller.defense.gov/defbudget/fyxxxx/fyxxxx_OM_Overview.pdf">http://comptroller.defense.gov/defbudget/fyxxxx/fyxxxx_OM_Overview.pdf</a> >, (where xxxx is the four digit year) OSD Comptroller Operations & Maintenance (O&M) Overview; TABLE: Total Civilian Personnel Costs; Column "O"	N/A
OC12 Load Factor (Fringe Benefits; as percentage of base pay)	ALL	Use "Funded Benefits Rate 2/" "Overall" < <a href="http://comptroller.defense.gov/rates/fyxxxx/xxxx_d.pdf">http://comptroller.defense.gov/rates/fyxxxx/xxxx_d.pdf</a> >, (where xxxx is the four digit year)	N/A
OC13 Load Factor (as percentage of base pay)	ALL	< <a href="http://comptroller.defense.gov/defbudget/fyxxxx/fyxxxx_OM_Overview.pdf">http://comptroller.defense.gov/defbudget/fyxxxx/fyxxxx_OM_Overview.pdf</a> >, (where xxxx is the four digit year) OSD Comptroller Operations & Maintenance (O&M) Overview; TABLE: Total Civilian Personnel Costs; Column "P" -- BE SURE TO SUBTRACT OUT O.C. 12 (listed above)	N/A

Table 3. Civilian Cost Elements and Data Sources, Continued

Civilian Cost Element	Service	Numerator	Denominator
Postretirement Health Benefit (government's share FEHBP)	ALL	Total new obligations (object class 13.0) < <a href="http://www.gpo.gov/fdsys/pkg/BUDGET-xxxx-APP/pdf/BUDGET-xxxx-APP-1-28.pdf">http://www.gpo.gov/fdsys/pkg/BUDGET-xxxx-APP/pdf/BUDGET-xxxx-APP-1-28.pdf</a> > (where xxxx is the four digit year), OPM Federal Budget Appendix; GOVERNMENT PAYMENT FOR ANNUITANTS, EMPLOYEES HEALTH BENEFITS - Program & Financing; "Total new obligations (object class 13.0)";	FEHB Annuitants; < <a href="http://www.gpo.gov/fdsys/pkg/BUDGET-xxxx-APP/pdf/BUDGET-xxxx-APP-1-28.pdf">http://www.gpo.gov/fdsys/pkg/BUDGET-xxxx-APP/pdf/BUDGET-xxxx-APP-1-28.pdf</a> > (where xxxx is the four digit year), OPM Federal Budget Appendix; GOVERNMENT PAYMENT FOR ANNUITANTS, EMPLOYEES HEALTH BENEFITS - Program & Financing;
Postretirement Life Insurance (government's share Federal Employee Group Life Insurance)	ALL	Total new obligations (object class 25.2) < <a href="http://www.gpo.gov/fdsys/pkg/BUDGET-xxxx-APP/pdf/BUDGET-xxxx-APP-1-28.pdf">http://www.gpo.gov/fdsys/pkg/BUDGET-xxxx-APP/pdf/BUDGET-xxxx-APP-1-28.pdf</a> > (where xxxx is the four digit year), GOVERNMENT PAYMENT FOR ANNUITANTS, EMPLOYEE LIFE INSURANCE - Program & Financing; "Total new obligations (object class 25.2)";	FEHB Annuitants; < <a href="http://www.gpo.gov/fdsys/pkg/BUDGET-xxxx-APP/pdf/BUDGET-xxxx-APP-1-28.pdf">http://www.gpo.gov/fdsys/pkg/BUDGET-xxxx-APP/pdf/BUDGET-xxxx-APP-1-28.pdf</a> > (where xxxx is the four digit year), OPM Federal Budget Appendix; GOVERNMENT PAYMENT FOR ANNUITANTS, EMPLOYEES HEALTH BENEFITS - Program & Financing; uses FEHB Annuitants as a proxy for FEGLI Annuitants
Training	Army	O-1: Army BA-3, AGSAG 334 < <a href="http://www.defenselink.mil/comptroller/budget.html">http://www.defenselink.mil/comptroller/budget.html</a> > (O-1);	Civilian U.S. Direct Hires (< <a href="http://comptroller.defense.gov/defbudget/fyxxxx/fyxxxx_OM_Overview.pdf">http://comptroller.defense.gov/defbudget/fyxxxx/fyxxxx_OM_Overview.pdf</a> >, where xxxx is the four digit year) Use table "Civilian Personnel" for U.S. Direct Hire (FTE) by service
Training	Navy	O-1: Navy BA-3, AGSAG 3C4L < <a href="http://www.defenselink.mil/comptroller/budget.html">http://www.defenselink.mil/comptroller/budget.html</a> > (O-1);	Civilian U.S. Direct Hires (< <a href="http://comptroller.defense.gov/defbudget/fyxxxx/fyxxxx_OM_Overview.pdf">http://comptroller.defense.gov/defbudget/fyxxxx/fyxxxx_OM_Overview.pdf</a> >, where xxxx is the four digit year) Use table "Civilian Personnel" for U.S. Direct Hire (FTE) by service

Table 3. Civilian Cost Elements and Data Sources, Continued

Civilian Cost Element	Service	Numerator	Denominator
Training	Air Force	O-1: Air Force BA-3, AGSAG 033D < <a href="http://www.defenselink.mil/comptroller/budget.html">http://www.defenselink.mil/comptroller/budget.html</a> > (O-1);	Civilian U.S. Direct Hires (< <a href="http://comptroller.defense.gov/defbudget/fyxxxx/fyxxxx_OM_Overview.pdf">http://comptroller.defense.gov/defbudget/fyxxxx/fyxxxx_OM_Overview.pdf</a> >, where xxxx is the four digit year) Use table "Civilian Personnel" for U.S. Direct Hire (FTE) by service
Training	Marine Corps	O-1: Navy BA-3, AGSAG 3C4L < <a href="http://www.defenselink.mil/comptroller/budget.html">http://www.defenselink.mil/comptroller/budget.html</a> > (O-1);	Civilian U.S. Direct Hires (< <a href="http://comptroller.defense.gov/defbudget/fyxxxx/fyxxxx_OM_Overview.pdf">http://comptroller.defense.gov/defbudget/fyxxxx/fyxxxx_OM_Overview.pdf</a> >, where xxxx is the four digit year) Use table "Civilian Personnel" for U.S. Direct Hire (FTE) by service
Unfunded Civilian Retirement (CSRS only)	ALL	"General Fund Payment to the Civil Service Retirement and Disability Fund" < <a href="http://www.gpo.gov/fdsys/pkg/BUDGET-xxxx-APP/pdf/BUDGET-xxxx-APP-1-28.pdf">http://www.gpo.gov/fdsys/pkg/BUDGET-xxxx-APP/pdf/BUDGET-xxxx-APP-1-28.pdf</a> >(where xxxx is the four digit year), OPM Federal Budget Appendix; Trust Funds - Civil Service Retirement & Disability Fund; Status of Funds; General Fund Payment to the Civil Service Retirement and Disability Fund	Active Employees ( <a href="http://comptroller.defense.gov/defbudget/fyxxxx/fyxxxx_OM_Overview.pdf">http://comptroller.defense.gov/defbudget/fyxxxx/fyxxxx_OM_Overview.pdf</a> ; use "Total Civilian Personnel Costs" Table; FTE figure) + Total Annuitants (FEHB Annuitants; < <a href="http://www.gpo.gov/fdsys/pkg/BUDGET-xxxx-APP/pdf/BUDGET-xxxx-APP-1-28.pdf">http://www.gpo.gov/fdsys/pkg/BUDGET-xxxx-APP/pdf/BUDGET-xxxx-APP-1-28.pdf</a> > (where xxxx is the four digit year), OPM Federal Budget Appendix; GOVERNMENT PAYMENT FOR ANNUITANTS, EMPLOYEES HEALTH BENEFITS - Program & Financing; uses FEHB Annuitants as a proxy for Retired Annuitants)

ENCLOSURE 5

LIST OF GOODS, SERVICES, AND BENEFITS

The list of goods, services, and benefits presented in this enclosure is not all inclusive, but should be used as starting point when developing estimates for non-labor cost factors. While the entire cost of such items may not be attributable, some “fair share” generally is applicable. When conducting a cost comparison between potential sources (e.g., DoD civilian versus contract support), costs that would be common to both may be set aside. Depending on the activity under review, the costs associated with individual items could be either direct or indirect.

- a. Costs of capital assets, to include property, plant and equipment, valued at \$25,000 or more, plus the costs of depreciation, maintenance, and repair.
- b. Cleaning services.
- c. Contract administration and oversight, including the costs of the CO, COR, and supplies, equipment, transportation, etc.
- d. Costs for maintenance and repair of equipment (DoD Components should not include, in cost estimates, depreciation costs for items valued at less than \$25,000).
- e. Costs of maintenance and repair of facilities.
- f. Costs of registration and penalty fees.
- g. Insurance, including (but not limited to) the costs of casualty and liability insurance.
- h. The costs of raw materials, parts, and subassemblies, plus any material-related costs (e.g., transportation, handling, and delay costs and normal allowances for scrap and spoilage).
- i. Office equipment and supplies, including (but not limited to) the costs of chairs, desks, tables, overhead projectors, cabinets, fax machines, and copy machines.
- j. Printing.
- k. Rent for leased assets, including (but not limited to) the costs for the use, operation, and maintenance of land, building space, plant, and machinery.
- l. Security.
- m. Support services and benefits, including (but not limited to) the costs of higher-level management and professional support services (e.g., accounting, legal, human resources, budget, data processing, and base operation support).

(1) For military and civilian personnel, this also could include subsidized groceries, child development and family support services, family housing subsidies, training, and recruiting.

(2) For contractor personnel at overseas or remote locations, this could include government-furnished support (e.g., transportation, training, and housing) as well as access to government benefits and services (e.g., subsidized groceries, child education and development services).

(3) Support services could also include mail service; morale, welfare, and recreation services; exchange privileges; and medical care in austere or non-permissive environments, as provided by DoD Instruction 3020.41 (Reference (m)). They could also include special training, including training for contractor personnel who support contingency operations, as provided by Reference (m).

n. Travel.

o. Utilities, including (but not limited to) the costs of telephone services, electricity, water, and sewage disposal.

p. Cost of rights to proprietary software or data rights.

ENCLOSURE 6COST COMPARISON EXAMPLE

1. SAMPLE COST COMPARISON. This enclosure provides an example of a cost comparison for a Department of the Army operations research analyst position in the Washington, D.C., metropolitan area. For this example, assume military and DoD civilians work at a government site.

Table 4. Sample Cost Comparison

Type of Personnel	Base Pay with Locality and BAH	Programmed Amount	Full Cost to DoD	Full Cost to Government
Military O-5, 20 Years of Service	\$137,164	\$193,920	\$209,009	\$236,814
Civilian GS-14, Step 5	\$119,238	\$155,367	\$164,570	\$178,971
Contractor (government site)	N/A	\$195,667	\$195,667	\$195,667
Contractor (contractor site)	N/A	\$240,390	\$240,390	\$240,390

2. BASE PAY WITH LOCALITY AND BAH. This column applies to military and civilian personnel only.

a. For military personnel, the amount shown in Table 4 represents base pay plus the Washington, D.C., BAH.

b. For civilian personnel, the figure depicted in Table 4 is the salary level from the GS pay schedule for an employee in the National Capital Region. For overseas sites, civilian personnel costs should include the living quarters allowance set by the Department of State.

3. PROGRAMMED AMOUNT. This column applies to military, civilian, and contractor personnel.

a. For military personnel, the figure given in Table 4 is the Annual DoD Composite Rate, which includes average base pay, BAH, BAS, incentive and specialty pays, permanent change of station costs, Treasury Department contributions into MERHCF, retired pay accrual, and miscellaneous costs.

b. For civilian personnel, the figure shown represents base pay plus the Army's civilian fringe-benefit rate of 30.3 percent, which includes miscellaneous fringe benefits and the employer's contribution to FERS, FEHBP, FEGLI, OASDI, and Medicare.

c. For contractors, the figures shown are the costs of the contract, which may vary depending on the location of the work site. This example includes two rates. Both are from the GSA Federal Services Schedule at <http://www.gsaadvantage.gov>. One is for a lead operations research Analyst billet at a government site; the other is for an identical billet at a contractor site. Rates are provided per hour; conversions to an annual rate were made by multiplying the hourly rate by 1,776 (the number of productive work-hours assumed in the DoD work-year).

4. FULL COST TO DoD. This column applies to military, civilian, and contractor personnel.

a. For military personnel, the amount shown represents the "Programmed Amount" plus costs for recruitment and advertising, training, subsidized groceries, education assistance, child development, and other costs that are incurred through the provision of nonmonetary benefits to military members.

b. For civilian personnel, the figure provided in the table is the "Programmed Amount" plus costs for recruitment and advertising, training, and child development. In overseas sites, civilian personnel costs also should include costs for subsidized education and commissary privileges, where available.

c. For contractors, the figures represent the total cost of the contract, which may vary depending on the location of the contract site, plus any additional expenses the government incurs for goods, services, or benefits that would not be entailed if government personnel performed the function (e.g., indemnification).

5. FULL COST TO FEDERAL GOVERNMENT. This column applies to military, civilian, and contractor personnel.

a. For military personnel, the estimate of full government costs is based on several sets of assumptions on how to apportion non-DoD costs at an individual level. In Table 4, the full cost to the Federal Government is calculated by adding to the "Full Cost to DoD" the amounts attributable to the Department of Treasury contributions toward payments for concurrent receipts; Department of Education contributions to the Impact Aid Program; Department of Labor contributions for the training and employment of veterans; and the full costs of the Department of Veterans Affairs.

b. For civilian personnel, the full cost to the Federal Government equals the "Full Cost to DoD" plus the Unfunded Civilian Retirement, Post-Retirement Life Insurance, and Post-Retirement Health Benefit.



c. For contractors, full costs to the government represent the total cost of the contract, which may vary depending on the location of the contract site, plus any additional expenses the government incurs for goods, services, or other benefits that would not be incurred if government personnel performed the function.

GLOSSARY

PART I. ABBREVIATIONS AND ACRONYMS

AGSAG	activity group/sub-activity group
BAH	basic allowance for housing
BAS	basic allowance for subsistence
CAPE	Cost Assessment and Program Evaluation
CO	contracting officer
COR	contracting officer's representative
CSRS	Civil Service Retirement System
DCAPE	Director, Cost Assessment and Program Evaluation
eCMRA	enterprise Contract Manpower Reporting Application
FEGLI	Federal Employees Group Life Insurance
FEHBP	Federal Employees Health Benefits Plan
FERS	Federal Employees Retirement System
G&A	general and administrative
GS	general schedule
GSA	General Services Administration
HRO	Human Resources Office
MERHCF	Medicare-Eligible Retiree Health Care Fund
NDAA	National Defense Authorization Act
OASDI	Old Age, Survivors, and Disability Insurance
O&M	operations and maintenance
OC	object class

SAG	sub-activity group
U.S.C.	United States Code
USD(C)/CFO	Under Secretary of Defense (Comptroller)/Chief Financial Officer, Department of Defense
USD(P&R)	Under Secretary of Defense for Personnel and Readiness

## PART II. DEFINITIONS

These terms and their definitions are for the purpose of this instruction.

base pay. The amount payable to each military or civilian employee each pay period, as determined by pay plan or general schedule table, plus locality adjustments and allowances.

commercial activity. A recurring service that could be performed by the private sector.

common costs. Costs that are borne by the DoD regardless of the provider (military, DoD civilian, or private-sector contractor). Examples of common costs include government-furnished property and security clearances.

cost element. One of many cost items that make up a cost estimate.

cost estimate. A general calculation or approximate computation of the probable cost of the performance of a specific function, service, or mission.

defense workforce. All military, DoD civilian, and contractor personnel who perform defense missions or provide services in support of a defense mission.

direct costs. Costs that are related directly to the production of a specific good or the performance of a specific service.

direct non-labor costs. The costs of goods (e.g., materials, supplies, equipment, facilities, and other items), services, and benefits that are used exclusively by an organization.

full cost of manpower. Costs include labor costs (both current and deferred compensation costs paid in cash and in-kind) as well as non-labor costs.

government-furnished property. Facilities, equipment, materiel, supplies, or other related items or services provided by the government for use by all prospective providers of a support service.

indirect costs. Costs that are not directly related to the production of a specific good or service, but instead are associated with the production of a variety of goods and services. For example, the cost of the administration of a large company is an indirect cost that must be spread over the products or services that are produced by the company.

inherently governmental. Activities so intimately related to the public interest as to mandate performance by federal employees.

labor cost. A cost, either current or deferred, paid either in cash or in-kind, that is associated with the compensation of a person (military or civilian). In the case of a contractor, the cost of a contract will include the compensation of the contractor(s) as well as other costs that the contracting agency bundles into the price. These will include items such as profit for the contracting agency, insurance and overhead costs, all of which will be inextricably mixed in the price of the contract. Labor cost for a contract is considered to be the price of the contract to the government.

manpower. A standard measure of recurring work (labor or service) that equates to 1 year of full-time support needed to accomplish a discrete set of duties at a required level of performance, working at a normal rate (operating tempo) under specified working conditions.

non-labor cost. Any cost associated with the performance of a task that is not provided to the person(s) performing the task in the form of compensation. Examples include general administration and oversight, office supplies and equipment, facilities costs, insurance, capital assets, security, and contract oversight and administration.

programmed amount. Amount commonly used in budgeting and programming deliberations and reported in the President's Budget Future Years Defense Program.

sovereign immunity. A judicial doctrine that prevents the government or its political subdivisions, departments, and agencies from being sued without its consent.