



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

April 23, 2010

### **H.R. 5013** **Implementing Management for Performance and Related Reforms to Obtain Value in Every Acquisition Act of 2010**

*As ordered reported by the House Committee on Armed Services on April 21, 2010*

#### **SUMMARY**

H.R. 5013 would require the Department of Defense (DoD) to use performance management techniques to improve the defense acquisition system and the acquisition workforce. The bill also would require new standards and techniques for training and rewarding that workforce.

CBO estimates that implementing H.R. 5013 would cost about \$250 million over the 2011-2015 period, assuming the appropriation of the necessary amounts. That estimate reflects the direct costs of implementing H.R. 5013. Although the bill might yield improvements in the efficiency and effectiveness of DoD's acquisition system, CBO has no basis for determining whether such improvements would occur or to what extent they might result in savings to the government to offset some or all of the above implementation cost.

Pay-as-you-go procedures do not apply to this legislation because it would not affect direct spending or revenues.

H.R. 5013 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

#### **ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The estimated budgetary impact of H.R. 5013 is shown in the following table. The costs of this legislation fall within budget function 050 (national defense).

	By Fiscal Year, in Millions of Dollars					2011-
	2011	2012	2013	2014	2015	2015
<b>CHANGES IN SPENDING SUBJECT TO APPROPRIATION</b>						
Performance Management and Assessments						
Estimated Authorization Level	4	8	8	8	9	37
Estimated Outlays	3	8	8	8	9	36
Increased Bonuses						
Estimated Authorization Level	0	7	7	7	7	28
Estimated Outlays	0	7	7	7	7	28
Training and Recertification						
Estimated Authorization Level	12	23	45	45	45	170
Estimated Outlays	10	21	42	45	45	163
Scholarships for Cost Estimators						
Estimated Authorization Level	0	2	3	4	5	14
Estimated Outlays	0	2	3	4	5	14
General Counsel						
Estimated Authorization Level	1	1	1	1	1	5
Estimated Outlays	1	1	1	1	1	5
Total Changes						
Estimated Authorization Level	17	41	64	65	67	254
Estimated Outlays	14	39	61	65	67	246

## **BASIS OF ESTIMATE**

For this estimate, CBO assumes that H.R. 5013 will be enacted near the start of fiscal year 2011 and that the estimated authorization amounts will be appropriated starting in that year.

### **Title I – Performance Management and Assessments**

Section 101 would require DoD to establish performance metrics and specific goals for the defense acquisition system and would require the Office of Performance Assessment and Root Cause Analysis (PARCA) to assess whether those metrics and goals were being achieved. PARCA was established in May 2009, and under current law, will grow to a staff of about 30 people that will assess the performance of the acquisition system in developing

and procuring major weapon systems. Under section 101, PARCA's assessment responsibilities would expand to other areas such as the acquisition of information technology systems and of contracts for services. On the basis of information from DoD, CBO estimates that accomplishing those additional oversight responsibilities could require another 25 personnel. CBO expects those additional personnel would be hired over the 2011-2012 period at a cost of \$3 million in 2011 and \$36 million over the 2011-2015 period.

## **Title II – The Defense Acquisition Workforce**

Title II includes several provisions that would require DoD to improve the skills and performance of the acquisition workforce.

**Increased Bonuses.** Under section 203, DoD would be required to develop an enhanced system of incentives to encourage excellence in and improve the performance of the acquisition workforce. Such incentives include providing attractive career paths for acquisition personnel, tying promotions to accomplishments, and connecting bonuses and awards to personnel performance and agency outcomes. It would direct DoD to extend such incentives to military personnel to the extent possible. CBO expects that such a system could result in the payment of additional bonuses. In 2008, the last year for which such data is available, DoD paid an average of about \$1,000 in bonuses for each DoD civilian. Because it would take time to develop performance standards and the criteria to connect those standards to enhanced bonus payments, such payments probably would not begin before 2012. Assuming bonuses then increased modestly (for example, by about 5 percent), the 136,000-person acquisition workforce could receive additional payments of \$7 million in 2012 and \$28 million over the 2012-2015 period, assuming appropriation of the necessary amounts.

**Training and Recertification.** Section 205 would require that DoD provide more training for the defense acquisition workforce and would institute a requirement for periodic recertification of acquisition personnel.

The bill would direct DoD to provide additional training on the acquisition of services and information technology systems, and on the use of rapid acquisition authorities. To meet that directive, the Defense Acquisition University would need to develop and deliver three new curricula for those subjects consisting of three online courses each (one for entry-level personnel, one for mid-career personnel, and one for senior management) at a total cost of about \$5 million per year, CBO estimates.

Under section 205, acquisition personnel would be required to recertify their qualifications every five years and that recertification process would require attendance at one resident course and one online course, CBO estimates. Some personnel would advance to the next level of acquisition workforce certification, rather than recertify at their current level. Others would not recertify because of noncompliance or attrition from the workforce. CBO estimates that about 25 percent of the acquisition workforce would pursue recertification every five years at an annual cost of about \$40 million. CBO expects that the recertification process would not begin in full until 2013 to allow time for the development of course materials.

In total, additional training for and recertification of acquisition workforce personnel would cost \$10 million in 2011 and \$163 million over the 2011-2015 period, assuming appropriation of the necessary amounts.

**Scholarships for Cost Estimators.** Title 2 also would direct DoD to establish a program to provide scholarships and internships in cost estimating for acquisition workforce personnel. CBO estimates that DoD would provide scholarships of around \$15,000 annually for masters degree programs to 100 students in 2012, and to 250 students a year by 2015. Such a program would cost \$2 million in 2012 and \$14 million over the 2012-2015 period, CBO estimates.

#### **Title IV – Expansion and Assessment of the Industrial Base**

Title IV includes provisions to expand the base of companies and industries that supply goods and services to DoD, and to improve the way that those industries are monitored.

**General Counsel’s Office.** Section 404 would establish a dedicated office of the general counsel for the Defense Contract Audit Agency at a cost of \$1 million per year and a total of \$5 million over the 2011-2015 period, CBO estimates.

**PAY-AS-YOU-GO CONSIDERATIONS:** None.

#### **INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT**

H.R. 5013 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

**ESTIMATE PREPARED BY:**

Federal Costs: David B. Newman

Impact on State, Local, and Tribal Governments: Burke Doherty

Impact on the Private Sector: Elizabeth Bass

**ESTIMATE APPROVED BY:**

Theresa Gullo

Deputy Assistant Director for Budget Analysis