OMB A-11, Part 2, Section 51

Aviation Business Case Summary

(ABCS)

**Aircraft**

**Capital Asset Planning**

**Desk Guide**

(Life-Cycle Management & Budgeting)

**Reviewed January 6, 2015**

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| **Table of Contents**[Purpose of this Desk Guide?](#Purpose_of_this_Desk_Guide)300.1 What is the purpose of the section? 300.2 Does the section apply to me? 300.3 Completing an ABCS using the CAP Tool Template. 300.4 What background information must I know? 300.5 What special terms should I know? 300.6 How will agencies manage capital assets? 300.7 What other requirements does the ABCS fulfill? 300.8 What must I report on the ABCS and when? 300.9 How will OMB use the ABCS? Capital Asset Plan and Business Case Summary **Summary of Changes** Notifies agencies of OMB’s intent to strengthen capital programming for non-IT acquisitions Reduces data requirements and targets them toward decision-making; drops references to the high risk list, management watch list, and management agenda; drops information requirements on architecture, IT security, and privacy protection.  |

**Purpose of this Desk Guide**

This Desk Guide is intended to help aviation managers better understand their responsibilities with respect to cradle-to-grave asset management and budgeting. This is a cradle-to-grave, life cycle management and acquisition planning tool that is based on requirements contained in OMB Circular A-11, Part 2 Aviation Business Case Summary (ABCS) and the Capital Programming Guide. The Desk Guide contains a template for your use in accomplishing an ABCS, and general step by step directions. Because this is only a guide, you should ultimately refer back to the OMB Circular A-11 for detailed, in depth budgeting requirements. Keep in mind that this Desk Guide and template do follow the OMB ABCS precisely as required in Circular A-11. Sections pertaining uniquely to Information Technology (IT) have been removed. We have also added specific aircraft life-cycle cost methodology to facilitate the process.

**300.1 What is the purpose of the section?**

Part 2 of the Circular establishes policy for planning, budgeting, acquisition and management of Federal capital assets, and instructs on budget justification and reporting requirements. OMB provides procedural and analytic guidelines for implementing specific aspects of these policies as appendices and supplements to this Circular and in other OMB circulars.

For aviation capital assets contact your Resource Management Offices (RMOs) at OMB to determine any additional budget justification and reporting requirements in addition to those outlined here.

**300.2 Does the section apply to me?**

The policy and budget justification and reporting requirements in this section apply to all agencies of the Executive Branch of the Government subject to Executive Branch review (see section 25 of OMB Circular A-11). An Aviation Business Case Summary must be submitted for all major investments in accordance with this section.

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| *Aviation Business Case Summary(ABCS)*  |

**Completion of your Aviation CAP Tool Template**

**Aviation Business Case Summary for the Acquisition of Aircraft**

(*TEMPLATE)*

This document should justify the acquisition and operation of aircraft. The investment should not include any research and/or development activity. If an agency is acquiring or maintaining more than one aircraft, the submission of multiple Business Cases may be necessary. DOD and intelligence agencies are not required to submit a Business Case. The Capital Asset Planning (CAP) Tool residing in the FAIRS site is a program which will enable you to complete this Business Case Summary.

This is a guide to assist you in completing the Aviation Business Case Summary (ABCS) via the CAP Tool program. The CAP Tool is accessible through the FAIRS page by selecting the “CAP” tab along the top of the page. The “CAP” tab will lead you to 3 selections;

* New Business Case Summary
* List All BCS
* CAP Desk Guide

Select the New BCS option.

Utilize the drop down menu to select your Agency (instructions are posted).

Once you have selected your Agency point and click on the “Begin creating a BSC” link at the bottom of the page.

You will be taken to the next page that offers you 3 choices;

* Initial acquisition
* Replacement acquisition
* Initial baseline for an asset already in the inventory

These are radio style buttons. Place your curser over the option you desire and select.

The next series of questions are administrative in nature (Steps 3 & 4, the number of steps may vary depending on which type of ABCS is selected). Note: The information provided in the administrative section is used to popular the final ABCS, however, the finished document will be forwarded to whoever has the appropriate reviewer role in FAIRS.

Step 5: a dialog box to enable you to present the summary of your justification for the acquisition. It is recommended that the justification be drafted in word, cut and paste the justification from the word document to the CAPT Tool, this will avoid the system timeout.

Steps 6 & 7: ask additional administrative and contract related questions.

Step 8: asks you to list your alternatives. Following your first alternative select the small save button to the right of the alternative (looks like a small disc). Once your alternative has been saved you can enter an additional alternative via the same process. Once all your alternatives have been entered select the next option on the upper right side of the page.

Step 9: Select empty or pre filled worksheets. Information related to each choice is offered. The yearly inflation factor box is here.

Step 10: Enables you to download the worksheets to your hard drive. While on your hard drive you can adjust the data however, once you return the completed worksheet to the CAP Tool the data cannot be adjusted.

Step 11: Upload your completed worksheets.

Step 12: Review and edit as necessary

Step 13: Select your preferred alternative (if less than 3 alternatives were offered state your reason).

Step 14: Contracting questions as required by the Federal Acquisition Regulations, see your Contracts Office for additional help.

Step 15: Summary of Funding. This should be self explanatory.

Step 16: Risk Management. This should be self explanatory.

Step 17: Performance Information. This relates to your agency Strategic Goals, Performance Baseline and Performance Goals. Enter how this acquisition corresponds to your agency’s Strategic Goals, Performance Baseline or Performance Goals.

Step 18: Cost Schedule and Performance. This is a measure of expected time to acquire and place into service and the expected cost to complete the project.

Step 19: Partner Agency Information. This should be self explanatory.

Step 20: Your ABCS is ready for final review. Recommend a review prior to forwarding for approval. (The process to review and approve is at the desertion of your particular agency, electronic or printed copy via pdf).

**300.4 What background information must I know?**

The Federal Government must effectively manage its portfolio of capital assets to ensure scarce public resources are wisely invested. Capital programming integrates the planning, acquisition and management of capital assets into the budget decision-making process and is intended to assist agencies in improving asset management and in complying with the results-oriented requirements.

1. The Federal Acquisition Streamlining Act of 1994, Title V (FASA V), which requires agencies to establish cost, schedule and measurable performance goals for all major acquisition programs, and achieve on average 90 percent of those goals.

**300.5 What special terms should I know?**

***Alternatives Analysis*** refers to an analysis of alternative approaches to addressing the performance objectives of an investment, performed prior to the initial decision to make an investment, and updated periodically as appropriate to capture changes in the context for an investment decision. Alternatives analysis details should be available upon request.

***Capital assets*** means land, structures, equipment, intellectual property (e.g., software), and information technology (including IT service contracts) used by the Federal Government and having an estimated useful life of two years or more. See Appendix One of the *Capital Programming Guide* for a more complete definition of capital assets.

***Capital programming*** means an integrated process within an agency for planning, budgeting, procurement and management of the agency’s portfolio of capital assets to achieve agency strategic goals and objectives with the lowest life-cycle cost and least risk.

***Capital project (investment)*** means the acquisition of a capital asset and the management of that asset through its life-cycle after the initial acquisition. Capital projects (investments) may consist of several useful segments.

***Contracting officer certification*** means the highest current level of certification in contracting obtained by the contracting officer (CO) assigned to the acquisition. For defense agencies, indicate the CO’s highest level of Defense Acquisition Workforce Improvement Act (DAWIA) certification in contracting. For civilian agencies, indicate the CO’s highest level of Federal Acquisition Certification in Contracting (FAC-C), in accordance with OMB memorandum, “The Federal Acquisition Certification in Contracting Program,” dated January 20, 2006. Available levels are 1, 2, or 3. To address the transition period, if the CO has not obtained a FAC-C, the agency must determine that the CO assigned to the effort has the competencies and skills necessary to support the acquisition.

***Cost saving*** represents the reduction in actual expenditures below the projected level of costs to achieve a specific objective (as defined in OMB Circular A–131). Cost savings may be cited in descriptions.

***Cost avoidance*** represents results from an action taken in the immediate time frame that will decrease costs in the future (as defined in OMB Circular A–131). Cost avoidance may be cited in descriptions.

***Disposition Costs*** in the Funding Summary for an IT investment refers to the costs of retiring legacy systems included in the project plan for an investment for a replacement system or systems.

***Earned value management (EVM)*** is a project (investment) management tool effectively integrating the investment scope of work with schedule and cost elements for optimum investment planning and control. The qualities and operating characteristics of earned value management systems (EVMS) are described in American National Standards Institute (ANSI)/Electronic Industries Alliance (EIA) Standard –748–1998, *Earned Value Management Systems*, approved May 19, 1998. It was reaffirmed on August 28, 2002. Additional information on EVMS is available at www.acq.osd.mil/pm.

***Energy Savings Performance Contract (ESPC)*** means a contract (such as a task ordered by DOE and awarded to an energy service company) that provides for the performance of services for the design, acquisition, financing, installation, testing, operation, and maintenance and repair, of an identified energy, water conservation, or renewable energy measure or series of measures at one or more locations. Such contracts shall provide that the contractor must incur costs of implementing energy savings measures, including at least the cost (if any) incurred in making energy audits, acquiring and installing equipment, and training personnel in exchange for a predetermined share of the value of the energy savings directly resulting from implementation of such measures during the term of the contract. Payment to the contractor is contingent upon realizing a guaranteed stream of future energy and cost savings, with any savings in excess of that guaranteed by the contractor accruing to the Federal government

***Federal Acquisition Certification for Program and Project Managers (FAC-P/PM)*** was established to ensure general training and experience requirements for program and project managers are clearly identified for civilian agencies. The FAC-P/PM focuses on essential competencies needed for program and project managers; the program does not include functional or technical competencies, such as those for information technology or agency-specific competencies. Defense agencies have a similar certification program under the Defense Acquisition Workforce Improvement Act (DAWIA). Agencies were required to be compliant with FAC-P/PM starting in FY 2008. Available levels are Entry/Apprentice, Mid/Journeyman and Expert/Advanced for FAC-P/PM and 1, 2 and 3 for DAWIA. (http://www.whitehouse.gov/omb/assets/omb/procurement/workforce/fed\_acq\_cert\_042507.pdf) (www.whitehouse.gov/omb/procurement/acq\_wk/fac\_contracting\_program.pdf)

***Full funding*** means appropriations are enacted sufficient in total to complete a useful segment (see definition below) of a capital project (investment) before any obligations may be incurred for the segment. Incrementally funding capital projects (investments) or useful segments without certainty if or when future funding will be available can result in poor planning, inadequate justification of assets acquisition, higher acquisition costs, project (investment) delays, cancellation of major projects (investments), the loss of sunk costs, and inadequate funding to maintain and operate the assets. Budget requests for full acquisition of capital assets must propose full funding (see section 31.5).

***Interagency acquisition*** means the use of the Federal Supply Schedules, a multi-agency contract (i.e., a task order or delivery order contract established by one agency for use by government agencies to obtain supplies and services, consistent with the Economy Act, 31 U.S.C. 1535), or a government-wide acquisition contract (i.e., a task-order or delivery-order contract for information technology established by one agency for government-wide use operated by an executive agent designated by OMB pursuant to section 11302(3) of the Clinger Cohen Act of 1996).

***Life-cycle costs*** (see Supplement to Part 2—Capital Programming Guide).

***Major investment*** means a system or acquisition requiring special management attention because of its importance to the mission or function of the agency, a component of the agency, or another organization; is for financial management and obligates more than $500,000 annually; has significant program or policy implications; has high executive visibility; has high development, operating, or maintenance costs; is funded through other than direct appropriations; or is defined as major by the agency’s capital planning and investment control process. OMB may work with the agency to declare other investments as major investments. You should consult with your OMB representative about what investments to consider as "major;" consult your agency budget officer or OMB representative. Systems not considered "major" are "non-major."

***Mixed life-cycle investment*** means an investment having both development/modernization/enhancement (DME) and steady state components. For example, a mixed life-cycle investment could include a prototype or module of a system that is operational with the remainder of the system in DME stages, or a service contract for steady state on the current system with a DME requirement for system upgrade or replacement.

***Multi-Agency Collaboration investments*** means a set of systems or acquisitions requiring the efforts of more than one agency (multiple sub-agency efforts should not be identified as "Multi-Agency"). All E-Gov initiatives and Line of Business (LoB) initiatives are by definition Multi-Agency efforts. Due to the multi-agency impact, Multi-Agency Collaboration investments such as E-Gov and LoB initiatives are also by definition Major Investments.

***Operational (steady state)*** means an asset or a part of an asset with a delivered component performing the mission.

***Partner Agency funding contributions (contributions)*** represent both the direct contribution (Cash contribution) in terms of agency funding contributions in support of the initiative and "In-Kind" contributions, i.e., the dollar equivalent of services contributed by the partner agency in support of the initiative (non-cash contribution), including Partner agency support in equipment, facilities, software, license fees, and dollar equivalent of FTEs. Migration costs should not be included, as these activities are more appropriately coordinated with the managing partner and covered by a migration investment.

***Partner Agency "fee-for-service" contributions*** represents the direct reimbursements (Cash reimbursements) in terms of a "fee-for-service" relationship for a transactional service received by the initiative or reimbursements for capital assets under the oversight of the initiative.

***Performance-based acquisition management*** means a documented, systematic process for program management, which includes integration of program scope, schedule and cost objectives, establishment of a baseline plan for accomplishment of program objectives, and use of earned value techniques for performance measurement during execution of the program. EVMS is required for those parts of the investment where developmental effort is required. This includes prototypes and tests to select the most cost effective alternative during the Planning Phase, the work during the Acquisition Phase, and any developmental, modification, or upgrade work done during the Operational/Steady State Phase. EVMS is to be applied to both Government and contractor efforts, regardless of contract type. For operational/steady state systems, an operational analysis as discussed in Phase IV of the Capital Programming Guide is required. A performance-based acquisition (as defined in the Federal Acquisition Regulation 37.101) or contract/agreement with a defined quality assurance plan that includes performance standards/measures should be the basis for monitoring contractor or in-house performance of this phase. Information on this requirement can be found in OMB Memorandum 05–23, *Improving Information Technology (IT) Project Planning and Execution*.

***Planning*** means preparing, developing or acquiring the information you will use to: design the investment; assess the benefits, risks, and risk-adjusted life-cycle costs of alternative solutions; and establish realistic cost, schedule, and performance goals, for the selected alternative, before either proceeding to full acquisition of the capital project (investment) or useful segment or terminating the investment. Planning must progress to the point where you are ready to commit to achieving specific goals for the completion of the acquisition before preceding to the acquisition phase. Information gathering activities may include market research of available solutions, architectural drawings, geological studies, engineering and design studies, and prototypes. Planning is a useful segment of a capital project (investment). Depending on the nature of the investment, one or more planning segments may be necessary.

During the planning phase, when contemplating a performance-based acquisition, agency program offices should evaluate their service requirement and determine:

Whether a performance-related baseline problem exists (cost, quality, timeliness, impact to agency mission);

1. The level of risk associated with the service not being optimally provided (importance to mission of the service
 being provided optimally);
	* + 1. The level of confidence the agency has in its own "performance work statement or statement of objectives
			 document" to solve the baseline problem;
2. The amount of risk the agency wants to assume for managing the service impact on its own versus shifting to a
 vendor; and
3. The readiness of the program to measure the impact of the service on its program performance goals/mission, as
 well as the readiness of Program staff to participate in the PBA process.

***Risk adjusted life-cycle costs*** means the overall estimated cost for a particular investment alternative over the time period corresponding to the life of the investment, including direct and indirect initial costs plus any periodic or continuing costs of operation and maintenance that has been adjusted to accommodate any risk identified in the risk management plans. If project funding is to be requested for specific phases, segments or modules of the project, each of these parts will be risk adjusted for their individual life-cycle. Details of risk management plans and the risk-adjusted life cycle cost analysis should be available upon request.

***Segment Architecture*** is a detailed results-oriented architecture (baseline and target) and a transition strategy for a portion or segment of the enterprise. Segments are individual elements of the enterprise describing core mission areas and common or shared business services and enterprise services, and provide the core linkage of the IT Investment Portfolio to the Agency’s Performance Management System.

***Total Value of Contract/Task Order*** means the current total value of the Contract or Task Order to acquire and operate the capital asset. For contracts/task orders shared by multiple capital assets, please provide only the current total value associated with the identified capital asset.

***Useful segment/module*** means an economically and programmatically separate component of a capital investment that provides a measurable performance outcome for which the benefits exceed the costs, even if no further funding is appropriated.

***Utility Energy Service Contract (UESC)*** is a contract between a Federal agency and a local utility providing energy, water, or sewage services, as well as provision of technical services and/or upfront project financing for energy efficiency, water conservation, and renewable energy investments, allowing Federal agencies to pay for the services over time, either on their utility bill, or through a separate agreement.

Additional budget terms and definitions are included in the Glossary in Appendix J, "Principles of Budgeting for Capital Asset Acquisitions" and in section 53 (for IT).

**How will agencies manage capital assets?**

The *Capital Programming Guide,* which supplements Part 2 of OMB Circular A–11, provides guidance on the principles and techniques for effective capital programming. Appendix J of this part explains the principles of financing capital asset acquisitions. Section 8b of OMB Circular A–130 establishes additional requirements for enterprise architectures (EAs), planning and control of information systems and technology investments and performance management. Agencies must develop, implement, and use a capital programming process to develop their capital asset portfolio, and must:

1. Evaluate and select capital asset investments that will support core mission functions performed by the Federal Government as planned for in Segments of the Agency’s Enterprise Architecture, and demonstrate projected returns on investment that are clearly equal to or better than alternative uses of available public resources;
2. Initiate improvements to existing assets or acquisitions of new assets only when no alternative private sector or governmental source can more efficiently meet the need;
3. Simplify or otherwise redesign work processes to reduce costs, improve effectiveness, and make maximum use of commercial services and off-the-shelf technology;
4. Reduce project risk by avoiding or isolating custom designed components, using components that can be fully tested or prototyped prior to full implementation or production, and ensuring involvement and support of users in the design and testing of the asset;
5. Structure major acquisitions into useful segments with a narrow scope and brief duration, make adequate use of competition and appropriately allocate risk between Government and contractor. The Agency Head must approve or define the cost, schedule, and performance goals for major acquisitions, and the agency's Chief Financial Officer must evaluate the proposed cost goals;
6. Ensure a continuous linkage with Federal, agency, and bureau EAs, demonstrating such consistency through alignment with Agency Segment, compliance with agency business requirements and standards, as well as identification of milestones, as defined in the EA transition strategy;
7. Institute performance measures and management processes monitoring and comparing actual performance to planned results. Agencies must use a performance-based acquisition management or earned value management system, based on the ANSI/EIA Standard 748, to obtain timely information regarding the progress of capital investments. The system must also measure progress towards milestones in an independently verifiable basis, in terms of cost, capability of the investment to meet specified requirements, timeliness, and quality. Agencies are expected to achieve, on average, 90 percent of the cost, schedule and performance goals for major acquisitions. Agency Heads must review major acquisitions not achieving 90 percent of the goals to determine whether there is a continuing need and what corrective action, including termination, should be taken;
8. Ensure financial management systems conform to the requirements of OMB Circular No. A–127;
9. Conduct post-implementation or post-occupancy reviews of capital programming and acquisition processes and projects to validate estimated benefits and costs and document effective management practices, i.e., lessons learned, for broader use; and
10. Establish oversight mechanisms requiring periodic review of operational capital assets to determine how mission requirements might have changed, and whether the asset continues to fulfill ongoing and anticipated mission requirements, deliver intended benefits to the agency and customers, and meet user requirements.

**300.6 What other requirements does the ABCS fulfill?**

The ABCS is designed to coordinate OMB’s collection of agency information for its reports to the Congress required by the Federal Acquisition Streamlining Act of 1994 (FASA Title V) and the Clinger-Cohen Act of 1996, to ensure the business case for investments are made and tied to the mission statements, long-term goals and objectives, and annual performance plans developed pursuant to the GPRA.

**300.7 What must I report on the ABCS and when?**

It is important to understand, all information necessary to complete an ABCS already exists as part of the agency's overall Information Resources Management activities and within project specific documentation. The materials used to populate the ABCS should be readily available to OMB upon request.

The ABCS must be submitted along with any other agency budget submissions (see section 25.5) to OMB by the annual deadline published by OMB. The ABCS should be fully integrated with your agency’s overall budget submission. Agencies can either manually enter their ABCS data into this system or upload files in XML format. Additional information regarding the submission process will be posted on http://www.whitehouse.gov/omb/e-gov.

Following the budget season, agencies should update their agency’s ABCSs submitted during budget submission to reflect final Presidential decisions. In addition, this update should ensure that only publicly-releasable information is contained in the updated ABCS. While it is important to maintain this publicly-releasable ABCS, agencies should continuously maintain updated information about the projects contained in the ABCS. OMB may request this information at any time.

Agencies are required to post on their agency website, within 2 weeks of the release of the President’s Budget, these updated exhibits reflecting final Presidential decisions (see section 22.6). If you have any questions about what should be included in the version posted to your website, please contact your agency budget and FOIA offices. You may also contact your OMB representative. As a reminder, these products should be included in your Information Dissemination Product Inventories, Priorities, and Schedules. (More information about this can be found in OMB M–05–04, Policies for Federal Agency Public Websites).

If agencies request supplemental funds, which include changes to the agency's portfolio, as part of their supplemental request, agencies should submit new or revised ABCSs and exhibit 53 (see section 53).

The information you must report will depend on the kind of investment the ABCS is representing (see Part I Section A, Question #6).

***New Investments***

If you are reporting a new investment (i.e., proposed for BY or later) you must complete the appropriate sections. Investments in initial concept or planning phase will have less detail and specificity than investments moving into the acquisition or operational phase. However, these investments should identify in life-cycle documentation the dates these issues will be addressed as the investment matures. Where prototypes are acquired as part of the planning process, the prototypes must be reported as full acquisitions. All of the areas on the ABCS must be part of an agency's planning, and the ABCS should be updated as soon as the information is known.

***Ongoing Investments***

If reporting an ongoing investment other than IT, only update sections as appropriate. If any of the cost, schedule, or performance variances are not within 10 percent of the current baseline, provide a complete analysis of the reasons for the variances, the corrective actions to be taken, and the most likely estimate at completion (EAC). Use the EVM system to identify the specific work packages where problems are occurring. Discuss why the problems occurred and corrective actions necessary to return the program as close as feasible to the current baseline goals.

 ***Multi-Agency Collaboration Investments***

The managing partner (lead agency) will take the lead for completing the multi-agency ABCS, managing it through the lead agency's capital programming and budget process and submitting the ABCS to OMB. The managing partner is also responsible for ensuring this ABCS includes all necessary information from the partner agencies and has been approved by all necessary partner agencies through the appropriate governance process. The multi-agency ABCS should include partner agency funding, related capital assets (e.g. migration investments, Centers of Excellence, Shared Service Centers, Supporting components), and milestones in Part IV of the ABCS. The managing partner Executive/Investment Committee should review and approve the multi-agency ABCS.

Partner agencies should report their participation in their exhibit 53 submissions as appropriate (see section 53). Partner agencies should reference the name of the multi-agency ABCS in the "Investment Description" field of each exhibit 53 line item related to the multi-agency ABCS. Partner agencies should also ensure their activities and participation are included in the appropriate sections of the multi-agency ABCS. The managing partner will include only the managing partner specific funds in their exhibit 53 submission(s), while the entire Summary of Spending Total for the investment, including funds provided by partner agency, should be included in the ABCS.

OMB may require additional information from partner agencies related to the multi-agency ABCS. When necessary, OMB will work with the managing partners to coordinate data requests.

***Multi-Agency Collaboration supporting components capital assets***

Partner agency's supporting capital assets (e.g., Service Providers, Centers of Excellence, Shared Service Centers, Supporting components) should be submitted as regular agency capital assets using ABCSs. Agencies proposing capital assets to support multi-agency initiatives should share their proposals with the managing partner for review. Proposals recommended as part of the Managing Partner's solution should be included in the Managing Partner's ABCS (Part IV–Section A, Question #2). An agency with a recommended capital asset proposal should submit an ABCS using the appropriate kind of ABCS. Partner agencies with or proposing supporting capital assets for multi-agency collaboration (i.e. Shared Service Centers, Sales Center, Shared Service Providers, etc.) should use Section 13 - Stakeholders of the ABCS. Further guidance will be issued on determining which multi-agency investments should report on capital asset spending utilizing the ABCS. Agencies should consult with OMB on questions, but presume that projects reported in the past as multi-agency major investments should continue to be treated in the same way, submitting an ABCS, unless activities have ceased. Agencies should also consult with OMB as to whether ABCSs should be submitted for current or the upcoming Fiscal Year.

***For Cost and Schedule Performance baseline changes***

All proposed changes to baselines should be submitted to OMB prior to your FY budget request; proposed changes should not be assumed approved. If your agency has any questions, please contact your OMB representative. Only current approved baselines should be reflected in the ABCS.

**300.8 How will OMB use the ABCSs?**

The ABCS is one component of your agency’s total performance budget justification (see section 51.2). OMB uses the ABCS to make both quantitative decisions about budgetary resources consistent with the Administration’s program priorities, and qualitative assessments about whether the agency’s programming processes are consistent with OMB policy and guidance. OMB will be evaluating all elements of the business cases and will communicate the results of these evaluations in the course of the budget process. If additional supporting information is necessary, OMB will request from agencies the supporting evidence used to produce the ABCS. All information necessary to complete an ABCS should already exist as part of the agency's overall Information Resources Management activities and within project specific documentation. The materials used to produce the ABCS should be readily available to OMB upon request.

**Must I submit an ABCS?**

Yes…if you acquire aircraft, you must submit an A-11 ABCS and periodically review/evaluate your ABCS. This Desk Guide is intended to facilitate the ABCS process for all aircraft ABCS reporting. ABCS’s are required for all aircraft acquisitions. ABCS’s must be reviewed on a 5 year cycle. ABCS’s for aircraft must be updated every five years. Should you have aircraft not accounted for under a previous ABCS or a current ABCS, you must baseline the aircraft from the current fiscal year forward. Base lining entails determining the aircraft life cycle, life cycle costs, and forecast replacement timing.

 **Aviation Business Case Summary for the Acquisition of Aircraft**

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| **Example of the CAP Tool generated document** |

1. Date of Submission
2. Agency
3. Bureau
4. Name of Investment
5. Justification for Investment

Provide a brief justification for the investment. The justification should address each of the following items, but the entire response should not exceed two pages.

* 1. Purpose
	2. Executive Summary
	3. Conclusion
	4. Recommendation
1. Accountability

Enter the names and contact information for the following officials.

* 1. Agency Headquarters Business Sponsor

The Agency Headquarters Business Sponsor is the individual with the authority to allocate resources and make personnel decisions.

* + 1. Name
		2. Title
		3. Telephone
		4. Email
	1. Aviation Program Manager
		1. Name
		2. Telephone
		3. Email
	2. Contracting Officer
		1. Name
		2. Telephone
		3. Email
1. Summary of Funding

The Summary of Funding must include the total cost of planning, acquiring, operating, maintaining and disposing of the investment. The amounts reported must include all of the costs incurred by the managing partner and any other Federal agencies. Typically, disposal costs will be $0 until the final year of the lifecycle.

* 1. Enter the total estimated life-cycle cost of the investment in Table 1. All amounts represent budget authority in millions of dollars. Estimates for BY+1 and beyond are for planning purposes only and do not represent budget decisions.
	2. How many years does the column “PY - 1 and Earlier” represent?
	3. How many years does the column “BY + 4 and Beyond” represent?
	4. If the summary of funding has changed from the previous budget request, briefly explain the changes.

| **Table 1: Summary of Funding** |
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|  | **PY-1 and Earlier****($M)** | **PY****2011****($M)** | **CY****2012****($M)** | **BY****2013****($M)** | **BY+1****2014****($M)** | **BY+2****2015****($M)** | **BY+3****2016****($M)** | **BY+4 and Beyond****($M)** | **Total****($M)** |
| Planning (a) |  |  |  |  |  |  |  |  |  |
| Acquisition (b) |  |  |  |  |  |  |  |  |  |
| Subtotal Planning & Acquisition(c) = (a) + (b) |  |  |  |  |  |  |  |  |  |
| Operations & Maintenance (d) |  |  |  |  |  |  |  |  |  |
| Residual Value/Disposal Cost (e) |  |  |  |  |  |  |  |  |  |
| Total (f) = (c) + (d) + (e) |  |  |  |  |  |  |  |  |  |

*Note” PY = Planning Year / CY = Current Year / BY = Budget Year*

*Note: For the cross-agency investments, this table should include all funding (both managing partner and partner agencies). Government FTE Costs should not be included as part of the TOTAL represented.*

*Note: for “BY + 4 & Beyond“ column; you may roll-up the remaining life-cycle costs thru disposal of the aircraft*

1. Acquisition Plan

The Acquisition Plan should maximize competition to ensure the government receives a fair price. The Plan must be available to OMB upon request.

1. Has an Acquisition Plan been developed (yes/no)?
2. If an Acquisition Plan has been developed, answer the following questions.
	1. Does the Acquisition Plan reflect the requirements of FAR Subpart 7.1 (yes/no)?
	2. Was the Acquisition Plan approved in accordance with agency requirements (yes/no)?
	3. If the Plan was approved, enter the date of approval.
	4. Is the Acquisition Plan consistent with the agency Strategic Sustainability Performance Plan (yes/no)?
	5. Does the Acquisition Plan meet the requirements of EO 13423 (yes/no)?
	6. Does the Acquisition Plan meet the requirements of EO 13514 (yes/no)?
3. If an Acquisition Plan has not been developed, provide a brief explanation.
4. Enter all (including non-Federal) current and planned contracts and task orders in Table 2. Completed contracts and task orders do not need to be listed. Total Value should include option years. If a contract has not been awarded, estimates of dates, dollar values and any other information should be provided. Data definitions can be found at [www.usaspending.gov/learn?tab=FAQ#2](http://www.usaspending.gov/learn?tab=FAQ#2).
5. Do all Procurement Instrument Identifier (PIID) and Indefinite Delivery Vehicle (IDV) PIID entries match [www.USAspending.gov](http://www.USAspending.gov) (yes/no)?
6. Do all Solicitation IDs match FedBizOpps at [www.fbo.gov](http://www.fbo.gov) (yes/no)?
7. If Earned Value Management is not required or will not be a contract requirement for any of the contracts or task orders, provide a brief explanation.

| **Table 2: Contracts** |
| --- |
| **Field** | **Data Description** | **Contract 1** | **Contract 2** |
| Contract Status | 1. Awarded
2. Pre-award Post-solicitation
3. Pre-award Pre-solicitation
 |  |  |
| Contracting Agency ID | Required only if the contracting agency is different than the agency submitting the exhibit. Use the agency four digit code as used in FPDS. |  |  |
| Procurement Instrument Identifier (PIID) | See [www.usaspending.gov/learn?tab=FAQ#2](http://www.usaspending.gov/learn?tab=FAQ#2) |  |  |
| Indefinite Delivery Vehicle (IDV) Reference ID | Required only for IDVs. See [www.usaspending.gov/learn?tab=FAQ#2](http://www.usaspending.gov/learn?tab=FAQ#2) |  |  |
| Solicitation ID | See [www.fbo.gov](http://www.fbo.gov) |  |  |
| Alternative Financing | ESPC, UESC, EUL or N/A |  |  |
| EVM Required | Y/N |  |  |
| Ultimate Contract Value | Total value of contract including all options. |  |  |
| Type of Contract/Task Order (Pricing) | See FAR Part 16. Examples include fixed price, cost, cost plus, incentive, IDV, T&M |  |  |
| Is the Contract a Performance Based Service Acquisition (PBSA)? | Y/N Indicates whether the contract is a PBSA as defined by FAR 37.601. A PBSA describes the requirements in terms of results rather than the methods of performance of the work. |  |  |
| Effective Date | MM/DD/YYYY Actual or expected start date of the contract/task order. The date that the parties agree will be the starting date for the contract requirements. |  |  |
| Actual or Expected End Date of Contract/Task Order | MM/DD/YYYY |  |  |
| Extent Competed | * + 1. Full and open competition
		2. Not available for competition
		3. Not competed
		4. Full and open competition after exclusion of sources
		5. Follow-on to competed action
		6. Competed under simplified acquisition procedures
		7. Not competed under simplified acquisition procedures (CDO) Competitive Delivery Order (NDO) Non-competitive Delivery Order
 |  |  |
| Short Description of Acquisition | See [www.usaspending.gov/learn?tab=FAQ#2](http://www.usaspending.gov/learn?tab=FAQ#2) |  |  |

Alternatives Analysis

The standard methodology developed by the General Services Administration (GSA) and the Interagency Committee for Aviation Policy (ICAP) must be used to evaluate at least three alternatives and the status quo. If the analysis does not evaluate at least three alternatives, the agency must provide an explanation. The details of the analysis must be available to OMB upon request.

* 1. Was an Alternatives Analysis conducted (yes/no)?
	2. If an Alternatives Analysis was conducted, answer the following questions.
		1. What is the date of the analysis?
		2. How many alternatives were evaluated?
		3. If less than three alternatives were evaluated, provide a brief explanation.
		4. Summarize the cost of the status quo and each alternative in Table 3.0.
		5. Provide a link to the detailed analysis of each alternative listed in Table 3.0.
		6. Summarize the First Year Acquisition and Operating Costs of the status quo and each alternative in Table 3.1.
		7. Provide a link to the detailed analysis of each alternative listed in Table 3.1.
		8. Briefly summarize the rationale for the selected alternative.
	3. If an Alternatives Analysis was not conducted, provide a brief explanation.

| **Table 3.0: Lifecycle Cost Comparison (NPV)** |
| --- |
|  | **Evaluation Criteria** | **Current / Status Quo** | **Alternative #1** | **Alternative #2** | **Alternative #3** |
| 1 | **Acquisition/Disposal Value/Cost** |  |  |  |  |
| 2 | New, Used or Refurbished |  |  |  |  |
| 3 | Useful Life (Years) |  |  |  |  |
| 4 | Projected Annual Flying Hours (average) |  |  |  |  |
| 5 | # of Crewmembers  |  |  |  |  |
| 6 | # of Maintenance & Flight Support Personnel |  |  |  |  |
| 7 | Original Aircraft Acquisition Cost |  |  |  |  |
| 8 | SLEP/LEP / Re-Engine  |  |  |  |  |
| 9 | **Total Projected Acquisition Cost (Investment)** |  |  |  |  |
| 10 | Market Value |  |  |  |  |
| 11 | Residual Value (est. @ 20% market value) |  |  |  |  |
| 12 |  |  |  |  |  |
| 12 | **Variable Cost (total life cycle cost)** |  |  |  |  |
| 13 | *Fuel/Oil/Lubricants/Gasses* Cost  |  |  |  |  |
| 14 | Maintenance Labor Cost  |  |  |  |  |
| 15 | Maintenance Scheduled Parts Cost  |  |  |  |  |
| 16 | Maintenance Unscheduled Parts Cost |  |  |  |  |
| 17 | Flight Crew (*variable*) Cost |  |  |  |  |
| 18 | Flight/Ground Support & Other Costs (away from home airfield) |  |  |  |  |
| 19 | Total Variable Cost  |  |  |  |  |
| 20 | **Total Variable Cost per Year**(Cost per hour *x* hrs/yr) |  |  |  |  |
| 28 |  |  |  |  |  |
| 21 | **Fixed Cost** |  |  |  |  |
| 22 | Maintenance Aircraft & Engine Inspections |  |  |  |  |
| 23 | Maintenance Engine Overhauls |  |  |  |  |
| 24 | Maintenance Labor |  |  |  |  |
| 25 | Maintenance Parts (*fixed*) |  |  |  |  |
| 26 | Flight Crew  |  |  |  |  |
| 27 | Flight & Ground Support (home airfield) |  |  |  |  |
| 28 | Operations Overhead  |  |  |  |  |
| 30 | **Total Fixed Cost per Year** |  |  |  |  |
| 414 |    |  |  |  |  |
| 31 | **CAS In House Costs (**agency provided pilot/fuel) |  |  |  |  |
| 32 | **CAS Paid Out Cost** |  |  |  |  |
| 33 | **Total CAS Cost per Year** |  |  |  |  |
| 44 |    |  |  |  |  |
| 34 | **Total Average Annual Cost per Hour** |  |  |  |  |
| 35 | **Total Average Annual Cost (@xxx hrs/year)** |  |  |  |  |
| 36 | **Total Life Cycle Cost (NPV)** |  |  |  |  |
| 4646 |  |  |  |  |  |

| **Table 3.1: First Year Acquisition and Operating Costs** |
| --- |
|  |  | **Current / Status Quo** | **Alternative** **#1** | **Alternative #2** | **Alternative #3** |
| 1 | **Acquisition/Disposal Value/Cost** |  |  |  |  |
| 2 | New, Used or Refurbished |  |  |  |  |
| 3 | Useful Life (Years) |  |  |  |  |
| 4 | Projected Annual Flying Hours |  |  |  |  |
| 5 | # of Crewmembers  |  |  |  |  |
| 6 | # of Maintenance & Flight Support Personnel |  |  |  |  |
| 7 | Original Aircraft Acquisition Cost including SLEP/LEP |  |  |  |  |
| 8 | SLEP/LEP / Re-Engine  |  |  |  |  |
| 9 | **Total Acquisition Cost (Total Capital Investment)** |  |  |  |  |
| 10 | Market Value |  |  |  |  |
| 11 | Residual Value (est. @ 20% market value) |  |  |  |  |
| 12 |  |  |  |  |  |
| 12 | **Variable Cost (Hourly)** |  |  |  |  |
| 13 | *Fuel/Oil/Lubricants/Gasses* Cost per *flight* hour  |  |  |  |  |
| 14 | Maintenance Labor Cost per *flight* hour |  |  |  |  |
| 15 | Maintenance Scheduled Parts Cost per *flight* hour |  |  |  |  |
| 16 | Maintenance Unscheduled Parts Cost per *flight*  hour |  |  |  |  |
| 17 | Flight Crew (*variable*) Cost per *flight* hour |  |  |  |  |
| 18 | Flight/Ground Support & Other Costs per *flight* hour (away from home airfield) |  |  |  |  |
| 19 | Total Variable Cost per Hour |  |  |  |  |
| 20 | **Total Variable Cost per Year**(Cost per hour *x* hrs/yr) |  |  |  |  |
| 28 |  |  |  |  |  |
| 21 | **Fixed Cost** |  |  |  |  |
| 22 | Maintenance Aircraft & Engine Inspections |  |  |  |  |
| 23 | Maintenance Engine Overhauls |  |  |  |  |
| 24 | Maintenance Labor |  |  |  |  |
| 25 | Maintenance Parts (*fixed*) |  |  |  |  |
| 26 | Flight Crew  |  |  |  |  |
| 27 | Flight & Ground Support (home airfield) |  |  |  |  |
| 28 | Operations Overhead  |  |  |  |  |
| 29 | **Total Fixed Cost per Year** |  |  |  |  |
| 414 |    |  |  |  |  |
| 30 | **CAS In House Costs (** agency provided pilot & fuel expenses) |  |  |  |  |
| 31 | **CAS Paid Out Cost** |  |  |  |  |
| 32 | **Total CAS Cost per Year** |  |  |  |  |
| 44 |    |  |  |  |  |
| 33 | **Total Cost per Hour** |  |  |  |  |
| 34 | **Total Annual Cost (@ xxx hrs/year)** |  |  |  |  |
| 4646 |  |  |  |  |  |

1. Risk Management

Risk must be actively managed throughout the lifecycle of the investment. The Risk Management Plan must be available to OMB upon request.

* 1. Has a Risk Management Plan been developed (yes/no)?
	2. If a Risk Management Plan has been developed, answer the following questions.
		1. What is the date of the plan?
		2. Does the plan include a list of risks (yes/no)?
		3. Does the plan include the probability of occurrence of each risk (yes/no)?
		4. Does the plan include the impact of each risk (yes/no)?
		5. Does the plan include a mitigation strategy for each risk (yes/no)?
		6. Does the plan include actively managing risk throughout the lifecycle (yes/no)?
	3. If a Risk Management Plan has not been developed, provide a brief explanation.
1. Performance Information

The investment must support the agency’s strategic goals. The performance goals must be clearly measurable and quantifiable.

* 1. Enter the strategic goals and the corresponding performance measures in Table 4.
	2. Explanations

| **Table 4: Performance Information** |
| --- |
| **Fiscal Year** | **Strategic Goal(s) Supported** | **Performance Baseline** | **Performance Goal** | **Actual Result** |
|  |  |  |  |  |
|  |  |  |  |  |

1. Cost and Schedule Performance

The Federal Acquisition Streamlining Act (Public Law 103-355 Section 5051) establishes a policy that executive agencies should achieve, on average, 90% of their cost and schedule goals. In order to assess agency performance, the cost and schedule performance of individual acquisitions must be evaluated and aggregated. The Performance Measurement Baseline developed during the planning phase will be the basis for evaluating individual acquisitions.

Compare planned and actual cost and schedule performance in Table 5.

1. Enter the planned acquisition cost in millions of dollars.
2. Enter the planned number of days for the acquisition. The planned number of days is the total number of days from the contract award date to the planned delivery date.
3. If the agency has accepted the aircraft, complete the remainder of Table 5.
4. Enter the actual acquisition cost in millions of dollars.
5. Enter the actual number of days that were required to complete the acquisition. The actual number of days is the total number of days from the contract award date to the actual delivery date.
6. Calculate the variances using the following formulas.
	1. Cost Variance ($M) = Planned Cost – Actual Cost
	2. Cost Variance (%) = Cost Variance / Planned Cost
	3. Schedule Variance (days) = Planned Days – Actual Days
	4. Schedule Variance (%) = Schedule Variance / Planned Days
7. If either the cost or schedule variance is greater than plus or minus 10%, provide a brief explanation.

| **Table 5: Cost and Schedule Performance** |
| --- |
|  | **Planned** | **Actual** | **Variance** | **Variance (%)** |
| Cost ($M) |  |  |  |  |
| Schedule (days) |  |  |  |  |

1. Operations and Maintenance (O&M)

At least annually, the standard methodology developed by the General Services Administration (GSA) and the Interagency Committee for Aviation Policy (ICAP) must be used to evaluate the cost of operating and maintaining an aircraft. Investments with both O&M activity and planning and acquisition activity must evaluate the cost of operating and maintaining the portion of the investment that is in the O&M phase of the lifecycle. The details of the analysis must be available to OMB upon request.

1. Has the O&M cost been evaluated within the previous 18 months (yes/no)?
2. If the O&M cost has been evaluated within the previous 18 months, answer the following questions.
	1. What was the date of the analysis?
	2. Enter planned and actual costs for all O&M activity in Table 6. Based on the data entered, calculate the cost variance for each item using the following formulas.
		1. Cost Variance ($) = Planned Cost – Actual Cost
		2. Cost Variance (%) = Cost Variance / Planned Cost
	3. If any cost variances are greater than plus or minus 10%, provide a brief explanation.
3. If the O&M cost has not been evaluated within the previous 18 months, provide a brief explanation.

| **Table 6: Comparison of Actual and Planned Annual O & M Expenditures** |
| --- |
|  | ***Name of Aircraft*** | **Planned Cost****FY 2010****($)** | **Actual Cost****FY 2010****($)** | **Cost Variance****($)** | **Cost Variance****(%)** |
| 1 | **Acquisition/Disposal Value/Cost** |  |  |  |  |
| 2 | New, Used or Refurbished |  |  |  |  |
| 3 | Useful Life (Years) |  |  |  |  |
| 4 | Annual Flying Hours |  |  |  |  |
| 5 | # of Crewmembers  |  |  |  |  |
| 6 | # of Maintenance & Flight Support Personnel |  |  |  |  |
| 7 | Original Aircraft Acquisition Cost including SLEP/LEP |  |  |  |  |
| 8 | SLEP/LEP / Re-Engine  |  |  |  |  |
| 9 | **Total Acquisition Cost (Total Capital Investment)** |  |  |  |  |
| 10 | Market Value |  |  |  |  |
| 11 | Residual Value (est. @ 20% market value) |  |  |  |  |
| 1211 |  |  |  |  |  |
| 12 | **Variable Cost (Hourly)** |  |  |  |  |
| 13 | *Fuel/Oil/Lubricants/Gasses* Cost per *flight* hour  |  |  |  |  |
| 14 | Maintenance Labor Cost per *flight* hour |  |  |  |  |
| 15 | Maintenance Scheduled Cost Parts per *flight* hour |  |  |  |  |
| 16 | Maintenance Unscheduled Cost Parts per *flight* hour |  |  |  |  |
| 17 | Flight Crew (*variable*) Cost per *flight* hour |  |  |  |  |
| 18 | Flight/Ground Support & Other Costs per *flight* hour (away from home airfield) |  |  |  |  |
| 19 | Total Variable Cost per *flight* Hour |  |  |  |  |
| 20 | **Total Variable Cost per Year** (Cost per hour *x* hrs/yr) |  |  |  |  |
| 28 |  |  |  |  |  |
| 21 | **Fixed Cost** |  |  |  |  |
| 22 | Maintenance Aircraft & Engine Inspections |  |  |  |  |
| 23 | Maintenance Engine Overhauls |  |  |  |  |
| 24 | Maintenance Labor |  |  |  |  |
| 25 | Maintenance Parts (*fixed*) |  |  |  |  |
| 26 | Flight Crew  |  |  |  |  |
| 27 | Flight & Ground Support (home airfield) |  |  |  |  |
| 28 | Operations Overhead  |  |  |  |  |
| 29 | Total Fixed Cost per Hour |  |  |  |  |
| 30 | **Total Fixed Cost per Year** |  |  |  |  |
| 41 |    |  |  |  |  |
| 31 | **CAS In House Costs (** agency provided pilot & fuel expenses) |  |  |  |  |
| 32 | **CAS Paid Out Cost** |  |  |  |  |
| 33 | **Total CAS Cost per Year** |  |  |  |  |
| 44 |    |  |  |  |  |
| 34 | **Total Cost per Hour** |  |  |  |  |
| 35 | **Total Annual Cost**  |  |  |  |  |
| 46 |  |  |  |  |  |

1. Stakeholders
	1. List all agency stakeholders in Table 7. Stakeholders are not limited to agencies with a financial commitment.
	2. If a partner agency has approved the Exhibit, enter the date of approval.

| **Table 7: Stakeholders** |
| --- |
| **Partner Agency** | **Date of Approval** |
|  |  |

**ADDITIONAL INFORMATION TO ASSIST IN COMPLETING YOUR ABCS**

ABCSs are intended to address cradle to grave planning for acquisition; annual operations; and follow-on replacement acquisition planning. Comprehensive base lining must be accomplished periodically. Base lining entails reviewing and documenting:

* original aircraft acquisition cost or value
* current aircraft value
* annual aircraft operating costs (fixed and variable) this year and subsequent years
* aircraft status with respect to a lifecycle timeline (year acquired, anticipated number of years of service, anticipated year of service termination/replacement)
* anticipated aircraft replacement cost in terms of future dollars (replacement acquisition planning)

Base-lining is critical in assuring the capability to accommodate effective annual “steady-state” budget reporting and any follow-on replacement acquisition budget planning. Base lining is required regardless of whether the aircraft are secured by means of purchase, lease or through commercial service contract. Additionally individual or cumulative agency commercial services contracts exceeding 200 hours of aircraft usage per year must be accounted for under A-11, Part 2, Section 51 budget reporting.

This guide does not establish new or alter existing policies articulated elsewhere (e.g. in OMB Circular A–11, *Preparation, Submission and Execution of the Budget,* or other OMB circulars). It does, however, provide a technical approach intended for aircraft and vehicle fleets.

The Guide is intended to assist aircraft fleet managers in their responsibilities to effectively plan, procure and use aircraft to achieve the maximum return on investment. Effective capital programming uses long range planning and a disciplined, integrated budget process as the basis for managing a portfolio of capital assets to achieve performance goals with the lowest life-cycle costs and least risk. This process should provide agency management with accurate information on acquisition and life-cycle costs, schedules, and performance of current and proposed capital assets. The Federal Acquisition Streamlining Act of 1994 (Pub. L. No. 103–355) (FASA) requires that Agency Heads manage the agency portfolio of major acquisitions within 90 percent of the individual investment's cost, OMB schedule, and performance goals. Program managers when developing the cost, schedule and performance goals on developmental projects with significant risk must, therefore, provide the agency Executive Review Committee with risk adjusted, most likely cost, schedule and performance goals. Without the knowledge of the risks involved managers at all levels—Agency, Office of Management and Budget (OMB) and Congress—cannot make the best decisions for the allocation of resources among the competing investments.

Agencies have flexibility in how they implement the key principles and concepts of the Guide. They are expected to comply with existing statutes and guidance (cited in the text where appropriate) for planning and funding new assets, achieving cost, schedule and performance goals, and managing the operation of assets to achieve the asset's performance and life-cycle cost goals. However the key principles and importance of thorough planning, risk management, full funding, portfolio analysis, performance-based acquisition management, accountability for achieving the established goals and cost-effective lifecycle management will not change. In general, OMB will only consider recommending for funding the President's budget priority capital asset investments that comply with good capital programming principles.

At each stage in the preparation of the Agency Capital Plan, the agency is encouraged to work with OMB's *Resource Management Offices* (RMOs). Early inclusion of RMO staff with the Integrated Project Teams, to be discussed further in section I.2.1, will facilitate a continuing review and dialogue regarding the agency's plan in order to avoid unexpected events. This is key to integrating the Planning and Budgeting Phases. The process of submission should be consistent with the annual guidance contained in the OMB Circular A–11, as well as with other current OMB guidance.

**Definition of Capital Asset**

Capital assets are land, (including parklands), structures, equipment (including motor and aircraft fleets), and intellectual property (including software) which are used by the Federal Government and have an estimated useful life of two years or more. Capital assets exclude items acquired for resale in the ordinary course of operations or held for the purpose of physical consumption, such as operating materials and supplies. The cost of a capital asset is its full life-cycle cost, including all direct and indirect costs for planning, procurement (purchase price and all other costs incurred to bring it to a form and location suitable for its intended use), operations and maintenance (including service contracts), and disposal. Capital assets may or may not be capitalized (i.e., recorded on an entity's balance sheet) under Federal accounting standards. Appendix 1 defines capital assets more fully.

**Threshold for Capital Programming**

As defined in Circular A–11, Part 2, major investments (acquisitions) are capital assets that require special management attention because of their importance to the agency mission; high development, operating, or maintenance costs; high risk; high return; or their significant role in the administration of agency programs, finances, property, or other resources. Major acquisitions should be separately identified in the agency's budget. For small dollar investments relative to the agency's budget, the agency may wish to develop a less detailed programming process based on the basic tenets presented in this Desk Guide. A stratified capital programming process involving more or less detail and review based on the size or strategic importance of proposed investments may be appropriate, particularly in large agencies. Agencies should have well documented thresholds clearly disseminated and implemented across the organization. Keep in mind, however, that all aircraft and vehicles must be accommodated in the capital programming process, either collectively, or individually. Agencies have the flexibility of grouping aircraft or vehicles collectively by mission, region, geographic location or management functional organization.

**Capital Asset Management Infrastructure**

A sound financial management system is another key ingredient for sound decision making. Agencies may choose to plan for capital assets agency-wide or by bureau or functional area.

When one asset contributes to multiple programs, the linkage to each program should be described. In turn,
the annual performance plan should include the performance goals for the procurement of the asset, as well as the program's performance, once the asset is operational. Separate documents are not required.

**Risk Management**

Risk management is central to the planning, budgeting, and acquisition process. A thorough Risk Management plan developed under Part II, Section B will provide benefit in steady-state, life-cycle management and risk mitigation.

Failure to analyze and manage the inherent risks across the full life-cycle of an item may contribute to annual budget overruns, expense creep and failure to perform as expected. Your risk analysis should include a plan to isolate, minimize, monitor, and control risk.

Annual risk assessments should provide a tool for Administration decisions across a wide spectrum of options including the need for increased O & M funding or the need for new acquisition dollars to replacement a capital asset.

**Cost and Schedule Performance**

While EVM-based risk analysis in Part II, Section C (Cost and Schedule Performance) was only required forDevelopment / Modernization / Enhancement ***(***DME) portions of investments, a cost and schedule performance analysis in this section is recommended of all investments in “steady-state” Operations and Maintenance life-cycle. In this section, you are comparing actual operations and maintenance costs with planned costs. The outcome from this process will provide you a means to base line future budget projections and continued capital asset life-cycle planning.

**BACKGROUND, SUPPORTING CONCEPTS AND HELPFUL TOOLS**

**I.6.1) Executive Review Process**

Each agency should establish a formal process for senior management to review and approve the capital assets that make up the ACP before the plan is presented to the agency chief executive for approval.

The number of times a capital asset is reviewed by senior management should be based on the associated level of risk involved in the acquisition. The cost of an asset and its importance to achieving the agency mission should also be taken into consideration when defining criteria for executive review. One private sector best practice company requires more documentation and greater analytical rigor if a proposed asset would replace or change an operational system vital to keeping the company running, or if it matched a company-wide strategic goal. Lower-impact proposals that would affect only a particular office or had a non-strategic objective would not be analyzed by senior management in such detail.

**I.7.1) Agency Submission to OMB**

The agency submission should be consistent with the Principles of Budgeting for Capital Asset Acquisitions, which can be found in Appendix 6 to this Guide and is published annually within OMB Circular A–11 as Appendix J. Once submitted, the agency may be called upon to defend the proposal formally in OMB's agency hearings, or informally in many other ways. The proposal will undergo further scrutiny within OMB, and OMB may request more information from the agency, before the OMB Director makes the budget recommendation to the President.

In most cases, the formal submission to OMB will not be the first time OMB or Congress learns of the proposal, because OMB, and perhaps Congress, may have been involved in developing the Agency Capital Plan and in approving funding for the Planning Phase. It is also not the first time that the agency has been involved in budgeting and justification. Within the agency, budgeting and justification take place among the various programs and bureaus. Projects that cover more than one appropriation account within the agency or are multi-agency projects should have undergone careful planning to determine how the total cost should be allocated among the various accounts. By the time it is proposed to OMB for funding, the project has survived the competition for resources within the agency and is ready, in the view of the agency head, to compete in a larger and more demanding arena for budgetary resources.

**I.7.2) Criteria for Justification of Spending for Proposed New Capital Assets**

Although the details will vary depending on the acquisition, there are certain key criteria that OMB will look for in the justification. OMB Circular A–11, Part 7, defines the budget submission requirements for both new and in-process acquisitions. A discussion of the key elements of an Agency Capital Plan can be found in Section I.6.3 of this Guide, with further detail in Appendix 9 and Appendix 13. Consider:

1. Basis for selection of the capital asset;

2. Principles of financing; and

3. Strategies for strengthening accountability for achieving goals.

**I.7.2.1) Basis for Selection of the Capital Asset**

The basis for selection of the capital asset is taken from the Justification of Spending for Proposed Capital Assets in Appendix 13. Illustrations of questions OMB Resource Management Offices (RMO) may ask when reviewing agency submissions are shown below.

|  |  |
| --- | --- |
|  |  |

**APPENDIX 1**

**DEFINITION OF CAPITAL ASSETS**

Capital assets are land (including park lands), structures, equipment (including motor and aircraft fleets), and intellectual property (including software), which are used by the Federal Government and that have an estimated useful life of two years or more. Capital assets exclude items acquired for resale in the ordinary course of operations or held for the purpose of physical consumption such as operating materials and supplies. The cost of a capital asset is its full lifecycle costs, including all direct and indirect costs for planning, procurement (purchase price and all other costs incurred to bring it to a form and location suitable for its intended use), operations and maintenance (including service contracts), and disposal.

Capital assets may be acquired in different ways: through purchase, construction, or manufacture; through a lease-purchase or other capital lease, regardless of whether title has passed to the Federal Government; through an operating lease for an asset with an estimated useful life of two years or more; or through exchange. Capital assets include the environmental remediation of land to make it useful, leasehold improvements and land rights; assets owned by the Federal Government but located in a foreign country or held by others (such as federal contractors, state and local governments, or colleges and universities); and assets whose ownership is shared by the Federal Government with other entities. Capital assets include not only the assets as initially acquired but also additions, improvements, modifications, replacements, rearrangements and reinstallations, and major improvements (but not ordinary repairs and maintenance). Examples of capital assets include the following, but are not limited to them:

* Office buildings, hospitals, laboratories, schools, and prisons;
* Dams, power plants, and water resources projects;
* Motor vehicles, airplanes, and ships;
* Satellites and space exploration equipment;
* Information technology hardware, software and modifications;
* Department of Defense (DOD) weapons systems; and
* Environmental restoration (decontamination and decommissioning efforts).

Capital assets may or may not be capitalized (i.e., recorded on an entity's balance sheet) under Federal accounting standards. Examples of capital assets not capitalized are DOD weapons systems, heritage assets, stewardship land, certain assets acquired for environmental cleanup efforts, and some software.

Capital assets do not include grants for acquiring capital assets made to state and local governments or other entities (such as National Science Foundation grants to universities).

Capital assets also do not include intangible assets such as the knowledge resulting from research and development (R&D) or the human capital resulting from education and training, although capital assets do include land, structures, equipment (including fleet), and intellectual property (including software) that the Federal Government uses in R&D and education and training.

Agencies are encouraged to use the capital programming process or elements thereof, in planning for expenditures not covered by this definition, to the extent that they find it useful.

**APPENDIX 2**

**EXAMPLE OF EARNED VALUE CONCEPT AND COST AND SCHEDULE VARIANCES FOR CAPITAL ASSETS**

Earned value is a management technique that relates resource planning to schedules and to technical, cost, and schedule requirements. All work is planned, budgeted, and scheduled in time-phased "planned value" increments constituting a cost and schedule measurement baseline.

There are two major objectives of an earned value system:

* To encourage contractors to use effective internal cost and schedule management control systems; and
* To permit the government to be able to rely on timely data produced by those systems for determining product-oriented contract status.

The example shown here illustrates how the earned value concept works. The analysis begins with a baseline schedule showing how much work is planned for each time period. The subsequent sections show how to calculate the deviation from the planned schedule (schedule variance) and the deviation from the planned cost (cost variance).

**Baseline.** For this hypothetical example, the baseline plan (planned value increments) in Table 1 shows that 6 work units (A–F) would be completed at a cost of $100 for the period covered by this report.

**Table 1. Baseline Plan**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Work Units | A | B | C | D | E | F | Total |
| Planned Value ($) | 10 | 15 | 10 | 25 | 20 | 20 | 100 |

**Schedule Variance.** As work is performed, it is "earned" on the same basis as it was planned, in dollars or other quantifiable units such as labor hours. Planned value compared with earned value measures the dollar volume of work planned vs. the equivalent dollar volume of work accomplished. Any difference is called a schedule variance. In contrast to what was planned, Table 2 shows that work unit D was not completed and work unit F was never started, or $35 of the planned work was not accomplished. As a result, the schedule variance shows that 35 percent of the work planned for this period was not done.

**Table 2 Schedule Variance**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Work Units | A | B | C | D | E | F | Total |
| Planned Value ($) | 10 | 15 | 10 | 25 | 20 | 20 | 100 |
| Earned Value ($) | 10 | 15 | 10 | 10 | 20 | 0 | 65 |
| Scheduled Variance | 0 | 0 | 0 | -15 | 0 | -20 | $ -35 (-35%) |

**Cost Variance.** Earned value compared with the actual cost incurred (from contractor and agency accounting systems, not through estimation techniques) for the work performed provides an objective measure of planned and actual cost. Any difference is called a cost variance. In this example, a negative variance means more money was spent for the work accomplished than was planned. Table 3 shows the calculation of cost variance. The work performed was planned to cost $65 and actually cost $91. The cost variance is a negative 40 percent.

**Table 3. Cost Variance**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Work Units | A | B | C | D | E | F | Total |
| Earned Value ($) | 10 | 15 | 10 | 10 | 20 | 0 | 65 |
| Actual Cost ($) | 9 | 22 | 8 | 30 | 22 | 0 | 91 |
| Cost Variance | 1 | -7 | 2 | -20 | -2 | 0 |  $- 26 (- 40%) |

**Spend Comparison.** The typical spend comparison approach, whereby contractors report actual expenditures against planned expenditures, is not related to the work that was accomplished and is not a valid measure of program status. Table 4 shows a simple comparison of planned and actual spending which indicates the program is under running by 9 percent. When compared to the schedule and cost variance examples under an earned value system, the management information provided below gives a false indication of true program performance.

**Table 4. Spend Comparison Approach**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Work Units | A | B | C | D | E | F | Total |
| Planned Value ($) | 10 | 15 | 10 | 25 | 20 | 20 | 100 |
| Actual Cost ($) | 9 | 22 | 8 | 30 | 22 | 0 | 91 |
| Variance | 1 | -7 | 2 | -5 | -2 | 20 | $9 (9%) |

References:

National Defense Industrial Association (NDIA)

Program Management Systems Committee (PMSC)

ANSI/EIA 748

Earned Value Management

System Acceptance Guide

<http://www.ndia.org/>

National Defense Industrial Association (NDIA)

Program Management Systems Committee (PMSC)

ANSI/EIA–748–A Standard for

Earned Value Management Systems

Application Guide

<http://www.ndia.org/>

**APPENDIX 4**

**ACCOUNTING FOR CAPITAL ASSETS**

The Statement of Federal Financial Accounting Standards (SFFAS) No. 6, Accounting for Property, Plant, and Equipment (PP&E), revised by SFFAS No. 23, Eliminating the Category of National Defense Property, Plant and Equipment, and SFFAS 29 Heritage Assets and Stewardship Land establishes standards for capital assets. These standards were issued by the Federal Accounting Standards Advisory Board, in which OMB subsequently published guidance in its OMB Circular A–136 Financial Reporting Requirements (August 23, 2005).

One significant objective of financial accounting standards is to support assessment of operating performance. Financial reporting should provide information to determine: (1) the cost of providing specific programs and activities, including the composition of these costs and changes over time; (2) financial inputs in relation to a program's outputs; and (3) the efficiency and effectiveness of the Government's management of its assets. To facilitate meeting these information needs, PP&E has been divided into two categories: general PP&E and Stewardship PP&E, consisting of heritage assets and stewardship land.

For general PP&E (i.e., PP&E used to produce general Government goods and services), SSFAS 6 supports these information needs by allocating costs—including cleanup costs—of general PP&E to the periods in which the assets are used through historical cost depreciation methods. The cost is allocated to the period when it is incurred. Managerial cost accounting standards, established by SFFAS 4, Managerial Cost Accounting Concepts and Standards for the Federal Government, will result in these period costs being tied to outputs. In addition, deferred maintenance reporting will provide financial statement users with information on the condition and management of assets.

The Stewardship PP&E category consists of assets whose physical properties resemble those of general PP&E that are traditionally capitalized in financial statements. However, due to the nature of these assets, (1) valuation would be difficult and (2) matching costs with specific periods would not be meaningful. The standards provide for a different type of reporting. SFFAS No.8, Supplementary Stewardship Reporting, superseded by SFFAS 29, requires that information on Stewardship PP&E be reported in a manner that highlights their long-term benefit nature and demonstrates accountability over them. SFFAS 29 reclassified all heritage assets and stewardship land information as basic except for condition and deferred maintenance information, which is classified as required supplementary information (RSI). SFFAS 29 requires that entities reference a note on the balance sheet that discloses information about heritage assets and stewardship land, but no asset dollar amount should be shown.

Each agency's financial system needs to have the capability to accumulate, recognize, and distribute the cost of an agency's activities such as the costs of major acquisitions and other major programs within the agency that need to provide visibility to senior management on their total costs.

**APPENDIX 5**

**RISK MANAGEMENT**

The aim of risk management is to ensure that risks are identified at project inception and their potential impacts allowed for and accepted, where possible, so that the risks or their impacts are minimized. Risk management is an integral part of project management on the project. Risk management processes are utilized from project initiation through development, maintenance and operations, and end only when the project/system is shutdown or retired.

A risk is an uncertain event or condition that, if it occurs, has a positive or negative effect on a project objective. Risk is one of those words that immediately conjure up an image of something bad, but it is important to remember that risk can provide positive benefits as well as negative ones.

Risk management is the systematic process of identifying, analyzing and responding to project risk. The need to manage risk increases with the complexity of the investment. It is an ongoing process that requires continuous risk identification, assessment, planning, and monitoring, and response. It is the responsibility of everyone on the IPT. It implies control of possible future events and is proactive rather than reactive.

**Risk planning**

This is the process of developing and documenting an organized, comprehensive, and interactive strategy. This includes the methods for identifying and tracking the risk issues, developing risk handling plans, performing continuous risk assessments to determine how risks have changed and assigning adequate resources. Projects should develop a Risk Management Plan that:

* Establishes the purpose, objective, and goals of the project;
* Assigns responsibility for specific areas;
* Describes how risks will be assessed;
* Defines the risk rating approach;
* Establishes monitoring metrics;
* Defines how risk will be monitored throughout the project life-cycle; and
* Assesses risk.

This process involves identifying and analyzing program areas and critical technical process risks to increase the likelihood of meeting cost, performance and schedule objectives.

**Risk identification** is the process of examining the program areas and each critical technical process to identify and document the associated risk.

The following common areas of risk are consistent with OMB Circular A–11 risk requirements.

* Project Schedule and Resources—Scope creep, requirement changes, insufficient or unavailable resources, overly optimistic task durations, and unnecessary activities within the schedule, critical deliverables or reviews not planned into the schedule.
* Business—Poorly written contracts, market or industry changes, new competitive products become available, creating a monopoly for future procurements.
* Strategic—Project does not tie to the Department's mission or strategic goals, project is not part of the Department's IT Capital Planning and Investment Control (CPIC) process.
* Privacy—Project does not conform to the requirements of OMB Circular A–130.
* Cost Risks
* Project Management Risks

**Risk analysis** is the process of examining each identified risk issue or process to refine the description of the risk, isolate the cause, and determine the effects. The cost of a risk event occurring can be quantified by determining its expected value (probability X impact). These costs must be included in cost estimates. A risk register should be developed and maintained.

The table below provides a means by which risk identification can be easily captured, documented and analyzed.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Risk Priority | Risk Category | Date Identified | Risk Description | Risk Rating | Risk Response Strategy | Status |

**Risk handling** is the process that identifies, evaluates, selects, and implements options in order to set risk at acceptable levels given program constraints and objectives. This includes the specifics on what should be done, when it should be accomplished, who is responsible, and associated cost and schedule. Risk handling options include assumption, avoidance, control (also known as mitigation), and transfer. The most desirable handling option is chosen, and then a specific approach is developed for this option.

**Risk monitoring** is the process that systematically tracks and evaluates the performance risk handling actions against established metrics throughout the acquisition process and provides inputs to updating risk handling strategies, as appropriate. After encountering problems on a program, the IPT should document any warning signs that, with hindsight, preceded the problem, what approach was taken, and what the outcome was. This will not only help future programs, but could help identify recurring problems in existing programs.

**Risk Management References**

A Guide to the Project Management Body of Knowledge, Third Edition, Project Management Institute.

Project Management: A Systems Approach to Planning, Scheduling and Controlling, 9th Edition, Harole Kerzner.

Risk Management: Concepts and Guidance, Second Edition, Carl L. Pritchard

**APPENDIX 6**

**PRINCIPLES OF BUDGETING FOR CAPITAL ASSET ACQUISITIONS**

**Introduction and Summary**

The Administration plans to use the following principles in budgeting for capital asset acquisitions. These principles address planning, costs and benefits, financing, and risk management requirements that should be satisfied before a proposal for the acquisition of capital assets can be included in the Administration's budget. The principles are organized in the following four sections:

A. *Planning.* This section focuses on the need to ensure that capital assets support core/priority missions of the agency; the assets have demonstrated a projected return on investment that is clearly equal to or better than alternative uses of available public resources; the risk associated with the assets is understood and managed at all stages; and the acquisition is implemented in phased, successive segments, unless it can be demonstrated there are significant economies of scale at acceptable risk from funding more than one segment or that there are multiple units that need to be acquired at the same time.

B. *Costs and Benefits.* This section emphasizes that the asset should be justified primarily by benefit-cost analysis, including life-cycle costs; that all costs are understood in advance; and that cost, schedule, and performance goals are identified that can be measured using an earned value management system.

C. *Principles of Financing.* This section stresses that useful segments are to be fully funded with appropriations; that as a general rule, planning segments should be financed separately from procurement of the asset; and that agencies are encouraged to aggregate assets in capital acquisition accounts and take other steps to accommodate lumpiness or "spikes" in funding for justified acquisitions.

D. *Risk Management.* This section is to help ensure that risk is analyzed and managed carefully in the acquisition of the asset. Strategies can include separate accounts for capital asset acquisitions, the use of apportionment to encourage sound management, and the selection of efficient types of contracts and pricing mechanisms in order to allocate risk appropriately between the contractor and the Government.

In addition, cost, schedule, and performance goals are to be controlled and monitored by using an earned value management system, and if progress toward these goals is not met, there is a formal review process to evaluate whether the acquisition should continue or be terminated.

As defined here, capital assets are generally land, structures, equipment (including fleet), and intellectual property (including software), and weapon systems that are used by the Federal Government. Not included are grants to States or others for their acquisition of capital assets. A complete definition is provided in section 300.4.

**A. Planning:** Investments in major capital assets proposed for funding in the Administration's budget should:

1. Support core/priority mission functions that need to be performed by the Federal Government;

2. Be undertaken by the requesting agency because no alternative private sector or governmental source can support the function more efficiently;

3. Support work processes that have been simplified or otherwise redesigned to reduce costs, improve effectiveness, and make maximum use of commercial, off-the-shelf technology;

4. Demonstrate a projected return on the investment that is clearly equal to or better than alternative uses of available public resources. Return may include: improved mission performance in accordance with measures developed pursuant to the Government Performance and Results Act, reduced cost, increased quality, speed, or flexibility, and increased customer and employee satisfaction. Return should be adjusted for such risk factors as the investment's technical complexity, the agency's management capacity, the likelihood of cost overruns, and the consequences of under- or non-performance.

As a general presumption, OMB will recommend new or continued funding only for those capital asset investments that satisfy these criteria. Funding for those investments will be recommended on a phased basis by segment, unless it can be demonstrated that there are significant economies of scale at acceptable risk from funding more than one segment or there are multiple units that need to be acquired at the same time.

OMB recognizes that many agencies are in the middle of ongoing investments, and they may not be able immediately to satisfy the criteria. For those investments that do not satisfy the criteria, OMB will consider requests to use funds to finance additional planning, as necessary, to support the establishment of realistic cost, schedule, and performance goals for the completion of the investment. This planning could include: the redesign of work processes, the evaluation of alternative solutions, the development of information system architectures, and if necessary, the purchase and evaluation of prototypes. Realistic goals are necessary for agency portfolio analysis to determine the viability of the investment, to provide the basis for fully funding the investment to completion, and setting the baseline for management accountability to deliver the investment within goals.

Because OMB considers this information essential to agencies' long-term success, OMB will use this information both in preparing the Administration's budget and, in conjunction with cost, schedule, and performance data, as apportionments are made. Agencies are encouraged to work with their OMB representative to arrive at a mutually satisfactory process, format, and timetable for providing the requested information.

**B. Costs and Benefits:** The justification of the investment should evaluate and discuss the extent to which the investment meets the above criteria and should also include:

An analysis of the investment's total life-cycle costs and benefits, including the total budget authority required for the asset, consistent with policies described in OMB Circular A–94 (October 1992);

* An analysis of the risk of the investment (including how risks will be isolated, minimized, monitored, and controlled), and for major programs, an evaluation and estimate by the Chief Financial Officer of the probability of achieving the proposed cost goals;
* If after the Planning Phase, the procurement is proposed for funding in segments, an analysis showing that the proposed segment is economically and programmatically justified, that it is programmatically useful if no further investments are funded, and that in this application its benefits exceed its costs; and
* Cost, schedule, and performance goals for the investment (or the planning segment or useful asset being proposed) that can be measured throughout the acquisition process using a performance based management system, e.g., earned value management.

**C. Principles of Financing**

***Principle 1: Full Funding***

Budget authority sufficient to complete a useful segment of a capital project (investment) (or the entire capital project, if it is not divisible into useful segments) must be appropriated before any obligations for the useful segment (or project or investment) may be incurred.

*Explanation:* Good budgeting requires that appropriations for the full costs of asset acquisition be enacted in advance to help ensure that all costs and benefits are fully taken into account at the time decisions are made to provide resources. Full funding with regular appropriations in the budget year also leads to tradeoffs within the budget year with spending for other capital assets and with spending for purposes other than capital assets. Full funding increases the opportunity to use performance-based fixed price contracts, allows for more efficient work planning and management of the capital project (or investment), and increases the accountability for the achievement of the baseline goals.

When full funding is not followed and capital projects (or investments) or useful segments are funded in increments, without certainty if or when future funding will be available, the result is sometimes poor planning, acquisition of assets not fully justified, higher acquisition costs, cancellation of major investments, the loss of sunk costs, or inadequate funding to maintain and operate the assets.

***Principle 2: Regular and advance Appropriations***

Regular appropriations for the full funding of a capital project or a useful segment (or investment) of a capital project in the budget year are preferred. If this results in spikes that, in the judgment of OMB, cannot be accommodated by the agency or the Congress, *see Principle 4 below.*

*Explanation:* Principle 1 (Full Funding) is met as long as appropriations provide budget authority sufficient to complete the capital project or useful segment or investment. Full funding in the budget year with regular appropriations alone is preferred because it leads to tradeoffs within the budget year with spending for other capital assets and with spending for purposes other than capital assets. In contrast, full funding for a capital project (investment) over several years with regular appropriations for the first year and advance appropriations for subsequent years may bias tradeoffs in the budget year in favor of the proposed asset because with advance appropriations the full cost of the asset is not included in the budget year. Advance appropriations, because they are scored in the year they become available for obligation, may constrain the budget authority and outlays available for regular appropriations of that year.

***Principle 3: Separate Funding of Planning Segments***

As a general rule, planning segments of a capital project (investment) should be financed separately from the procurement of a useful asset.

*Explanation:* The agency must have information that allows it to plan the capital project (investment), develop the design, and assess the benefits, costs, and risks before proceeding to procurement of the useful asset. This is especially important for high risk acquisitions. This information comes from activities, or planning segments, that include but are not limited to market research of available solutions, architectural drawings, geological studies, engineering and design studies, and prototypes. The construction of a prototype that is a capital asset, because of its cost and risk, should be justified and planned as carefully as the investment itself. The process of gathering information for a capital project (investment) may consist of one or more planning segments, depending on the nature of the asset. Funding these segments separately will help ensure that the necessary information is available to establish cost, schedule, and performance goals before proceeding to procurement. If budget authority for planning segments and procurement of the useful asset are enacted together, OMB may wish to apportion budget authority for one or several planning segments separately from procurement of the useful asset.

***Principle 4: Accommodation of Lumpiness or "Spikes" and Separate Capital Acquisition Accounts***

To accommodate lumpiness or "spikes" in funding justified capital acquisitions, agencies, working with OMB, are encouraged to aggregate financing for capital asset acquisitions in one or several separate capital acquisition budget accounts within the agency, to the extent possible within the agency's total budget request.

*Explanation:* Large, temporary, year-to-year increases in budget authority, sometimes called lumps or spikes, may create a bias against the acquisition of justified capital assets. Agencies, working with OMB, should seek ways to avoid this bias and accommodate such spikes. Aggregation of capital acquisitions in separate accounts may:

* Reduce agency/bureau spikes by providing roughly the same level of spending for acquisitions each year;
* Help to identify the source of spikes and to explain them. Capital acquisitions are more lumpy than operating expenses and with a capital acquisition account, it can be seen that an increase in operating expenses is not being hidden and attributed to one-time asset purchases;
* Reduce the pressure for capital spikes to crowd out operating expenses; and
* Improve justification and make proposals easier to evaluate, since capital acquisitions are generally analyzed in a different manner than operating expenses (e.g., capital acquisitions have a longer time horizon of benefits and life-cycle costs).

**D. Risk Management**

Risk management should be central to the planning, budgeting, and acquisition process. Failure to analyze and manage the inherent risk in all capital asset acquisitions may contribute to cost overruns, schedule shortfalls, and acquisitions that fail to perform as expected. For each major capital project (investment), a risk analysis that includes how risks will be isolated, minimized, monitored, and controlled may help prevent these problems.

The investment cost, schedule and performance goals established through the Planning Phase of the investment are the basis for approval to procure the asset and the basis for assessing risk. During the Procurement Phase, performance-based management systems (earned value management system) must be used to provide contractor and Government management visibility on the achievement of, or deviation from, goals until the asset is accepted and operational. If goals are not being met, performance-based management systems allow for early identification of problems, potential corrective actions, and changes to the original goals needed to complete the investment and necessary for agency portfolio analysis decisions. These systems also allow for Administration decisions to recommend meaningful modifications for increased funding to the Congress, or termination of the investment, based on its revised expected return on investment in comparison to alternative uses of the funds. Agencies must ensure that the necessary acquisition strategies are implemented to reduce the risk of cost escalation and the risk of failure to achieve schedule and performance goals. These strategies may include:

* Having budgetary resources appropriated in separate capital asset acquisition accounts;
* Apportioning budget authority for a useful segment;
* Establishing thresholds for cost, schedule, and performance goals of the acquisition, including return on investment, which if not met may result in cancellation of the acquisition;
* Selecting types of contracts and pricing mechanisms that are efficient and that provide incentives to contractors in order to allocate risk appropriately between the contractor and the Government;
* Monitoring cost, schedule, and performance goals for the investment (or the planning segment or useful asset being proposed) using a performance-based management system, e.g., earned value management system.
* If progress is not within 90 percent of goals, or if new information is available that would indicate a greater return on investment from alternative uses of funds, instituting senior management review of the investment through portfolio analysis to determine the continued viability of the investment with modifications, or the termination of the investment, and the start of exploration for alternative solutions if it is necessary to fill a gap in agency strategic goals and objectives.

**APPENDIX 7**

**COMPETITIVE SOURCING AND OMB CIRCULAR A–76**

Office of Management and Budget (OMB) Circular No. A–76, Performance of Commercial Activities, establishes Federal policy for the use of public-private competition to determine the best and most cost-effective public or private sector provider of commercial activities that are needed to support agency missions. The Circular provides guidance and procedures for determining whether recurring commercial activities should be provided through contracts with commercial sources, through in-house resources using Government facilities, equipment, and personnel, or through fee-for-service agreements with other Federal agencies.

Public-private competition can bring cost control and better performance to the daily commercial tasks that support government operations. Competition serves as a catalyst for the consolidation, restructuring, or reengineering of commercial activities, the leveraging of new technologies, workforce realignments, the adoption of clearer performance standards and quality assurance surveillance plans (QASPs), and the restructuring of contract support. On average, agencies achieve cost savings, or cost avoidances, of between 20–50 percent from public-private competition, irrespective of whether the selected provider is a federal source or a private sector contractor.

Under the President's Management Agenda, agencies have been asked to develop competition plans that lay out a reasoned approach for the consideration of competition as a management tool, shaped around an agency's mission and workforce mix. Agencies may consider a number of factors to identify which activities are the best candidates for competition, including: private sector capability and availability of the function in the marketplace; the efficiency of current operations; customer satisfaction with current operations; long-term demand for the function; and a variety of human capital considerations (e.g., the extent to which the activity faces a high rate of attrition or skill imbalances).

When an agency determines that it needs new aircraft or vehicles, the Circular can help the agency determine whether it is more cost-effective to acquire the asset with associated maintenance or, instead, satisfy the need through the acquisition of a service (e.g., seat management, flight services). Where a decision is made to buy an asset, the Circular can also help an agency decide if maintenance should be provided by in-house personnel or instead by a private sector contractor.

Most public-private competitions will entail: (1) the development of a performance-based statement of work to give potential providers sufficient latitude to offer the best and most innovative solutions to meet the agency's needs; (2) the performance of a management study to identify the government's most efficient organization; (3) issuance of a solicitation to both public and private sector providers that provides for the consideration of alternative solutions in a reasoned and structured manner; (4) identification of the full cost of performance to the government (which, for public providers is determined in accordance with standard costing principles established in the Circular); and (5) impartial evaluation of offers.

Circular A–76 requires that the agency hold the provider accountable for achieving results. Accordingly, if the customer agency selects a private sector contractor, the customer must administer the contract in accordance with the Federal Acquisition Regulation. In particular, the customer must have a QASP and a team in place to implement the plan and evaluate the contractor's performance on an ongoing basis. Similarly, if the customer agency selects a federal service provider, the customer and service provider must enter into an inter-agency agreement that identifies the workload, performance levels, method of quality surveillance, and the cost for performance.

Additional information regarding the use of competitive sourcing:

http://www.whitehouse.gov/omb/procurement/index\_comp\_sourcing.html;

http://sharea76.fedworx.org/inst/sharea76.nsf/CONTDEFLOOK/HOME-INDEX/;

http://www.caoc.gov/; and http://results.gov

**APPENDIX 8**

**VALUE MANAGEMENT**

The value management methodology (also known as value analysis, value engineering, value planning, etc.) should be considered for use in the Planning and Budgeting, Acquisition, and Management-In-Use Phases of capital programming. The value methodology uses a systematic job plan to identify essential functions necessary to accomplish an activity, analyze those functions, and generate alternatives to secure them at their greatest worth on a life-cycle benefit to-cost basis. By following the process defined in the job plan, the use of the value methodology will facilitate the selection, through evaluation and analysis of the "best value" alternative for those functions. The process provides plans and actions to acquire and implement the selected alternatives. The IPT may employ the use of the value management methodology in several ways; including a professional value management specialist as a member of the team, using team leaders trained in the value management methodology, or using value specialists (either agency employees or industry consultants) to perform studies.

**Planning Phase**

This process has seven elements which define capital asset needs in terms of the performance and functional requirements necessary to meet an agency's strategic goals. The seven elements are:

1. Selection of the Function/Process to be studied.

2. Determination of why the function is performed. The need for the function itself may be questioned by asking: "What does it do?"

3. Information gathering. This is the collection and assembly of all necessary information concerning the selected study item. This provides an understanding of what is to be accomplished through the performance of the function and provides answers to the questions: "What does it cost?" and "What is the function worth?"

4. Development of alternatives. This is the single most important element of the process. The use of free imagination, tempered with experience, will develop the best ideas. In initial brainstorming sessions, all ideas, even the wildest, should be duly recorded and encouraged. Many times, the most progressive, breakthrough ideas, with the greatest payoff, will come from near or beyond the edge of the current function paradigms in the area being studied. This element provides answers to the question, "What are the different ways this function can be performed?"

5. Analysis of alternatives. The purpose of this analysis process is to eliminate those ideas that are technically or financially unfeasible in order to permit the selection of alternatives for further feasibility testing based on the resulting cost estimates. This element will answer the question, "What is the cost of the selected alternative?"

6. Feasibility testing and function verification. This determines that the selected alternative can perform the required function and is technically feasible. A viable alternative must provide the essential function performance and be capable of being implemented. This element answers three questions for each selected alternative: "Is the alternative feasible?"; "Does the alternative provide the essential function?" and "Does the alternative meet the definition of function worth?"

7. Implementation and follow-up. This is the selection of the final alternative, documentation of the decision, and preparation of the necessary implementation plans. Integrating schedules and funding requirements documents into the agency capital plan is part of this element.

**Procurement Phase**

The agency should include the FAR Part 48, Value Engineering, requirements in its contracts and actively encourage the contractor(s) to identify potential cost savings, along with schedule and performance enhancements.

**Management-In-Use Phase**

The use of statistical process control, Pareto analysis and the value management function analysis methodology can be used to analyze performance data to determine whether the asset is meeting cost and performance goals and can help identify if there are better ways for the asset to meet its life-cycle cost and performance goals.

The IPT may perform the value management function by including a professional value management specialist as a member of the team, using team leaders trained in the value management methodology, or using value process facilitators (either agency employees or commercial consultants) to perform the value management studies.

**APPENDIX 9**

**COST ESTIMATING**

**Introduction**

Credible cost estimates are vital for sound management decision making and for any program/capital project to succeed. Early emphasis on cost-estimating during the planning phase is critical to successful life cycle management of a program/project. As requirements and approaches vary based on the Agency's mission, agencies have to develop a cost estimating capability—collecting, managing and sharing cost data that best meets their mission needs.

This Appendix is based on the Government Accountability Office's (GAO) guide to their auditors on how to evaluate an Agency's cost estimating process, and the reliability and validity of the data used to develop the cost estimates. Following these guidelines will help agencies to meet most cost estimating requirements. Individual cost estimating guides are also available from, or are in use by, several government agencies including several DOD Service branches, NASA, and the Department of Energy.

**Cost Estimating and its Role in Managing Capital Assets**

A disciplined Cost Estimating process provides greater information management support, more accurate and timely cost estimates, and improved risk assessments that will help to increase the credibility of capital programming cost estimates. Cost Estimation, touches on various disciplines such as accounting, economics, management science, engineering, statistics, probability, etc. Combining these disciplines and using them effectively produces sound cost estimates which can be used in preparing annual budgets, in developing net present value or other return on investment estimates, in improving life cycle management of various capital assets with more reliable performance baselines and earned value management), evaluation of alternatives through cost-benefit analysis, risk assessment and so forth.

**Types of Government Cost Estimates**

Capital cost estimating attempts to predict future capital expenditures even though not all factors and conditions of the investment are fully defined. There are many different types of cost estimates that Agencies develop for various purposes and at different phases of the life cycle. For each type of estimate, bases (ground rules) and assumptions are spelled out. Some key challenges in performing the estimates are: that insufficient data is available; the program scope is not fully defined; the availability of resources is not definitive; and that risks are not fully determined.

The following are types of cost estimates used in the program life-cycle:

* Conceptual Cost Estimate: This is used early in the Planning Phase of the acquisition life cycle and is often based on a one-to-one comparison with an existing system similar to the system being proposed.
* Preliminary Cost Estimates: This is used as more details are available and for preparing budgets.
* Detailed or Engineering Cost Estimates: This is a bottoms-up estimate using the detailed WBS structure to price out discrete components, such as material, design hours, labor, off the shelf software, etc.;
* Definitive Cost Estimate: This is used late in the acquisition life cycle during the Project Control Phase, based on actual cost data, available from the same system at an earlier time. The Earned Value Management concept is used to arrive at the Estimate at Completion (EAC).
* Life Cycle Cost (LCC) Estimate: This estimate provides the total cost to the Government of acquisition and ownership of the system over its full life time. It includes the cost of development, acquisition, support, and (where applicable) disposal.
* Independent Cost Estimate (ICE): This estimate is based on the same scope as the LCC, except that it is prepared by an independent review team using independent data sources and cost estimating approaches.
* Independent Government Cost Estimate (IGCE): This estimate is prepared for evaluating and validating contractor proposals presented during the Acquisition Phase. This is prepared from the offeror's point of view and is based on the scope of work outlined in the solicitation.

**Techniques of Cost Estimating**

Many techniques can be used for cost estimating, from simple arithmetical calculations, to complex mathematical models with numerous variables. Some of the techniques (as defined by DOD –DAU) are:

* Analogy: Used early in the acquisition life cycle based on a one-to-one comparison with an existing system similar to the system you are designing;
* Parametric: Uses statistical analysis from a number of similar systems and their relationship to your system.
* Engineering: A bottoms-up estimate using the detailed WBS structure to price out discrete components, such as material, design hours, labor, etc.;
* Extrapolation-from-actual-costs: Method used late in the acquisition life cycle after actual cost data are available from the same system at an earlier time.

**Cost Estimating Methodology**

To keep the estimate current, accurate and valid, the cost estimating process is continuously updated, based on the latest information available. As the project matures the availability of valid data increases. The major steps in the cost estimating process are as follows:

* Based on preliminary project scope, prepare a high level Work Breakdown Structure (WBS)—generally three levels deep.
* Define the Ground Rules and Assumptions including technical, economic, schedule, business and other factors. These assumptions need to be realistic, and continuously reviewed and updated, as the scope of the project becomes better defined with the passage of time.
* Develop Data: Collect, identify and analyze data for the cost estimate. Data (accurate, relevant, and correct confidence level) is the most important piece of the cost estimate, is time consuming to prepare properly, and includes cost drivers for the cost estimate and risk. Agencies need to develop the capability to collect, identify, and analyze data from various sources such as previous in-house projects, outside parties (professional organizations, vendors and others engaged in the industry), various procurement/contract data, project management data, accounting/financial management systems and other sources. Most data is in raw form and must be normalized using learning curves and other methods, so that they are comparable and consistent. The normalized data is then adjusted to make them useable for the specific project. All data, including any adjustments made, should be thoroughly documented so an audit trail is established for verification purposes.
* Select/Construct Cost Model: Select the most appropriate tool/model or create a model to estimate the cost. Document factors that influence the selection process such as data and resource availability, schedule and cost.
* Develop the Estimate: Based on the Ground Rules and Assumptions, and using the normalized/adjusted data, develop the cost estimate and the level of confidence using the various risk factors,
* Perform the sensitivity analysis: Once the estimate is developed, decision makers want and need to know how sensitive the total cost estimate is to changes in the data input. Therefore, a sensitivity analyses is performed to identify the major cost drivers for the estimate. Sensitivity analyses determine how the different ranges of estimates affect the estimates. Cost drivers are those variables that when changed in value, create the greatest changes in cost. Generally many initial assumptions made in the early phases of a project's definition will, in later phases, be found to be inaccurate.
* Develop Contingency Reserve: Based on the confidence level, a contingency allowance is used to cover the items of cost which are not known exactly at the time of the estimate. A Preliminary Estimate generally has a confidence level of 70 percent while a Definitive Estimate will have a confidence level of 90 percent. Contingency allowances of 30 percent and 10 percent respectively, would be added to the preliminary estimate and definitive estimate respectively.
* Document Cost Estimate: Explain the cost estimating process used, and document how the cost estimates were prepared so that the quality of the estimate could be determined. Perform a peer review. Proper documentation will increase the credibility and facilitate information sharing, and make these estimates usable in the future.
* Update Cost Estimate: On a regular basis keep the cost estimates current. Such quality data is needed for decision making using "what if" models and to project the impact of alternative decisions.

**Application of Cost Estimating**

* Capital budget estimates: Using these estimating techniques and processes, Agencies can develop more reliable, and accurate capital budget estimates for funding acquisition programs with realistic schedules. This may be submitted to OMB through ABCS during the Agency budget submittal cycle.
* Cost and benefit studies: Through cost and benefit studies, Agencies can determine the best investments meeting the Agency mission, goals and objectives.
* Life Cycle Cost: The project's Life Cycle Cost helps management to make the right decision.
* Project Management: Determines the project's PMB and identify risks which are managed through the EVM technique and through pre-award/or post-award IBRs.
* Risk Analysis: Cost estimates at various stages of the program identify the nature of the risk and its impact on the program. As the program matures, the uncertainties are reduced as the design and development processes are known. Therefore through the use of EVM, risks are managed. Management reserves are defined for the use by the Program Manager

**Conclusion:**

Understanding the type of estimating technique is important for providing a useful estimate to the decision makers. Cost estimates are key elements of a project plan, so project personnel expend considerable effort preparing them. They provide the basis for assessing the total requirement and the recommended phasing of budgets. Obtaining accurate cost estimates can be difficult for complex projects which involve new technologies and require extensive time to complete. While managers sometimes feel pressured to provide optimistic estimates in order to obtain project go-ahead approval, a poor cost estimate can create an un-executable plan. A project with an inaccurate cost estimate undermines the process for developing an optimal portfolio of capital projects and when the funding shortage becomes apparent, may lead to significant de-scoping or termination of the project.

**References:**

GAO Cost Estimating Guide for Government Auditors (Draft—2005) DOD/DAU—Integrated Defense Acquisition, Technology and Logistics Life Cycle Management Framework

****

**APPENDIX 10**

**Disposition Decision Models**

Disposition of an asset results in a change in its status that is accomplished through either employing a disposal option (such as sale, demolition, deconstruction or transfer) or a retention option (such as alteration for another use, doing nothing/hazard prevention or interim leasing). Initiating a disposition program for the asset portfolio ensures that managers are able to properly identify assets that may no longer support the mission and are potential candidates for disposal, thereby freeing up resources for other uses. This applies to all assets, whether owned, leased, or acquired through another means.

**Asset Prioritization**

Prioritizing assets based on their importance to mission is one of the most significant criteria used in both focusing reinvestment funds and finding candidates for disposition. The adjacent diagram shows an example of a distribution of assets graphed by their importance to mission and their condition. Graphical representations such as this scatter diagram can be a useful tool in segmenting and presenting asset portfolios. Other performance indicators such as cost or utilization can also be used for portfolio analyses such as finding opportunities for consolidation.

The use of the tools such as this Asset Priority Index (API), help managers identify the most important assets, and therefore, provides a logical continuum for which to direct limited funding. In addition, the use of the API is not only important in developing deferred maintenance and component renewal projects; it is equally important when planning for operations, recurring maintenance, and preventive maintenance and changes in asset status (e.g., expansion, consolidation, and disposal).

The area highlighted in the adjacent chart shows where an asset no longer supports the mission of the site or bureau or that has reached the end of its useful life. It is at this point in an asset's life-cycle that a manager should consider asset disposition. In this part, the disposition of an asset is considered which can result in:

1. The disposal of an asset and removal from the inventory; or

2. Retention of the asset with a change in its status within the inventory.

**APPENDIX 11**

**Federal Sustainability**

The Federal Government has many Executive Order and statutory goals designed to protect the environment, conserve energy, minimize waste and promote federal leadership as good stewards of our natural resources. Sustainability has become the overarching theme for incorporating these concepts in a cost-effective and sensible manner.

***For expanded explanations please refer to OMB Circular A-11, ABCS located on OMB website***

**Resources:**

**General Mandates:**

MOU on Sustainable Green Buildings, 1/24/06

Energy Policy Act of 2005 (Publ. L. No. 109-58), §§ 104 and 109

Electronic Product Environmental Assessment Tool (EPEAT) (http://www.epeat.net)

USGBC Leadership in Energy and Environmental Design "LEED" (<http://www.usgbc.org>)

**APPENDIX 13**

**JUSTIFICATION OF SPENDING FOR NEW CAPITAL ASSETS**

***Statement of Agency Mission, Strategic Goals and Objectives, and Annual Performance Plans***

The Agency Capital Plan should begin with a summary of the agency mission, strategic goals and objectives, and Annual Performance Plan. This is a summary of the analysis done in Step I.

***Description of the Planning Phase***

The Agency Capital Plan should describe its planning process and the phase's key decision points. It should include: a description of the Executive Review Process discussed in Section I.6.1. of the Guide; the role of the IPT; and decision points in the process to determine whether assets should be acquired and whether the acquisition should be terminated if cost, schedule, and performance goals are not met.

***Baseline Assessment and Identifying the Performance Gap***

This section of the Agency Capital Plan should be a summary of the work done in Section 2. It should help lay the groundwork for justifying the need for new acquisitions.

* Examining the existing portfolio. An examination of the existing portfolio of assets is encouraged in order to identify capital assets currently in use and in procurement that can help meet program objectives. This analysis will be the basis for assessing where there are gaps and whether funding for new assets should be proposed. The analysis should ensure that the assets are linked to mission needs. The analysis should be across programs and bureaus to identify cross-servicing, and should be over a multi-year horizon to ensure a dynamic analysis that anticipates future changes.
* Identifying the performance gap. This section should identify the performance gap. The gap identifies the agency objectives that cannot be met with existing assets and other resources. Asset inventory and current condition information should be made available here.

***Justification of Spending for Proposed New Capital Assets***

Agencies are encouraged to include in their Agency Capital Plan a section that justifies proposed spending on new capital assets, using the criteria described in this Step and expanded upon in Appendix Six, *Principles of Budgeting for Capital Asset Acquisitions*. The main elements of these principles are incorporated in the suggested sections of the justification discussed below. Agencies should feel free to use other justification criteria as well.

As a general presumption, OMB will recommend new or continued funding only for those capital asset investments that satisfy these criteria. Funding for those projects will be recommended on a phased basis by segment, unless it can be demonstrated that there are significant economies of scale at acceptable risk from funding more than one segment or that there are multiple units that need to be acquired at the same time. (For more information, see OMB Circular A–11, Part 7, Planning, Budgeting and Acquisition of Capital Assets).

***Basis for Selection of the Capital Asset***

This section should justify the selection of the proposed asset.

* Statement of program objectives and functional requirements. This statement should be a summary of the analysis done in Sections I. through 1.3 as it relates to the proposed asset. The statement should identify program objectives from the annual performance plan, the performance gap, and the functional requirements for the asset. These requirements should be defined in terms of the mission, purpose, capability, agency components involved, schedule and cost objectives, and operating constraints. The requirements should not be defined in terms of equipment or software.
* Explanation of alternative ways of meeting the program objectives. This should be a summary of the analysis in Section I. 4, Alternatives to Capital Assets. It should review alternatives to meeting the program objective by means other than acquisition of the asset and explain why these alternatives were rejected.
* Explanation of why the acquisition of the proposed asset is the best alternative. This section should justify why the proposed asset is the best alternative for meeting the program objectives. It should summarize the analysis that appears largely in Section I.5, Choosing the Best Capital Asset. The explanation should be based on a benefit-cost analysis, including an analysis of life-cycle costs, and an analysis of how best to identify, monitor, manage, and control risk. The explanation should also include the baseline cost, schedule, and performance goals that will be the basis for the budget request and tracking of achievement of goals and demonstrate that the Comptroller or Chief Financial Officer has evaluated the cost goals to meet the FASA Title V requirements.
* Budget projections and financial forecasts. This section should draw from the elements above to give a year-by-year forecast of total projected budget authority and outlays for the asset to ensure that all relevant costs are understood in advance. The request should provide for full funding. (See Section I.7.2.2, Principles of Financing). This section should also discuss performance measures relevant to the asset, tied to agency mission and performance goals and objectives, and address cost-effectiveness.

***Strategies for Strengthening Accountability for Achieving Goals***

Once the acquisition is funded, the IPT is accountable for achieving the project cost, schedule and performance goals that are the basis used to obtain approval to acquire the asset. This section should discuss the strategies that will be used to manage the project during the Procurement Phase.

These strategies should include:

* Having budget authority apportioned for a useful segment, if appropriate;
* Selecting types of contracts and pricing mechanisms that are efficient and provide incentives to contractors in order to allocate risk appropriately between the contractor and the agency;
* Monitoring cost, schedule, and performance goals for the project—or the useful segment being proposed—using an earned value management system. (Earned value is described in Appendix Three);
* Establishing thresholds for cost, schedule, and performance goals of the acquisition, including return on investment, which, if not met, may result in termination of the acquisition; and
* Management actions, if progress is not within 90 percent of goals, or if new information is available that would indicate a greater return on investment from alternative uses of funds. (Senior management review of the project should be instituted to determine the continued viability of the project with modifications, or the termination of the project, and the start of exploration for alternative solutions if it is necessary to fill a gap in agency strategic goals and objectives.); and
* Proactive risk management approach and a process for identifying, analyzing and monitoring risks throughout the life-cycle of the investment

***Staff Requirements***

This section should discuss the management staff, both in-house and contracted, needed by the agency to manage the Acquisition Phase and the operations and maintenance staff projections, both in-house and contractor, for the Management-In-Use Phase.

***Timing Issues, if Involved in a Multi-Agency Acquisition***

Explore using multi-agency acquisitions where feasible. Discuss the timing of the support to be provided to the acquisition by the various agencies involved in the acquisition. These include the timing of fund transfers to the lead agency and the timing of use of the asset by the various agencies.

***Plans for Proposed Capital Assets Once in Use***

The Agency Capital Plan should discuss the costs associated with the asset's procurement, management-in-use, and ultimate disposal, and how these costs will be tracked by program managers.

***Summary of Risk Management Plan***

Planning, budgeting, and procurement of capital assets are not always a smooth process. In spite of careful planning, there are normally disruptions to the process, and the analysis of alternative ways of meeting program objectives should respond to disruptions quickly. The risk management plan developed in Section I.5.5 should be summarized in the Agency Capital Plan.

(This example is hypothetical, and does not represent the program or activity of any Federal agency)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **AGENCY STRATEGIC PLAN (ASP)** | **Year 1****Budget Year (BY)** | **Year 2****BY +1** | **Year 3****BY +2** | **Year 4 \*****BY +3** |
| *Mission*: ... prevent loss of life. | ASP Submitted |  |  |  |
| *Outcome Goal*: By year 4, hurricanes will cause 50 percent fewer fatalities than in Year 0 (100). | ASP Submitted |  |  | Goal measured\*\* |
| *Outcome Objectives*: By year 4, the Neptune satellite will be operational. Predictive accuracy at 24 hours pre-landfall will increase from current 100 mile landfall range to 15 miles; and estimated barometric pressure (hurricane strength) at landfall will be within 3 millibars compared to current 25 millibar standard. | ASP Submitted |  |  | Objectives measured\*\* |
| Description of resources, technologies, assets needed to achieve goals and objectives. | 1 Neptune satellite | 1 Booster rocket to launch Neptune satellite |  | 1 Neptune II satellite |
| **ANNUAL PERFORMANCE PLAN (APP)** |  |  |  |  |
| Outcome Goals and objectives measured. |  |  |  | Goals Referenced in ASP Program performance measured\*\* |
| Output Goals defined and measured. |  | Satellite:- Issue RFPs for components- Evaluation- Award contracts | Satellite:- Assembly- Test- AcceptanceBooster Rocket:- Issue RFP- Evaluation- Award contract | Satellite- Launch- Made fully operationalBooster rocket:- Test- Acceptance- Launch satellite |
| Description of resources, technology, assets needed to achieve goals |  |  | 1 Neptune satellite | 1 Booster rocket |
| **AGENCY CAPITAL PLAN** |  |  |  |  |
| Outcome Goal |  |  |  | Goal Referenced in ASP & APP |
| Output Goals |  |  |  | Goals Referenced in ASP & APP |
| Asset Procurement Goals | Neptune Satellite:- Capital Plan submitted- Funds included in budget- Congress appropriates | Satellite:- Issue RFPs for components- Evaluation- Award contractsBooster Rocket:- Capital plan submitted- Funds included in budget- Congress appropriates | Satellite:- Assembly- Test- AcceptanceBooster Rocket:- Issue RFP- Evaluation- Award contract | Neptune II Satellite:- (Steps before including budget requestFor Neptune II satellite in Capital Plan.)Booster rocket:- Test- Acceptance- Launch satellite |

\* A revised/updated Strategic Plan would be required by year 4. Replacement satellite required, as Neptune I class satellite has 3 year operational life.

\*\* Achievement of outcome goals and objectives in Strategic Plan is determined by including those goals and objectives in an Annual Performance Plan for the appropriate year, and using the Program

Performance Report (or Accountability Report) to record and report on actual performance compared to the goals.

**Additional References**

**APPENDIX A—SCOREKEEPING GUIDELINES *(****Refer to the OMB Circular A-11, Part 7, Exhibit-300, Capital Programming Guide)*

Scorekeeping guidelines are used by the House and Senate Budget Committees, the Congressional Budget Office, and the Office of Management and Budget (the "scorekeepers") in measuring compliance with the Congressional Budget Act of 1974 (CBA), as amended, and GRH, as amended. The purpose of the guidelines is to ensure that the scorekeepers measure the effects of legislation on the deficit consistent with established scorekeeping conventions and with the specific requirements in those Acts regarding discretionary spending, direct spending, and receipts. The rules are reviewed annually by the scorekeepers and revised as necessary to adhere to the purpose. They cannot be changed unless all of the scorekeepers agree. New accounts or activities are classified only after consultation among the scorekeepers. Accounts and activities cannot be reclassified unless all of the scorekeepers agree. Even though the Budget Enforcement Act expired at the end of 2002, the scorekeepers continue to apply the scorekeeping principles. *Refer to the table in OMB Circular A-11, Part 7, Exhibit-300, Capital Programming Guide for the specific Scorekeeping Guidelines.*

**APPENDIX B—BUDGETARY TREATMENT OF LEASE-PURCHASES AND LEASES OF CAPITAL ASSETS *(****Refer to the OMB Circular A-11, Part 7, Exhibit-300, Capital Programming Guide)*

**APPENDIX C—LISTING OF OMB AGENCY/BUREAU AND TREASURY CODES *(****Refer to the OMB Circular A-11, Part 7, Exhibit-300, Capital Programming Guide)*

Under the MAX system, OMB assigns agency and bureau codes that are used to identify and access data in the budget database. The table below serves as a partial example of the corresponding agency codes assigned by Treasury. In certain instances, a different Treasury agency code may be used for some accounts in an agency; a complete listing can be found in the Budget Accounts Title (BAT) file.

|  |  |  |
| --- | --- | --- |
| **Agency** | **OMB Codes** | **Treasury****Agency****Code** |
| **Agency** | **Bureau** |
| **Legislative Branch** |  |  |  |
| Senate | 001 | 05 | 00 |
| House of Representatives | 001 | 10 | 00 |
| etc… etc… etc… refer to OMB Circular A-11, Part 8 for remaining pages of government Treasury codes…. |  |  |  |

**APPENDIX D—EXPLANATION OF MAX EDIT CHECKS**

Development of MAX edit checks is an ongoing process. The help messages included in the on-line MAX screens will reflect the latest edit checks and descriptions of these checks. Here is a link to the error codes and associated messages: MAX edit checks

**APPENDIX E***—(removed by OMB… no longer exists)*

**APPENDIX F—FORMAT OF SF 132 AND SF 133** *(Refer to OMB Circular A-11, Part 8.)*

A. *Budgetary Resources—Format of SF 132 and SF 133*

Refer to the table in OMB Circular A-11, Part 8 when preparing the "Budgetary Resources" section of the SF 132, Apportionment and Reapportionment Schedule (for unexpired accounts only), and the SF 133, Report on Budget Execution and Budgetary Resources (for unexpired accounts and expired accounts, including accounts about to be closed and annual fund symbols that are older than five years that have legally authorized extended disbursing authority).

**APPENDIX G—CROSSWALK BETWEEN ANTIDEFICIENCY ACT AND TITLE 31 OF THE U.S. CODE *(****Refer to OMB Circular A-11, Part 8.)*

In 1982, Congress reworded and reorganized the language of the Ant deficiency Act along with the rest of Title 31 of the United States Code. The intent of Congress was to modernize the language of the Act, without changing its meaning. Please refer to the OMB Circular A-11, Part 7, Exhibit-300, Capital Programming Guide to address the crosswalk with the Antideficiency Act.

**APPENDIX H — CHECKLIST FOR FUND CONTROL REGULATIONS *(****Refer to OMB Circular A-11, Part 8.*

**APPENDIX I** *— (removed by OMB… no longer exists)*

**APPENDIX J — PRINCIPLES OF BUDGETING FOR CAPITAL ASSET ACQUISITIONS.** *This appendix is a word for word repeat of appendix 6… please refer to appendix 6 in this desk guide or to OMB Circular A-11, Part 8 for necessary guidance.*

**APPENDIX K — SELECTED OMB GUIDANCE AND OTHER REFERENCES REGARDING CAPITAL ASSETS**. *(Refer to the OMB Circular A-11, Part 8*

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**APPENDIX L — SELECTED OMB GUIDANCE AND OTHER REFERENCES REGARDING CAPITAL ASSETS**. *(Refer to the OMB Circular A-11, Part 8*

Engine Inspection - **Maintenance Cost:** The expense of contracts, labor, parts and management for the continued airworthiness of the aircraft. [Reporting at least one cost type in this category is **MANDATORY**. If you do not have costs to report, enter zero (0) in the "Maintenance Cost-None" cost type

Maintenance Aircraft - **Maintenance Cost:** Aircraft Inspection; The expense of contracts, labor, parts and management for the continued airworthiness of the aircraft. [Reporting at least one cost type in this category is **MANDATORY**. If you do not have costs to report, enter zero (0) in the "Maintenance Cost-None" cost type

Flight Support: This category includes (1) the expense of landing, tiedown, parking, ground handling, hangaring, etc., ***at your home station*** and (2) The expense of towing, cleaning, air conditioning, start service, etc., ***at your home station***. Reporting cost types in this category is **MANDATORY**

**Engine overhaul / Maintenance Cost,** Scheduled Maintenance Engine Overhaul - Commercial Cost - Cost of parts and labor for scheduled engine overhaul or rebuild, or Time Between Overhaul (TBO) replacement, paid to a commercial source. This does not include hot section inspections, fan replacements, or cylinder replacements. If the engine is operated on a Power-by-the-Hour or similar program, all engine maintenance costs are captured in the "Scheduled Maintenance Contract Out - Commercial Cost" category. This is a **FIXED** COST. ***(Used to be 'VARIABLE')***

**Engine overhaul / Maintenance Cost,** Scheduled Maintenance Engine Overhaul - Federal Cost - Cost of parts and labor for scheduled engine overhaul or rebuild, or Time Between Overhaul (TBO) replacement, paid to a Federal source. This does not include hot section inspections, fan replacements, or cylinder replacements. If the engine is operated on a Power-by-the-Hour or similar program, all engine maintenance costs are captured in the "Scheduled Maintenance Contract Out - Federal Cost" category. This is a **FIXED** COST.***(Used to be 'VARIABLE)'***

**Special Terms, Definitions & Abbreviations:**

***ACP*** Agency Capital Plan

***Assets***—tangible or intangible items owned by the Federal Government which would have probable economic benefits that can be obtained or controlled by a Federal entity (adapted from *SFFAS No. 6*, *Elements of Financial Statements,* and *Kohler's Dictionary for Accounting*).

***Advance appropriations*** may be accompanied by regular annual appropriations to provide funds available for obligation in the budget year as well as subsequent years. Advance appropriations are:

* Enacted normally in the current year;
* Scored after the budget year (e.g., in each of one, two, or more later years, depending on the language); and
* Available for obligation in the year scored and subsequent years if specified in the language (see "Availability," below).

***Appropriations, regular annual or advance***, provide budget authority that permits Government officials to incur obligations that result in immediate or future outlays of Government funds.

***Availability*** refers to the period during which appropriations may be legally obligated. Appropriations made in appropriations acts are available for obligation only in the budget year, unless the language specifies that an appropriation is available for a longer period. If the language specifies that the funds are to remain available until the end of a certain year beyond the budget year, the availability is said to be "multi-year." If the language specifies that the funds are to remain available until expended, the availability is said to be "no-year." Appropriations for major procurements and construction projects are typically made available for multiple years or until expended.

**Baseline Goals**—baseline cost, schedule, and performance goals will be the standard against which actual work is measured. They will be the basis for the annual report to the Congress required by FASA Title V on variances of 10 percent or more from cost and schedule goals and any deviation from performance goals. The goals, and any changes to the goals, must be approved by OMB.

* Cost and schedule goals. The baseline cost and schedule goals should be realistic projections of total cost, total time to complete the project, and interim cost and schedule goals. The interim cost and schedule goals should be based on the value of work performed or a comparable concept. Appendix Three illustrates the earned value concept for establishing cost and schedule goals, one of several concepts that could be used.
* Performance goals. Sets a target level of performance over time expressed as a tangible, measurable objective, against which actual achievement can be compared, including a goal expressed as a quantitative standard, value or rate. performance goal is comprised of a performance measure with targets and timeframes
* Illustrative major milestones in establishing goals. Illustrative major milestones in establishing or proposing revised baseline goals could be:
* agency mission analysis, process design, and requirements development;
* agency submission and justification to OMB;
* approval for inclusion in the Administration's budget proposal to Congress;
* enactment of appropriations;
* before and after the contract or contracts are signed; and
* other times after the contracts are signed, depending on circumstances.

***Budget Authority***—budget authority (BA) is the authority provided by Federal law to incur financial obligations that will result in outlays.3 Most budget authority for acquisitions is in the form of appropriations; other types are contract authority, authority to borrow, and spending authority from offsetting collections.4

***Capital assets*** means land, structures, equipment, intellectual property (e.g., software), and information technology (including service contracts) used by the Federal Government and having an estimated useful life of two years or more. See Appendix One of the *Capital Programming Guide* for a more complete definition of capital assets.

***Capital programming*** means an integrated process within an agency for planning, budgeting, procurement and management of the agency’s portfolio of capital assets to achieve agency strategic goals and objectives with the lowest life-cycle cost and least risk.

***Capital Project and Useful Segments of a Capital Project***—the total capital project, or acquisition of a capital asset, includes useful segments that are either planning segments or useful assets.

* Planning segments. A planning segment of a capital project provides information that allows the agency to develop the design; assess the benefits, costs, and risks; and establish realistic baseline cost, schedule, and performance goals before proceeding to full acquisition of the useful asset (or canceling the acquisition). This information comes from activities, or planning segments, that include but are not limited to market research of available solutions, architectural drawings, geological studies, engineering and design studies, and prototypes. The process of gathering information for a capital project may consist of one or more planning segments, depending on the nature of the asset. If the project includes a prototype that is a capital asset, the prototype may itself be one segment or may be divisible into more than one segment.
* Useful asset. A useful asset is an economically and programmatically separate segment of the asset or whole asset that may be procured to provide a useful asset for which the benefits exceed the costs, even if no further funding is appropriated. The total capital asset procurement may include one or more useful assets, although it may not be possible to divide all procurements in this way. Illustrations follow:

***Capital project (investment)*** means the acquisition of a capital asset and the management of that asset through its life-cycle after the initial acquisition. Capital projects (investments) may consist of several useful segments.

***CI*** Commercial Items

***Contracting officer certification*** means the highest current level of certification in contracting obtained by the contracting officer (CO) assigned to the acquisition. For defense agencies, indicate the CO’s highest level of Defense Acquisition Workforce Improvement Act (DAWIA) certification in contracting.

For civilian agencies, indicate the CO’s highest level of Federal Acquisition Certification in Contracting (FAC-C), in accordance with OMB memorandum, The Federal Acquisition Certification in Contracting Program, dated January 20, 2006. Available levels are 1, 2, or 3. The FAC-C is a new program that civilian agencies are in the process of implementing. To address the transition period, if the CO has not obtained a FAC-C, the agency must determine that the CO assigned to the effort has the competencies and skills necessary to support the acquisition.

**Commercially Available Off-The-Shelf (COTS) Item**—any item, other than real property, that is of a type customarily used by the general public for nongovernmental purposes, and that has been sold, leased, or licensed to the general public; is sold, leased, or licensed in substantial quantities in the commercial marketplace; and is offered to the Government, without modification, in the same form in which it is sold, leased, or licensed in the commercial marketplace.

**Cost**—defined in SFFAC No. 1, *Objectives of Federal Financial Reporting*, as the monetary value of resources used. Defined more specifically in SFFAS No. 4, *Managerial Cost Accounting Concepts and Standards for the Federal Government*, as the monetary value of resources used or sacrificed or liabilities incurred to achieve an objective, such as to acquire or produce a good or to perform an activity or service. Depending on the nature of the transaction, cost may be charged to operations immediately (i.e., recognized as an expense of the period) or to an asset account for recognition as an expense of subsequent periods. In most contexts within SFFAS No. 7*, Accounting for Revenue and Other Financing Sources*, "cost" is used synonymously with expense. See also, "Full Cost."

***Cost saving*** represents the reduction in actual expenditures below the projected level of costs to achieve a specific objective (as defined in OMB Circular A-131).

***Cost avoidance*** represents results from an action taken in the immediate time frame that will decrease costs in the future (as defined in OMB Circular A-131).

***COTS*** Commercial-off-the-shelf item. Pre existing items that are available with no developmental costs.

***Development/Modernization/Enhancement (DME)***:

***Earned value management (EVM)*** is a project (investment) management tool effectively integrating the investment scope of work with schedule and cost elements for optimum investment planning and control. The qualities and operating characteristics of earned value management systems (EVMS) are described in American National Standards Institute (ANSI)/Electronic Industries Alliance (EIA) Standard –748–1998, *Earned Value Management Systems*, approved May 19, 1998. It was reaffirmed on August 28, 2002.

Additional information on EVMS is available at www.acq.osd.mil/pm.

***Enterprise Architecture*** (EA):

***ESPC*** Energy Savings Performance Contract

***Efficiency measures***—while outcome measures provide valuable insight into program achievement, more of an outcome can be achieved with the same resources if an effective program increases its efficiency. Agencies are encouraged to develop efficiency measures. Sound efficiency measures capture skillfulness in executing programs, implementing activities, and achieving results, while avoiding wasted resources, effort, time, and/or money. Simply put, efficiency is the ratio of the outcome or output to the input of any program.

***EVM*** Earned Value Management

***FAR*** Federal Acquisition Regulation

***FARA*** Federal Acquisition Reform Act (Clinger-Cohen Act) of 19961 (Division D of Pub. L. No. 104–106)

***FASA*** Federal Acquisition Streamlining Act of 1994 (Pub. L. No. 103–355)

***FRPC*** Federal Real Property Council

***Full Cost***—full direct and indirect costs to any part of the Federal Government of providing goods, resources, and services (OMB Circular A–25: *User Charges* (July 8, 1993)). The total amount of resources used to produce the output. More specifically, the full cost of an output produced by a responsibility segment is the sum of: (1) the costs of resources consumed by the responsibility segment that directly or indirectly contribute to the output; and (2) the costs of identifiable supporting services provided by other responsibility segments within the reporting entity and by other reporting entities (SFFAS No. 4, *Managerial Cost Accounting Concepts and Standards for the Federal Government*).

***Full funding*** means appropriations are enacted sufficient in total to complete a useful segment of a capital project (investment) before any obligations may be incurred for the segment. When capital projects (investments) or useful segments are incrementally funded, without certainty if or when future funding will be available, it can result in poor planning, acquisition of assets not fully justified, higher acquisition costs, project (investment) delays, cancellation of major projects (investments), the loss of sunk costs, or inadequate funding to maintain and operate the assets. Budget requests for full acquisition of capital assets must propose full funding (see section 31.5).

***Funding***—there are two types of funding for projects: (1) Full funding means that appropriations are enacted that are sufficient in total to complete a useful segment of a capital project (investment) before any obligations may be incurred for that segment. When capital projects (investments) or useful segments are incrementally funded, without certainty if or when future funding will be available, it can result in poor planning, acquisition of assets not fully justified, higher acquisition costs, projects (investments) delays, cancellation of major projects (investments), the loss of sunk costs, or inadequate funding to maintain and operate the assets. Budget requests for full acquisition propose for full funding. (2) Incremental (annual) funding means that appropriations are enacted that only fund an annual or other part of a useful segment of a capital project (investment). OMB or Congress may change the agency's request for full finding to incremental funding in order to accommodate more projects in a year than would be allowed with full funding.

***GAO*** Government Accountability Office

***GPRA*** Government Performance and Results Act of 1993 (Pub. L. No. 103–62)

***Interagency acquisition*** means the use of the Federal Supply Schedules, a multi-agency contract (i.e., a task order or delivery order contract established by one agency for use by government agencies to obtain supplies and services, consistent with the Economy Act, 31 U.S.C. 1535), or a government-wide acquisition contract (i.e., a task-order or delivery-order contract for information technology established by one agency for government-wide use operated by an executive agent designated by OMB pursuant to section 11302(3) of the Clinger Cohen Act of 1996).

***Integrated Project Team (IPT)*** —Integrated Project Team means a multi-disciplinary team led by a program manager responsible and accountable for planning, budgeting, procurement and lifecycle management of the investment to achieve its cost, schedule, and performance goals. Team skills include: budgetary, financial, capital planning, procurement, user, program, architecture, earned value management, security, and other staff as appropriate.

***ITMRA*** Information Technology Management Reform Act (Clinger-Cohen Act) of 1996 Division E of Pub. L. No. 104–106)

***Life-cycle Costs***—life-cycle costs of an asset are all direct and indirect initial costs, including planning and other costs or procurement; all periodic or continuing costs of operation and maintenance; and costs of decommissioning and disposal. (See Supplement to Part 7—Capital Programming Guide).

***Major acquisition/investment*** means a system or project requiring special management attention because of its importance to the mission or function of the agency, a component of the agency or another organization; is for financial management and obligates more than $500,000 annually; has significant program or policy implications; has high executive visibility; has high development, operating, or maintenance costs; or is defined as major by the agency’s capital planning and investment control process. OMB may work with the agency to declare other investments as major investments. You should consult with your OMB representative about what investments to consider as "major," consult your agency budget officer or OMB representative. Systems not considered "major" are "non-major."

***Mixed life-cycle investment*** means an investment having both development/modernization/enhancement (DME) and steady state components. For example, a mixed life-cycle investment could include a prototype or module of a system that is operational with the remainder of the system in DME stages; or, a service contract for steady state on the current system with a DME requirement for system upgrade or replacement.

***Nation's Integrated Industrial Base***—the nation's integrated industrial base includes those companies with facilities, design and manufacturing processes, and technologies capable of servicing both commercial and government needs.

***NDI*** Non-Developmental Item

***Non-developmental Item (NDI)*** —any previously developed item of supply used exclusively for governmental purposes by a Federal agency, a state, or local government that requires only minor modifications or modifications of a type customarily available in the commercial marketplace.

**O&M** Operations and Maintenance

***OFPP*** Office of Federal Procurement Policy, Office of Management and Budget

***OMB*** Office of Management and Budget

***Operational (steady state)*** means an asset or a part of an asset with a delivered component performing the mission.

***Outcome Measure***—outcomes describe the intended result of carrying out a program or activity. They define an event or condition that is external to the program or activity and that is of direct importance to the intended beneficiaries and/or the public. For a tornado warning system, outcomes could be the number of lives saved and property damage averted. While performance measures must distinguish between outcomes and outputs, there must be a reasonable connection between them, with outputs supporting (i.e., leading to) outcomes in a logical fashion.

***Outlay***—the issuance of checks, disbursement of cash, or electronic transfer of funds made to liquidate a federal obligation. Outlays also occur when interest on the Treasury debt held by the public accrues and when the Government issues bonds, notes, debentures, monetary credits, or other cash-equivalent instruments in order to liquidate obligations. Also, under credit reform, the credit subsidy cost is recorded as an outlay when a direct or guaranteed loan is disbursed.

***Output Measure***—outputs describe the level of activity that will be provided over a period of time, including a description of the characteristics (e.g., timeliness) established as standards for the activity. Outputs refer to the internal activities of a program (i.e., the products and services delivered). For example, an output could be the percentage of warnings that occur more than 20 minutes before a tornado forms.

***PART*** Performance Assessment Rating Tool

***Partner Agency funding contributions (contributions)*** represents the direct contribution (Cash Funding) in terms of agency funding contributions in support of the initiative or "In-Kind" contributions: represents the dollar equivalent of contribution of services made by the partner agency on behalf of the initiative (non-cash Funding) in support of the initiative activities. Partner agency support in equipment, facilities, software, license fees, and dollar equivalent of FTEs can also be included in this. Partner agency migration costs can also be included in this, where the activities are appropriately coordinated with the managing partner and not covered by another capital asset.

***Partner Agency “fee-for-service” contributions*** represents the direct contribution (Cash Funding) in terms of a “fee-for-service” relationship for a transactional service received by the initiative or capital assets under the oversight of the initiative.

***Performance-based acquisition management*** means a documented, systematic process for program management, which includes integration of program scope, schedule and cost objectives, establishment of a baseline plan for accomplishment of program objectives, and use of earned value techniques for performance measurement during execution of the program. EVMS is required for those parts of the investment where developmental effort is required. This includes prototypes and tests to select the most cost effective alternative during the Planning Phase, the work during the Acquisition Phase, and any developmental, modification or upgrade work done during the Operational/Steady State Phase. EVMS is to be applied to both Government and contractor efforts and regardless of contract type. For operational/steady state systems, an operational analysis as discussed in Phase IV of the Capital Programming Guide is required. A performance-based service contract/agreement with a defined quality assurance plan should be the basis for monitoring contractor or in-house performance of this phase. Information on this requirement can be found in OMB Memorandum 05-23, *Improving Information Technology (IT) Project Planning and Execution*.

***Performance budget***—a budget presentation that clearly links performance goals with costs for achieving a target level of performance. In general, a performance budget links strategic goals with related long-term and annual performance goals (outcomes) with the costs of specific activities to influence these outcomes about which budget decisions are made.

***Performance Measurement***—a means of evaluating efficiency, effectiveness, and results. Performance measurement should include program accomplishments in terms of outputs (quantity of products or services provided) and outcomes (results of providing outputs in terms of effectively meeting intended agency mission objectives). Indicators, statistics or metrics used to gauge program performance.

***PIR*** Post-implementation Review

***Plan of Action and Milestone*** As defined in OMB Memorandum 02-01, a plan of action and milestones (POA&M), also referred to as a corrective action plan, is a tool that identifies tasks that need to be accomplished. It details resources required to accomplish the elements of the plan, any milestones in meeting the task, and scheduled completion dates for the milestones. The purpose of the POA&M is to assist agencies in identifying, assessing, prioritizing, and monitoring the progress of corrective efforts for security weaknesses found in programs and systems.

***Planning*** means preparing, developing or acquiring the information you will use to: design the investment; assess the benefits, risks, and risk-adjusted life-cycle costs of alternative solutions; and establish realistic cost, schedule, and performance goals, for the selected alternative, before either proceeding to full acquisition of the capital project (investment) or useful segment or terminating the investment. Planning must progress to the point where you are ready to commit to achieving specific goals for the completion of the acquisition before preceding to the acquisition phase. Information gathering activities may include market research of available solutions, architectural drawings, geological studies, engineering and design studies, and prototypes. Planning is a useful segment of a capital project (investment). Depending on the nature of the investment, one or more planning segments may be necessary.

***Program Risk-Adjusted Budget (PRB)***—the total budget that represents the amount of resources and schedule expected to be needed to cover the risk of cost and schedule overruns to meet a 90 percent probability of project/program success. It is an amount held at a level above the program level to be released to the program when needed to cover risk that was not identifiable through an IBR, but that history indicates will cause cost and schedule overruns from the Performance Measurement Baseline through no fault of the program management process.

***Project***—ANSI/PMI 04–D1 Defines a project as a temporary (generally several years) endeavor undertaken to create a unique product or service, and a program as a group of projects managed in a coordinated way to obtain benefits not obtained from managing them individually. As the management principals are the same to achieve success that two terms are used interchangeably.

***Regular annual appropriations*** are:

* Enacted normally in the current year;
* Scored entirely in the budget year; and
* Available for obligation in the budget year and subsequent years if specified in the language (see "Availability," below).

***Risk adjusted life-cycle costs*** means the overall estimated cost for a particular investment alternative over the time period corresponding to the life of the investment, including direct and indirect initial costs plus any periodic or continuing costs of operation and maintenance that has been adjusted to accommodate any risk identified in the risk management plans. If project funding is to be requested for specific phases, segments or modules of the project, each of these parts will be risk adjusted for their individual life-cycle.

***RMO*** Resource Management Office, Office of Management and Budget SFFAC Statement of Federal Financial Accounting Concepts

***SFFAS*** Statement of Federal Financial Accounting Standards

***SIS*** Share-in Savings

***SSA*** Source Selection Authority

***SST*** Source Selection Team

***Strategic Goal or Strategic Objective***—a statement of aim or purpose included in a strategic plan (required under GPRA). In a performance budget/performance plan, strategic goals should be used to group multiple program outcome goals. Each program outcome goal should relate to and in the aggregate be sufficient to influence the strategic goals or objectives and their performance measures.

***Support Costs***—costs of activities not directly associated with production. Typical examples are the costs of automation support, communications, postage, process engineering, and purchasing.

***Target***—quantifiable or otherwise measurable characteristic that tells how well a program must accomplish a performance measure.

***Total Value of Contract/Task Order*** means the current total value of the Contract or Task Order to acquire and operate the capital asset. For contracts/task orders shared by multiple capital assets, please provide only the current total value associated to the identified capital asset.

***UESC*** Utility Energy Savings Contract

***Useful segment/module*** means an economically and programmatically separate component of a capital investment that provides a measurable performance outcome for which the benefits exceed the costs, even if no further funding is appropriated.

**Key Internet Addresses**

The Capital Programming Guide and OMB Circular A–11, Part 7

http://www.whitehouse.gov/omb/circulars/a11/cpgtoc.html

The Federal Acquisition Reform Act and the FAR Implementation of the Federal Acquisition Streamlining Act can be found at the reference library for Acquisition Reform (ARNET) at:

http://www.arnet.gov.

The Information Technology Management Reform Act (now known as the Clinger-Cohen Act), can be found on the Chief Information Council Working Group web site at:

http://www.cio.gov/Documents/it\_management\_reform\_act\_Feb\_1996.html

Office of Information and Regulatory Affairs—Evaluating Information Technology Investments, (November 1995) can be found at: http://www.whitehouse.gov/omb/inforeg/infopoltech.html

GAO—Assessing Risk and Returns: A Guide for Evaluating Federal Agencies IT Investment Decision Making, February 1997 can be found at: http://www.gao.gov/archive/1998/ai98110.pdf

GSA—Performance Based Management—Eight Steps to Develop and Use Information Technology Performance Measures Effectively, (December 1996) can be found at:

http://www.itpolicy.gsa.gov/mkm/pathways/pathways.htm

OMB Circulars can be found on the OMB Homepage at:

http://www.whitehouse.gov/OMB/circulars/index.html

Chief Financial Officers Council guidance documents can be found at: http://www.cfoc.gov/

Federal Real Property Council guidance documents can be found on the OMB Asset Management website at: http://www.whitehouse.gov/omb/financial/fia\_asset.html

The Government Accountability Office's (GAO) Information Technology Investment Management (ITIM) Stages of Maturity, as described in GAO's May 2000 Version 1 of the ITIM can be found at http://www.gao.gov/.

Chief Information Officers Council Value Measuring Methodology: How-to-Guide Issued By: CIO Council, Best Practices Committee—Posted: 04.15.2003

http://www.cio.gov/index.cfm?function=specdoc&id=416.

Value Measuring Methodology: Highlights Issued By: CIO Council, Best Practices Committee—Posted: 04.15.2003

http://www.cio.gov/index.cfm?function=specdoc&id=415.

Framework for Developing EVMS Policy Issued By: Best Practices Committee—Posted: 12.05.2005

http://www.cio.gov/index.cfm?function=specdoc&id=664.

Clinger-Cohen Act, February 10, 1996

Issued By: Congress—Posted: 02.10.1996

http://www.cio.gov/index.cfm?function=specdoc&id=319.

Responsibilities and Information and Technology Governance at Leading Private Sector Companies **Issued** By: GAO—Posted: 09.09.2005

<http://www.cio.gov/index.cfm?function=specdoc&id=647>.

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