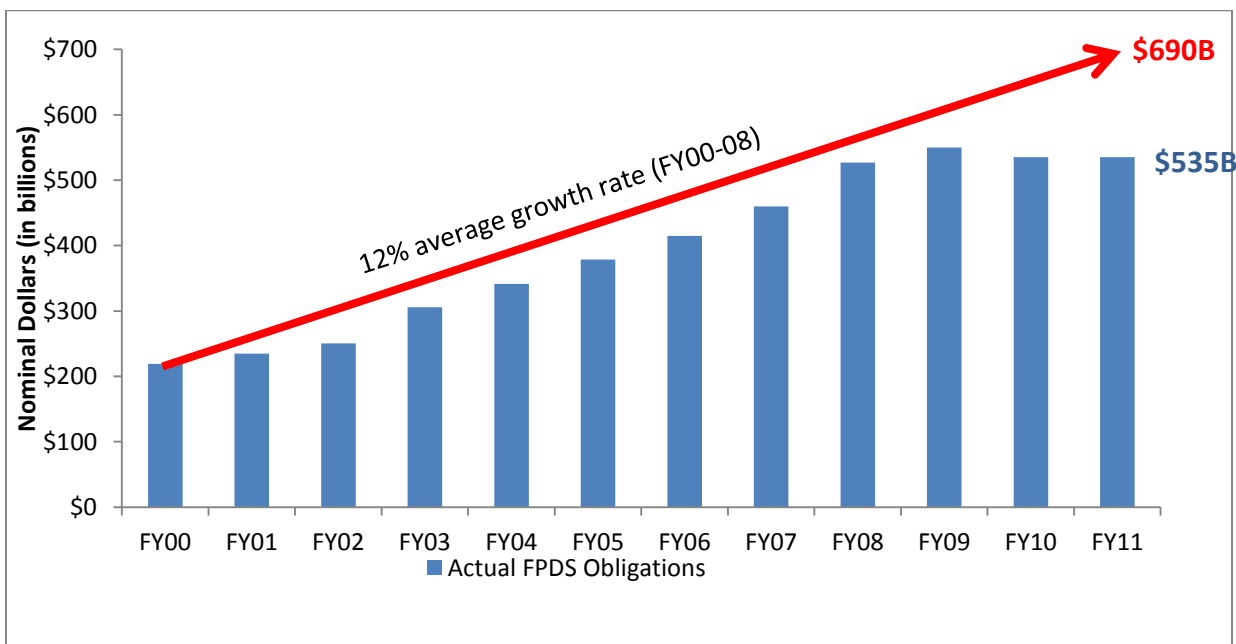


Obama Administration Successfully Sustains Lower Contract Spending Rate

First Time in 18 Years that Spending Declined or Stayed Flat Two Years in a Row
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From the start of the Administration, the President has charged agencies to cut waste and give the American people a government that not only more affordable, but also more efficient and effective. One critical area for those efforts has been contracting. During the prior Administration, contract spending exploded but contract management and oversight capacity were not strengthened to keep up with that demand. President Obama took aggressive action to curb that growth, starting with a March 2009 directive to agencies to cut billions in contracting spending and continuing with efforts to ensure the government stepped up efforts to protect taxpayers from cost overruns and poor performance as part of the Campaign to Cut Waste. As a result, we have ushered in and sustained a new era of fiscal responsibility in contract spending.

- In FY 2010, contracting decreased for the first time in 13 years. Agencies collectively spent \$535 billion -- \$80 billion less than they would have if growth continued at the same rate as under the prior Administration.
- In FY 2011, contract spending continued at the same lower level as in FY 2010. This is the first time in 18 years that spending has either declined or remained flat for two consecutive years. Under the 12% growth rate during the last administration, contracting spending would have soared to \$690 billion, or \$155 billion, more than agencies ended up spending in FY 11.
- Between FY 2009 and FY 2011, agencies spent tens of billions of dollars less than they would have if contract spending had continued to grow at the same pace as experienced during the last Administration or even just at the rate of inflation.
- Agencies achieved these results by buying less and by buying smarter, such as by leveraging the government's buying power (known as strategic sourcing) and using IT tools that enable agencies to reap both the efficiencies of the internet and the benefits of increased competition to drive prices down. For example, over the last two years, agencies report that they have saved tens of millions of dollars by using reverse auctions for thousands of everyday commodities such as computer hardware and facilities equipment, where vendors use an online site to bid prices down to win an agency's work.



- Agencies have reported many hundreds of examples to OMB of buying less and buying smarter over the two years since the President called on agencies to improve their buying practices. As just a few examples:
 - The Department of Defense (DoD) efforts to end contracts for programs that are no longer affordable saved taxpayers more than \$22 billion in FY 2011 alone. For instance, the DoD cancelled contracts to support the development of an advanced communications satellite and new guided missile cruisers, both of which were experiencing cost overruns and schedule delays. By making modifications to existing programs, the DoD will avoid hundreds of millions of dollars in further overruns and meet its mission needs in a more affordable manner.
 - The Department of Homeland Security (DHS) continues to serve as a role model in its use of agency-wide contracts and agreements to leverage internal buying power across and among its components. By standardizing requirements and pooling resources through agency-wide agreements, the DHS was able to save more than \$250 million in FY 2011 for a variety of shared needs. For example, the DHS saved almost \$47 million on software Enterprise License Agreements, more than \$54 million on purchases made under DHS strategically sourced IT services vehicles, and just over \$164 million on purchases made under DHS strategically sourced IT hardware vehicles.
 - Just yesterday, the Department of Commerce (DOC) announced a new contract with a small business contractor who will lower the DOC's cost for desktops and laptops by 40% and save taxpayers \$20-25 million over the next five years. DOC is achieving these savings by leveraging its buying power, like DHS, and eliminating hundreds of redundant contracts meeting the same requirements. DOC projects that the new contract will avoid thousands of employee hours that would otherwise be required to maintain hundreds of narrowly scoped contracts, reduce complexity and longer term support and maintenance costs by standardizing specifications, and while streamlining the computer ordering process for its programs.
 - The Department of Health and Human Services (HHS) was able to save \$20 million by consolidating redundant contracts for compliance monitoring services that the HHS uses to ensure various programs are in compliance with established mandates in the Public Health Service Act and other Congressional initiatives. After completing a comprehensive analysis of the agency inventory of service contracts,, HHS determined that it could significantly reduce costs and administrative expenses by consolidating 15 redundant contracts into four contracts.
 - The Department of the Interior achieved more than \$215 million in savings in FY 2011 by conducting an across-the-board review of its market research and competition practices, seeking out vendor discounts, and negotiating more aggressively for a variety of requirements. The result has been lower prices on new contracts and greater discounts for purchases to meet a wide range of requirements, from basic services needed to keep the National Park Service operating to the financial infrastructure services to support international banking and finance networks.
- Moving forward, agencies will strengthen their spend management strategies and build on accomplishments achieved to date by:

- Reducing the costs of acquiring common products and services by strategically sourcing at least two new commodities or services and increasing the use of government-wide strategic sourcing vehicles in accordance with goals established by OMB pursuant to the Government Performance and Results Act Modernization Act;
- Pursuing additional reductions in management support services and other administrative expenses, consistent with the President's Executive Order on Promoting Efficient Spending;
- Continuing to drive increased competition and carefully monitor all high risk contract actions (contracts made with insufficient competition, cost-reimbursement contract, and time-and-materials contracts) to ensure they are used only in appropriate circumstances and report about their progress on performance.gov; and
- Continue to rebuild the capability that is needed in the workforce to achieve and sustain improved government performance, such as through the development of specialized IT acquisition cadres that increase the chance of successful program outcomes.