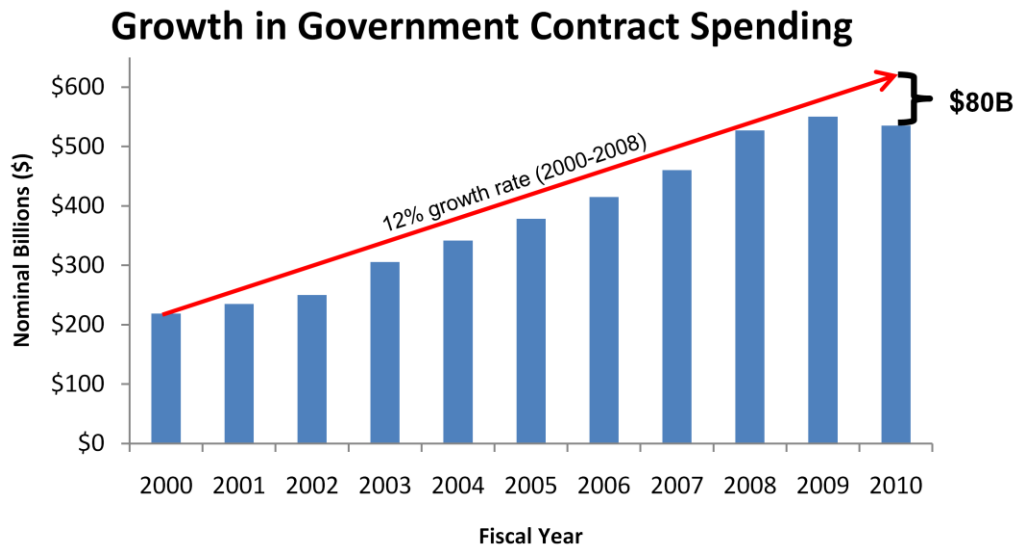


Obama Administration Succeeds in Reducing Contract Spending for First Time in 13 Years

Today more than ever, the government must be responsible in how it spends taxpayer dollars, cutting waste and streamlining programs where we can. Despite being the world's largest purchaser, spending more than \$500 billion a year on goods and services, the government too often does not get the best prices or value for the taxpayer.

- That's why in March 2009, the President directed agencies to save \$40 billion in contracting annually by the end of 2011 and apply fiscally responsible acquisition practices that better protect taxpayers from waste and cost overruns. The President's mandate has instilled a new sense of accountability in agencies, and the results are clear: after over a decade of dramatic contract growth that saw annual procurement budgets increase at an average rate of 12% per year between FYs 2000 and 2008, and by as much as 22 percent in a single year, this Administration has turned the tide and reduced contract spending.



- Agencies spent nearly \$80B less in FY 2010 than they would have spent had contract spending continued to grow at the same rate it had under the prior Administration. At that rate, contract spending would have reached a record \$615 billion.
- For the first time since 1997, overall contract spending declined. FY 2010 spending was \$535 billion versus \$550 billion in the prior year.
- Agencies have achieved these savings through a combination of strategies.
 - *They have ended unnecessary or unaffordable contracts*, including contracts for weapons systems, information technology, financial management, operations and maintenance, transportation and fuel.

- *They have taken advantage of smarter buying practices*, such as strategic sourcing, where agencies analyze their buying trends and pool their buying power to negotiate better prices and deeper discounts for everyday needs – from office supplies and software licenses to furniture and medical equipment.
- *They have reduced their reliance on high-risk contracts*, finding savings by competing contracts that, in the past, were awarded for higher prices on a sole-source or “no-bid” basis, as well as moving away from contracts where vendors are paid for the amount of time they spend working rather than for what they produce.
- *They have used innovative techniques that allow them to obtain greater economy and efficiency in their buying practices*, such as electronic reverse auctions that help buying organizations obtain lower prices for a wide range of off-the-shelf commodities through vigorous competitions where vendors bid down their competitors’ prices to win work.
- *They have strengthened the acquisition workforce*, after years of inattention, to help rebuild the capacity and capability that is needed to achieve and sustain better acquisition outcomes and improved government performance.

There is still much to be done to make sure every contracting dollar is well spent. During FY 2011 and FY 2012, OMB will work with agencies to build on their accomplishments to date and pursuing new avenues to achieve even greater savings. For example:

- Agencies are requesting approximately 20 percent less in the FY 2012 budget than they did just two years earlier on professional and technical services. According to Federal Procurement Data System, contracting in this area has increased by 17 percent per year between 2000 and 2008, or one and a half the rate by which contracting has grown in general.
- As part of the Administration’s plan to increase the return on information technology (IT) investments, agencies will improve how they buy IT – by strengthening communication between the government and contractors to ensure agencies acquire the best market solution to meet their needs, by developing cross-training for program managers and IT acquisition professionals to better align the acquisition process with the technology cycle, and by increasing the use of proven best practices, such as buying systems in manageable discrete chunks that allow for more nimble and careful use of taxpayer dollars.
- Agencies will increase contracting with our nation’s small business entrepreneurs, taking better advantage of the new technologies, innovations, and technical skills that high-growth small businesses offer, which, in turn, will provide small businesses the revenue they need to create jobs and drive the economy forward.