



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

May 11, 2009

H.R. 2101 **Weapons Acquisition System Reform Through Enhancing Technical Knowledge and Oversight Act of 2009**

As ordered reported by the House Committee on Armed Services on May 7, 2009

SUMMARY

H.R. 2101 would make several changes to the Department of Defense's (DoD's) acquisition procedures and regulations for Major Defense Acquisition Programs (MDAPs). In addition, the bill would require the Secretary of Defense to designate officials to serve as the principal advisors within the Office of the Secretary of Defense (OSD) on the acquisition functions of cost estimation, systems engineering, and performance assessment.

CBO estimates that implementing H.R. 2101 would cost \$55 million over the 2010-2014 period, assuming the appropriation of the necessary funds. CBO's estimate reflects the direct costs of implementing H.R. 2101. Although H.R. 2101 might yield improvements in the efficiency and effectiveness of DoD's acquisition system for MDAPs over time, CBO has no basis for determining whether such improvements would occur or to what extent they might result in net savings to the government. Enacting the bill would not affect direct spending or revenues.

H.R. 2101 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 2101 is shown in the following table. The costs of this legislation fall within budget function 050 (national defense).

	By Fiscal Year, in Millions of Dollars					2010-2014
	2010	2011	2012	2013	2014	
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Technology Readiness Assessments						
Estimated Authorization Level	7	7	7	7	8	36
Estimated Outlays	7	7	7	7	8	36
Oversight of Cost Estimation						
Estimated Authorization Level	4	4	4	4	4	20
Estimated Outlays	3	4	4	4	4	19
Total Changes						
Estimated Authorization Level	11	11	11	11	12	56
Estimated Outlays	10	11	11	11	12	55

BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 2101 will be enacted in fiscal year 2009, and that the estimated authorizations will be appropriated starting in fiscal year 2010.

Title I—Acquisition Organization

Title I would require the Secretary of Defense to designate officials to serve as the principal advisors on the acquisition functions of cost estimation, systems engineering, and performance assessment. The bill would allow such officials to serve other duties that they might be assigned. In addition, title I would encourage OSD to conduct technology readiness assessments and to expand the use of independent cost estimates early in the acquisition process. CBO estimates that implementing title I would cost \$10 million in 2010 and \$55 million over the 2010-2014 period.

Technology Readiness Assessments. Section 105 would require the Director of Defense Research and Engineering (DDR&E) to periodically review the technological maturity and integration risk of technologies critical to the success of DoD’s major defense acquisition programs and report the findings to the Under Secretary of Defense, Acquisition, Technology, and Logistics (USD AT&L). Such reviews currently take place at Milestones B and C in the defense acquisition process. According to DoD, although the language in section 105 would provide latitude in deciding when to conduct such

reviews, it might lead to increased emphasis on conducting such reviews earlier in the acquisition process and updating such assessments on a more regular basis.

Assuming readiness assessments for all MDAPs also were done early in the acquisition process (Milestone A) and updates were done every three years, the number of assessments conducted annually by the DDR&E would increase from 20 to 70. The costs of conducting those assessments would be incurred by both the DDR&E and the services. According to DoD, approximately 10 additional staff would be required to assist the DDR&E in conducting these assessments, which CBO estimates would cost approximately \$2 million on an annual basis. The costs incurred by the services for conducting such assessments can vary from approximately \$50,000 to \$300,000 depending on the number of critical technologies that are under review during an assessment; the average cost of such assessments is approximately \$100,000. Based on this information, CBO anticipates the annual cost to the services would increase by about \$5 million. In total, CBO estimates that implementing section 105 would cost \$7 million in 2010 and \$36 million over the 2010-2014 period.

Oversight of Cost Estimation. Section 101 would require the Secretary of Defense to designate an official within OSD to be the principal advisor to the Secretary on cost estimation. The designated official would be responsible for prescribing DoD policies on cost estimation and analysis, monitoring, and reviewing cost estimates within the department, and conducting independent cost estimates of programs for which the USD AT&L is responsible for advancing through the acquisition process.

Section 102 would require the official designated as the principal advisor on cost estimation to issue independent cost estimates in various circumstances, including in support of program reviews at Milestone A. Independent cost estimates in support of milestone reviews—which are conducted by the Cost Analysis Improvement Group (CAIG)—are currently required later in the acquisition process (for example, at Milestones B and C). Section 102 also would require additional reporting on cost estimation. Based upon information from DoD, CBO anticipates that conducting additional cost estimates and preparing reports as required by section 102 would require 15 additional employees within OSD, and some additional contracting support. Based upon this information, CBO estimates that implementing section 102 would cost \$3 million in 2010 and about \$20 million over the 2010-2014 period.

Title II—Acquisition Policy

Title II would modify a number of the procedures used by DoD to develop and acquire weapons systems and programs. Based on information from DoD, CBO estimates that implementing title II would not significantly increase administrative costs of the department beyond the amounts reflected for title I above. If, however, the administrative burden associated with implementing title II proves greater than anticipated, the resulting increase in costs arising from H.R. 2101 would be greater than amounts shown in the table.

The modifications to the acquisition processes mandated by title II, combined with the organizational changes contained in title I, might improve the efficiency and effectiveness of DoD's acquisition system for MDAPs. However, CBO has no basis for determining whether such improvements would result in net savings to the government; realizing any such savings would require to reductions in future appropriations.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 2101 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

PREVIOUS CBO ESTIMATE

On May 6, 2009, CBO transmitted a cost estimate for S. 454, the Weapons System Reform Act of 2009, as reported by the Senate Committee on Armed Services. The differences in the estimates reflect differences in the bills. In particular, S. 454 contains a provision not included in H.R. 2101 that would require DoD to reestablish the position of Developmental Testing and Evaluation. In addition, section 104 of S. 454 would require the creation of a Director of Independent Cost Assessment, and would transfer the staff and resources of the CAIG from its current location within OSD's Program Analysis and Evaluation (PA&E). Although section 101 of H.R. 2101 would require the appointment of a principal advisor to the Secretary of Defense on cost estimation, H.R. 2101 would not transfer the staff and resources of the CAIG outside of PA&E; and therefore, CBO does not anticipate PA&E would be required to add personnel to perform cost estimation and analysis as would be required under S. 454.

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