Senate wants to roll back $1.1B in defense services contracts

- By Matthew Weigelt
- Jul 14, 2011

As the White House attempts to find cuts to support services contract spending, senators are aiming to do the same in the Defense Department.

The Senate Armed Services Committee wrote in a report released in June that DOD spent $150 billion on services contracts in 2009, more than double the $72 billion it spent in 2000.

As a result, the committee has recommended a $1.1 billion decrease of operation and maintenance budget funding for services contracts in its version of the fiscal 2012 National Defense Authorization Act (S. 1253). The Senate has yet to debate the bill.

Related stories:

Obama targets the money in support services

Can we radically improve service contract management?

The decrease would bring spending levels back to 2010 amounts. More specifically, the bill would authorize reductions of $122.8 million for the Navy, $121.7 million for the Army, $144.2 million for the Air Force and $694.8 million for DOD overall.

"At a time when the department is seeking efficiencies in every area of its operations, a continued increase in funding for contract services — above funding levels already bloated by a decade of unconstrained growth — cannot be justified," the committee wrote. Read the committee's report.

The committee cites Ashton Carter, undersecretary of Defense for Acquisition, Technology, and Logistics, who said last September that reducing services contracts is "the low-hanging fruit" of cutting spending.

In the report, the committee tells defense officials to save money through better management and reviewing its contracts' requirements, as well as astute purchasing, such as negotiating lower labor and overhead rates.

Officials should also narrow the scope of contracts to eliminate paying for truly unnecessary services and also ending contracts in which contractors carry out inherently governmental functions and jobs closely associated to those functions, it said.

The committee also wants DOD to get high-level approval for any contract or task order of more than $10 million at an annual cost greater than fiscal 2010 levels.

This provision is a similar to another Office of Management and Budget proposal to reduce the money the government spends on services. Senior officials said July 7 their goal is to reduce the $40 billion in overall federal spending on the management support services by 15 percent in little more than a year.

“The most obvious reason is that’s where the money is. That’s where the spending is,” said Dan Gordon, administrator of the Office of Federal Procurement Policy.

Among these, the Obama administration has a program started several years ago to reduce the high-risk contracts, such as cost-reimbursement and time-and-materials contracts. Read about some early-on results.

Stan Soloway, president and CEO of the Professional Services Council, said on July 13 that the Obama administration and Congress have a number of proposals to cut costs and oversee contracts, although there is little connection between them.

They are not always bad or useless, “but they lack a cohesive or connective tissue,” he said. The disconnect leaves contractors unsure about what the administration is really expecting of them and what’s, in fact, the measure for meeting those expectations.

“The bottom line for these provisions taken as a whole is that they actually create a pretty significant premium on the leadership engaging with a lot of consistent and clear guidance and a continued attention to detail,” Soloway said.