

## Boomerang Effect: The Push to Bring Jobs In-house is Shifting in Political Winds

By Charles S. Clark

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The rhetoric borders on the triumphant. "This amendment eliminates the federal government's monopoly on services," proclaimed Rep. Pete Sessions, R-Texas, after a May vote on the fiscal 2012 Defense authorization bill, which includes language that would lift restrictions on outsourcing. This legislation has "re-leveled the playing field," said Alan Chvotkin, executive vice president and counsel at the Professional Services Council.

The House vote signals a slowdown in President Obama's push to rebuild government's expertise by bringing work done by contractors in-house. There has been a "shift to a more deliberative dialogue," says Beth McGrath, the Pentagon's deputy chief management officer. But is the insourcing policy in retreat? Administration officials view it more as a rebalancing than a reversal.

"We have focused on ensuring that inherently governmental work is not performed by contractors, and that agencies have internal capacity adequate to maintain control of their critical mission and operations," says Daniel Gordon, administrator of the Office of Federal Procurement Policy. "In that context, insourcing is a tool that can sometimes be appropriate, but the administration does not view insourcing as a goal in and of itself. Moreover, we never intended to conduct massive insourcing, and the record over the past two and a half years bears that out."

The effort became politicized as Obama sought to offset what many saw as an overreach toward outsourcing under President George W. Bush. "In the Bush era we had the concept of competition, but Obama's is more a unilateral movement, and it's a great concern to industry," says Rob Burton, who was deputy administrator for the Office of Federal Procurement Policy during the Bush years. The Defense Department "is pulling back for obvious reasons," he says. "There's no cost savings - in fact there's cost growth when you do an apples-to-apples comparison."

Burton, now representing contractors as a partner with the law firm Venable LLP, complains that numbers on insourcing are scarce because the process "is not transparent and doesn't require much cost analysis," particularly at non-Defense agencies.

Insourcing gained traction with a March 2009 Obama memorandum that concluded spending on government contracts had more than doubled since 2001. It directed agencies to assess the federal acquisition workforce to "develop, manage and oversee acquisitions appropriately." Many lawmakers got religion on insourcing, especially after a dramatic hearing in February 2010 at which Homeland Security Secretary Janet Napolitano revealed that DHS contractors outnumbered civilian employees 200,000-to-188,000. Democrats were soon enacting moratoriums on conducting public-private job competitions under the Office of Management and Budget's A-76 policy.

But the recession's stubbornly high unemployment rate, combined with the Republican takeover of the House in the 2010 elections, put a damper on insourcing. The Pentagon had a plan to add 20,000 employees to its acquisition workforce by 2015, half of those through insourcing. But the military services began balking at the insourcing mandate - the Army halted it altogether in February, and then-Defense Secretary Robert Gates in March directed agencies to consider insourcing only on a case-by-case basis.

This spring, Republican House members pushed authorization bills for Defense, Homeland Security and the Agriculture Department that would suspend moratoriums on A-76 competitions. The House passed a nonbinding resolution stating that "the federal government should not be in the business of competing with its citizens and private enterprise." And free-market advocacy groups such as the Business Coalition for Fair Competition continued pushing their Yellow Pages test. Coalition President John Palatiello frequently has said, "If a product or service can be found from a private business in the Yellow Pages, the government should not be doing it."

The House Armed Services Committee report on the Defense bill hit on worries about the president's insourcing initiative: "The committee is concerned that the Department of Defense's recent focus on efficiencies without a thorough business case analysis and risk assessment potentially undermines the department's ability to appropriately plan and budget for its total manpower requirements. The committee believes that the Department of Defense should aggressively undertake a more holistic approach to its requirements in order to achieve the appropriate balance in its total workforce, rather than managing simply to an arbitrary civilian authorization level."

The House bill would suspend the moratorium on A-76 competitions at Defense, pending a Pentagon report on their efficacy and a review by the Government Accountability Office. It would insource some inherently governmental functions and shift responsibility for such competitions from the Pentagon's acquisition division to its personnel and readiness staff. And the legislation contained an array of provisions under the rubric Total Force Management, some of which pleased and some that bothered contractor lobbyists.

Hill sources stress that the bill is far from being a partisan defeat of insourcing. It is intended to get the contracting process "off the roller coaster ride between insourcing and outsourcing that occurs with each change of administration and into a framework of total force management that is requirements-based," says Michael Amato, minority staff communications director for the House Armed Services panel. Total Force Management is intended to provide government officials a toolbox for determining which services - ranging from lawn maintenance to helicopter repair - are best performed by military members, civilian feds or contractors. It is not, observers suggest, intended to achieve some arbitrary goal or savings.

Whether such a flexible approach will survive in the Democratic-controlled Senate is problematic, Burton admits. Consider legislation by Sen. Barbara Mikulski, D-Md., that is modestly titled the Correction of Long-Standing Errors in Agencies' Unsustainable Procurements, or the CLEAN UP Act. It would reinforce insourcing by "reforming the discredited OMB Circular A-76 privatization process by ensuring all costs of conducting studies are considered," the senator said when introducing the bill.

Burton is pleased, at least, that the Defense bill is "moving in the right direction" even though swings in the insourcing debate could continue for years. He contends that the Bush approach of stressing competition made agencies more efficient. "Eighty percent of the positions were won by feds," he says. "So you could argue the Bush policy was the real insourcing."