



## **CSIS Releases Report on Public-Private Cost Comparisons; Identifies Both Key Gaps and Solutions**

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PSC strongly supports the comprehensive new methodology to determine the most cost-effective source for performing work, which was unveiled in a new report by the Center for Strategic and International Studies (CSIS). The CSIS report includes an extensive critical analysis of current methodologies used to compare the cost of government versus contractor performance, as well as a proposed new and more complete taxonomy for comparisons in the future.

CSIS proposes federal agencies analyze a wide-range of cost elements, some of which are not included in comparisons today, to ensure they're using taxpayer dollars wisely as they decide which sector should perform work that is not inherently governmental. Their recommendations include:

- Clearly defined performance parameters established through a complete statement of work (SOW) which will be used by both the public and private sector and upon which proposals will be evaluated.
- Assessing the total, fully burdened costs to the entire federal government, including oversight and administration costs associated with both public and private performance of the work, as well as reasonable allocations of overhead and administrative costs for each sector.
- The inherent risk of cost growth for both the public and private sector.
- Expected transition costs when converting work from public to private and vice versa.
- Calculations of total personnel cost elements, such as health care and retirement benefits.
- Account for the full cost of government-owned capital.
- Account for tax revenue generated by the private sector using the OMB Circular A-76 model.

"For too many years, we have been embroiled in a continual debate over how to calculate the relative costs of performance," said PSC President and CEO Stan Soloway. "No one believes the current process offers an accurate perspective but until now, no viable, fair, and analytically rigorous alternative was available. CSIS has provided just that."