



## Insourcing Provisions Axed in Defense Authorization Bill

Chandler Harris - December 29, 2010

---

The Defense authorization bill that recently cleared the House and Senate was without insourcing provisions that would've expanded agencies ability to replace contractors with federal employees.

The Sarbanes amendment would've required federal agencies to ensure "contracts do not include to the maximum extent practicable functions that are closely associated with inherently governmental functions". The amendment, which was removed from the bill, would've also prohibited insourcing quotas unless they were based on research or analysis, have officials consider using federal employees for new functions, and require agencies to review service contracts and determine what should not be outsourced, according to NextGov.

While insourcing was outlined as a priority by the Obama administration and Department of Defense as a way to cut costs, savings from insourcing never materialized with the Department of Defense and other agencies. Industry officials opposed all insourcing provisions, claiming they would accelerate private sector job losses, reduce state and local tax revenues and substantially increase costs to taxpayers.

"Private sector companies working on federal government solutions not only employ hundreds of thousands of constituents in every state, but also allow agencies to harness the latest innovations, tap vital market expertise, and provide government with the flexibility to rapidly address emerging mission requirements without assuming the long-term costs associated with hiring a permanent workforce," wrote Stan Soloway, president of the Professional Services Council, in a Dec. 9 letter to Senate lawmakers.

Contractor industry officials also successfully lobbied to remove language from the Defense authorization bill that would've excluded health care and retirement costs when contractors contribute less than Pentagon employees for civilian employees' benefits.

The legislation included other language beneficial to contractors including measures that prohibits arbitrary insourcing goals or targets and requires the Defense and the Government Accountability Office to examine the current insourcing initiative. The Defense bill also included provisions for supply-chain security, cybersecurity, technical data rights, contractor business systems, broadening the industrial base and oversight of private security contractors.