CALCULATING PUBLIC-PRIVATE COMPETITION COSTS

A. OVERVIEW.

1. **Public-Private Competition Costs.** To reflect the full cost of performance by the government, agencies and public reimbursable sources shall calculate cost estimates in accordance with this attachment for public-private competitions. An agency shall not deviate from this attachment except as provided by paragraph 5.c. of this circular. A private sector source shall propose a price or estimated cost in accordance with Attachment B and the FAR.

2. **COMPARE.** Agencies shall use COMPARE (the costing software that incorporates the costing procedures of this circular) in conjunction with this Attachment to develop cost estimates and generate the SCF or SLCF. The COMPARE version in effect as of the performance decision date shall be used when determining a performance decision.

   a. **COMPARE Maintenance**. The Department of Defense shall maintain the currency and accuracy of COMPARE, COMPARE User's Guide, and COMPARE tables (e.g., inflation cost factors, tax rates, useful life and disposal values, cost of capital cost factors, OPM wage rates) with OMB oversight. The Department of Defense shall maintain a COMPARE version control log for all changes to the costing software and shall coordinate COMPARE version changes with OMB prior to release. An agency shall submit requests for COMPARE changes to the Department of Defense and OMB. The Department of Defense shall evaluate the requested COMPARE changes and review the impact of the change with OMB. OMB shall approve version changes to COMPARE.

   b. **COMPARE Calculations**. Many of the calculations required by this attachment are embedded directly into the COMPARE software code. These COMPARE calculations are dependent upon accurate cost data that agencies shall determine and manually enter into COMPARE. For example, when cost data for the various costing requirements are manually entered, COMPARE will then automatically calculate costs such as basic pay, fringe benefits, insurance, inflation, FTEs, cost of capital, depreciation, minor item replacement, overhead, severance pay, and federal taxes.

      (1) **Standard Competitions**. Agencies shall calculate and manually enter the required cost data for SCF Lines 1, 2, 3, 5, 9, and 11. COMPARE then automatically computes SCF Lines 4, 6, 8, and 10. After the CO enters the required data for SCF Lines 7 and 12, COMPARE automatically computes SCF Lines 12, 13, 14, 15, 16, 17 and 18 and no further manual calculations are required for the SCF. After all costs have been entered into COMPARE the SCF is automatically generated for signature and certification of the performance decision. Public reimbursable cost estimates shall be calculated and manually entered based on the required cost data for SCF Lines 1a, 2a, 3a, and 5a. COMPARE then automatically computes SCF Lines 4a and 6a.

      (2) **Streamlined Competitions**. Agencies shall calculate and manually enter the required data for SLCF Lines 1, 2, 3, 7 and 12. COMPARE then automatically computes SLCF Lines 4, 6, 8, 12, 13, 17 and 18 and no further manual calculations are required for the SLCF. After all costs have been entered into COMPARE the

SLCF is automatically generated for signature and certification of the performance decision. For public reimbursable cost estimates, agencies shall calculate and manually enter the required cost data for SLCF Lines 1a, 2a, and 3a. COMPARE then automatically calculates SLCF Lines 4a and 6a.

3. **Competitions Between Private Sector and Public Reimbursable Sources.** A public reimbursable source may only respond to a solicitation by submitting a public reimbursable tender that is developed in accordance with Attachment B. The public reimbursable tender includes a cost estimate that shall be calculated in accordance with this attachment and entered on SCF Lines 1a-6a. The CO shall determine the cost adjustments to be included on SCF Line 8 (Contract Administration) and SCF Line 12 (Federal Income Tax Adjustment). The CO shall ensure no costs are entered on SCF Lines 9, 10, 11, and 14.

4. **Excluded Costs.** Agency and public reimbursable sources shall not include the following in cost estimates (a) retained rate of basic pay for civilian employees (5 C.F.R. Part 536); (b) costs for conducting the streamlined or standard competitions; and (c) agency separation incentive programs such as Voluntary Early Retirement Authority (VERA) and Voluntary Separation Incentive Pay (VSIP), which are programs used to preclude involuntary civilian separations resulting from reductions in force (RIF).

5. **Conversion Differential.** In a standard competition, an agency shall determine the conversion differential, in accordance with paragraph D of this attachment. The conversion differential is added to a non-incumbent's cost of performance and is the lesser of 10 percent of the MEO's personnel-related costs (SCF Line 1) or $10 million over all performance periods stated in the solicitation. (See Attachment B, Conversion Differential.) Agencies shall not calculate the conversion differential in a cost estimate for a streamlined competition.

6. **Performance Periods.** An agency or a public reimbursable source shall reflect the same performance periods required by the solicitation on the SCF.

7. **Rounding Rule.** An agency or a public reimbursable source shall round all line entries on the SCF/SLCF to the nearest dollar.

8. **Phase-in Costs.** An agency or public reimbursable source shall reflect phase-in costs that are associated with the specific phase-in actions and are documented in the phase-in plan. Agency and public reimbursable sources shall calculate the phase-in costs associated with the change from the incumbent provider on SCF Lines 1-5 or SCF Lines 1a-5a, as appropriate.

9. **Inflation.** OMB issues a transmittal memorandum in the Federal Register to identify changes to the federal pay raise assumptions and inflation factors (based on the President's annual budget). These annual pay raise assumptions and inflation factors shall be used in an agency or a public reimbursable cost estimate for pay and non-pay categories of cost as follows: (a) through the end of the **last** performance period for pay and non-pay categories of cost that are not subject to an economic price adjustment, and (b) through the end of the **first** performance period for pay and non-pay categories of cost that are subject to an economic price adjustment. COMPARE automatically computes inflation on a daily basis, which is calculated using 365.25 days per year to account for leap years.

10. **Standard Cost Factors.** Agencies and public reimbursable sources shall use the standard A-76 costing factors identified at Figure C1. to calculate cost estimates. Figure C1. identifies the

types of and sources for standard costing factors as well as specific costing factors in effect at the time of publication of this circular. Updates to these cost factors will be posted on the OMB web site at www.OMB.gov. When a standard cost factor changes, the Department of Defense shall update the tables in COMPARE and post the table update on SHARE A-76! Prior to posting a table update, the Department of Defense shall test the change to the software, and review the change with OMB. An agency shall not deviate from the cost factors required by this attachment except as provided by paragraph 5.c. of this circular, in which case the agency shall notify the Department of Defense of the change, fund any resulting modifications to COMPARE to accommodate the agency-specific cost factor, and maintain the currency of the agency-specific cost factor. When preparing cost estimates, agency and public reimbursable sources shall (a) use the standard cost factors that are in effect as of the solicitation closing date; and (b) apply known, projected changes to these standard cost factors, if the agency or public reimbursable source will incur these costs before the end of the first performance period. If a standard cost factor changes before the performance decision date, the CO shall ensure the agency and public reimbursable cost estimates reflect the standard cost factors that are in effect on the performance decision date.

11. **Standard Competition Form (SCF).** Agencies and public reimbursable sources shall use the SCF at Figure C2. for a standard competition. The ATO, public reimbursable source, CO, and SSA shall sign the certification statements as reflected on the SCF in Figure C2.

    a. **Agency Cost Estimate.** Based on the agency tender, the solicitation, and Attachment B, the ATO shall calculate and certify the agency cost estimate on SCF Lines 1-6, and calculate SCF Lines 8-17.

    b. **Public Reimbursable Cost Estimate.** Based on the public reimbursable tender, the solicitation, and Attachment B, a public reimbursable source shall calculate and certify the public reimbursable cost estimate on SCF Lines 1a-6a.

    c. **Negotiated Acquisition.** For a negotiated acquisition, the CO shall determine, through price analysis and cost realism as required by Attachment B, if the agency cost estimate (SCF Lines 1-6) and a public reimbursable cost estimate (SCF 1a-6a) are calculated in accordance with this attachment. The SSA ensures the performance decision is based on evaluating offers and tenders in accordance with Attachment B, and certifies either a low-cost performance decision as supported by SCF Line 17 or an other-than-low-cost performance decision as supported by the source selection decision documentation.

    d. **Sealed Bid Acquisition.** For sealed bid and negotiated acquisitions, the CO shall determine (as required by Attachment B) if the costs entered on SCF Lines 8-18 are accurate and calculated in accordance with this attachment. Agencies and public reimbursable sources shall reflect cost estimates using the SCF in Figure C2.

12. **Streamlined Competition Form (SLCF).** When performing a streamlined competition, an agency shall calculate and certify SLCF Lines 1, 2, 3, 4, 6, 7, 8, 12, 13, 17, and 18 in accordance with Attachments B and C. The cost estimate for a public reimbursable source shall be calculated and certified on SLCF Lines 1a, 2a, 3a, 4a, and 6a. Agencies shall reflect cost estimates using the SLCF in Figure C3. The certification statements as reflected on the SLCF in Figure C3, shall be signed by different individuals, as required by Attachment B.

Figure C1.

Table of Standard A-76 Costing Factors

Title	Originating Source	Category of Cost	Factor[1]
Casualty Insurance Cost Factor	OMB Transmittal Memoranda	Non-pay	0.5%
Civilian Position Full Fringe Benefit Cost Factor	OMB Transmittal Memoranda	Pay	36.45%
Contract Administration Cost Factors and Allowable Grades	OMB Circular A-76	Pay	Figure C6.
Conversion Differential	OMB Circular A-76	Non-pay	10% or $10 million
Cost of Capital Cost Factors	OMB *Circular A-94, Discount Rates to be Used in Evaluating Time-Distributed Costs and Benefits (Appendix C)*	Non-pay	Depends Upon Capital Asset
Insurance and Health Benefit Cost Factor	OMB Transmittal Memoranda	Pay	6.7%
Federal Insurance Contribution Act (FICA) Cost Factor[2]	Social Security Administration	Pay	7.65%
Federal Wage System (FWS) Pay Schedules	Civilian Personnel Management Service Wage and Salary Division	Pay	Multiple Wages
Foreign Country Operations & Maintenance Inflation Cost Factors	Local Determination	Non-pay	Depends Upon Location
Fuels Inflation Cost Factors	Office of the Under Secretary of Defense (Comptroller), *National Defense Budget Estimates for the FYxx Budget (Green Book)*	Non-pay	Depends Upon Fiscal Year
Full-Time, Part-Time & Temporary Annual Productive Hours for Civilian Positions	OMB Circular A-76	Not Applicable	1,776 Hours
General Schedule (GS) Pay Schedules	OPM Office of Compensation Administration	Pay	Multiple Salaries
Intermittent Annual Productive Hours for Civilian Positions	OMB Circular A-76	Not Applicable	2,007 Hours
Labor Inflation Cost Factors for Civilian Positions	OMB Transmittal Memoranda	Pay	Depends Upon Fiscal Year
Labor Inflation Cost Factors for Military/Uniformed Services Positions	OMB Transmittal Memoranda	Pay	Dependent Upon Fiscal Year
Medicare Benefit Cost Factor	Social Security Administration	Pay	1.45%
Military/Uniformed Services Composite Pay Rates	**Military Departments:** Office of the Under Secretary of Defense (Comptroller) *FYxx Department of Defense Reimbursable Rates Tab K (All Services)* ***Other Uniformed Services:*** *Dependent Upon Agency Comptroller Determination*	Pay	Depends Upon Uniformed Service and Fiscal Year
Miscellaneous Fringe Benefit Cost Factor	OMB Transmittal Memoranda	Pay	1.7%
Non-Appropriated Fund Pay Schedules	Civilian Personnel Management Service Wage and Salary Division	Pay	Multiple Wages
Old Age and Survivors Death Insurance Maximum Taxable Earnings (salary limit)	Social Security Administration	Pay	$87,000
Old Age and Survivors Death Insurance Cost Factor	Social Security Administration	Pay	6.2%
Operations & Maintenance Inflation Cost Factors	Office of Management and Budget Transmittal Memoranda	Non-pay	Depends Upon Fiscal Year
Overhead Factor	OMB Circular A-76	Pay and Non-pay	12%
Personnel Liability Insurance Cost Factor	OMB Transmittal Memoranda	Pay	0.7%
Other One-Time Conversion Cost Factor	OMB Circular A-76	Non-pay	1%
Severance Pay One-Time Conversion Cost Factor	OMB Circular A-76	Pay	4%
Special Class Retirement Cost Factor (Law Enforcement & Fire Protection)	OMB Transmittal Memoranda	Pay	39.8%
Special Class Retirement Cost Factor (Air Traffic Control)	OMB Transmittal Memoranda	Pay	37.6%
Standard Civilian Retirement Benefit Cost Factor	OMB Transmittal Memoranda	Pay	26.6%
Tax Rates	Internal Revenue Service Statistics of Income Division *Statistics of Income Corporation Sourcebook and North American Industry Classification System*	Non-pay	Depends Upon Industry Grouping in Source Document
Useful Life and Disposal Values	OMB Transmittal Memoranda	Non-pay	Depends Upon the Capital Asset

[1] *The factors listed in this column are factors in effect on December 2005.* Agencies should refer to the COMPARE website at www.compareA76.com for the updated COMPARE master tables and other updated information.
[2] *For social security (i.e.,* Old Age and Survivors Death Insurance *and Medicare).*

Figure C2.

STANDARD COMPETITION FORM						
Agency: / Agency Component:	Competition Number:		Competition Title:		Competition Location:	
Solicitation Closing Date:			Solicitation Number:			
Line #	**Line Title**	**1st Performance Period (Phase-In Period)**	**2nd Performance Period**	**3rd Performance Period**	**4th Performance Period**	**Total**
	COST OF AGENCY PERFORMANCE					
1.	Personnel Costs	$000	$000	$000	$000	$000
2.	Material and Supply Costs	$000	$000	$000	$000	$000
3.	Other Specifically Attributable Costs	$000	$000	$000	$000	$000
4.	Overhead Costs	$000	$000	$000	$000	$000
5.	Additional	$000	$000	$000	$000	$000
6.	**Total Cost of Agency Performance**	$000	$000	$000	$000	$000
AGENCY TENDER CERTIFICATION: I certify, to the best of my knowledge, that this agency tender (1) meets the requirements of the solicitation; (2) reflects a most efficient organization (MEO) that is fully capable of performing the requirements of the solicitation; (3) includes an agency cost estimate that is accurate and calculated in accordance with OMB Circular A-76; and (4) has the approval of the agency, allowing for implementation of the organizational structure, the personnel requirements, capital investments, and budgetary requirements.						
Agency Tender Official's Signature:				**Date:**		
Printed Full Name:		Title:			Agency (Component):	Phone #:
	COST OF PUBLIC REIMBURSABLE PERFORMANCE					
1a.	Personnel Costs	$000	$000	$000	$000	$000
2a.	Material and Supply Costs	$000	$000	$000	$000	$000
3a.	Other Specifically Attributable Costs	$000	$000	$000	$000	$000
4a.	Overhead Costs	$000	$000	$000	$000	$000
5a.	Additional Costs	$000	$000	$000	$000	$000
6a.	**Total Cost of Public Reimbursable Performance**	$000	$000	$000	$000	$000
PUBLIC REIMBURSABLE TENDER CERTIFICATION: I certify, to the best of my knowledge, that this public reimbursable tender (1) meets the requirements of the solicitation; (2) reflects an organization that is fully capable of performing the requirements of the solicitation; (3) includes a cost estimate that is accurate and calculated in accordance with OMB Circular A-76; and (4) has the approval of my agency, allowing for implementation of the organizational structure, the personnel requirements, capital investments, and budgetary requirements.						
Official's Signature:				**Date:**		
Printed Full Name:		Title:			Agency (Component):	Phone #:
	ADJUSTED COST OF PRIVATE SECTOR OR PUBLIC REIMBURSABLE PERFORMANCE					
7.	Private Sector Price or Public Reimbursable Cost Estimate	$000	$000	$000	$000	$000
8.	Contract Administration Costs	$000	$000	$000	$000	$000
9.	Additional Costs	$000	$000	$000	$000	$000
10.	One-Time Conversion Costs	$000	$000	$000	$000	$000
11.	Gain From Disposal or Transfer of Assets	($000)	($000)	($000)	($000)	($000)
12.	Federal Income Tax Adjustment	($000)	($000)	($000)	($000)	($000)
13.	**Total Adjusted Cost of Private Sector or Public Reimbursable Performance**	$000	$000	$000	$000	$000
	DECISION CALCULATIONS					
14.	Conversion Differential					$000
15.	Adjusted Total Cost of Agency Performance					$000
16.	Adjusted Total Cost of Private Sector or Public Reimbursable Performance					$000
17.	Cost Difference (Enter: Line 16 – Line 15)					$000
18.	**LOW-COST PROVIDER**	□ **Agency Provider**		□ **Private Sector Provider**		□ **Public Reimbursable Provider**
	PERFORMANCE DECISION					
	SEALED BID ACQUISITION					
CONTRACTING OFFICER'S CERTIFICATION: I certify that, to the best of my knowledge (1) the agency tender meets the requirements of the solicitation; (2) the private sector offer meets the requirements of the solicitation, the offeror is responsible, and the contract price is reasonable [include only if a contract price is entered on Line 7], or the public reimbursable tender meets the requirements of the solicitation [include only if a public reimbursable cost estimate is entered on both SCF Line 6a and 7]; and (3) the costs on SCF Lines 8-18 are accurate and calculated in accordance with OMB Circular A-76, and (4) the performance decision is a low-cost decision supported by SCF Line 17.						
Contracting Officer's Signature:				**Date:**		
Printed Full Name:		Title:			Agency (Component):	Phone #:
	NEGOTIATED ACQUISITION					
CONTRACTING OFFICER'S CERTIFICATION: I certify that price analysis and cost realism (as defined in FAR Part 2) was performed on all offers and tenders; and that, to the best of my knowledge (1) the agency tender meets the requirements of the solicitation; (2) the agency cost estimate reflected on SCF Lines 1-6 is accurate and calculated in accordance with OMB Circular A-76; (3) the private sector offer meets the requirements of the solicitation, the offeror is responsible, and the contract price is reasonable [include only when a contract price(s) is entered on Line 7] and/or the public reimbursable tender meets the requirements of the solicitation and the cost estimate reflected on SCF Lines 1a-6a is accurate and calculated in accordance with OMB Circular A-76 [include only when a public reimbursable cost estimate is entered on SCF Line 6a]; and (4) the costs on SCF Lines 8-18 are accurate and calculated in accordance with OMB Circular A-76.						
Contracting Officer's Signature:				**Date:**		
Printed Full Name:		Title:			Agency (Component):	Phone #:
SOURCE SELECTION AUTHORITY'S CERTIFICATION:						
FOR A LOW-COST PERFORMANCE DECISION: I certify that the performance decision on SCF Line 18 is (1) based on evaluating offers and tenders in accordance with Attachment B to OMB Circular A-76, and (2) a low-cost performance decision supported by SCF Line 17.						
Source Selection Authority's Signature:				**Date:**		
Printed Full Name:		Title:			Agency (Component):	Phone #:
FOR AN OTHER-THAN-LOW-COST PERFORMANCE DECISION: I certify that the performance decision on this SCF is (1) is based on evaluating offers and tenders in accordance with Attachment B to OMB Circular A-76, and (2) an other-than-low-cost performance decision is supported by my source selection decision document as summarized below.						
Summary of Source Selection Decision Document::				**Date:**		
Narrative of Trade-offs Performed:				**Date:**		
Rationale for an Other-Than-Low-Cost Provider:						
Source Selection Authority's Signature:				**Date:**		
Printed Full Name:		Title:			Agency (Component):	Phone #:

Figure C3.

STREAMLINED COMPETITION FORM						
Agency:	Agency Component:	Competition Number:	Competition Title:		Competition Location:	
Solicitation Closing Date (if applicable)			Solicitation Number (if applicable):			
Line #	**Line Title**	**1st Performance Period (Phase-in Period) (if applicable)**	**2nd Performance Period**	**3rd Performance Period**	**4th Performance Period**	**Total**
ESTIMATED COST OF AGENCY PERFORMANCE						
1.	Personnel Costs	$000	$000	$000	$000	$000
2.	Material and Supply Costs	$000	$000	$000	$000	$000
3.	Other Specifically Attributable Costs	$000	$000	$000	$000	$000
4.	Overhead Costs	$000	$000	$000	$000	$000
6.	Total Cost of Agency Performance	$000	$000	$000	$000	$000
AGENCY TENDER CERTIFICATION: I certify, to the best of my knowledge, that this agency cost estimate on SLCF Lines 1, 2, 3, 4, and 6 is (1) based on the scope and requirements of the activity being competed, and (2) is calculated in accordance with OMB Circular A-76.						
Agency Official's Signature:				Date:		
Printed Full Name:		Title:			Agency (Component):	Phone #:
ESTIMATED COST OF PUBLIC REIMBURSABLE PERFORMANCE						
1a.	Personnel Costs	$000	$000	$000	$000	$000
2a.	Material and Supply Costs	$000	$000	$000	$000	$000
3a.	Other Specifically Attributable Costs	$000	$000	$000	$000	$000
4a.	Overhead Costs	$000	$000	$000	$000	$000
6a.	Total Cost of Public Reimbursable Performance	$000	$000	$000	$000	$000
PUBLIC REIMBURSABLE TENDER CERTIFICATION: I certify, to the best of my knowledge, that the cost estimate on SLCF Line 7 is based on (1) calculating SLCF Lines 1a, 2a, 3a, 4a, and 6a in accordance with OMB Circular A-76; and (2) the scope and requirements of the activity being competed.						
Agency Official's Signature:				Date:		
Printed Full Name:		Title:			Agency (Component):	Phone #:
ESTIMATED COST OF PRIVATE SECTOR OR PUBLIC REIMBURSABLE PERFORMANCE						
7.	Private Sector Price or Public Reimbursable Cost Estimate	$000	$000	$000	$000	$000
CERTIFICATION OF ESTIMATED COST OF PRIVATE SECTOR PERFORMANCE: I certify, to the best of my knowledge, that the cost estimate on SLCF Line 7 is based on (1) documented market research or soliciting cost proposals in accordance with the FAR [OR a public reimbursable source estimate as reflected on SLCF Line 6a]; and (2) the scope and requirements of the activity being competed.						
Agency Official's Signature:				Date:		
Printed Full Name:		Title:			Agency (Component):	Phone #:
ADJUSTED COST OF PRIVATE SECTOR OR PUBLIC REIMBURSABLE PERFORMANCE						
8.	Contract Administration Costs	$000	$000	$000	$000	$000
12.	Federal Income Tax Adjustment	($000)	($000)	($000)	($000)	($000)
13.	Total Adjusted Cost of Private Sector or Public Reimbursable Performance	$000	$000	$000	$000	$000
DECISION CALCULATIONS						
17.	Cost Difference (Enter: Line 13 – Line 6)					$000
18.	LOW –COST PROVIDER	□ Agency Provider		□ Private Sector Provider		□ Public Reimbursable Provider
PERFORMANCE DECISION						
CERTIFICATION OF ADJUSTED COSTS: I certify that to the best of my knowledge, the costs on SLCF Lines 8, 12, 13, and 17 are accurate and calculated in accordance with OMB Circular A-76; and that the performance decision reflected on SLCF Line 18 is cost effective.						
Agency Official's Signature:				Date:		
Printed Full Name:		Title:			Agency (Component):	Phone #:

B. COST OF AGENCY PERFORMANCE (SCF/SLCF LINES 1-6). COST OF PUBLIC REIMBURSABLE PERFORMANCE (SCF/SLCF LINES 1a-6a).

1. **Scope.** Unless otherwise provided, agency cost estimates and public reimbursable cost estimates shall be calculated in accordance with paragraph B of this attachment.

2. **Personnel Costs (SCF/SLCF Line 1/1a).** Personnel costs for an agency cost estimate shall be entered on SCF Line 1 for a standard competition or SLCF Line 1 for a streamlined competition. Personnel costs in a public reimbursable cost estimate shall be entered on SCF Line 1a for a standard competition or SLCF Line 1a for a streamlined competition. Agency and public reimbursable sources shall include sufficient written documentation of all personnel costs included in cost estimates for the CO to conduct price analysis and cost realism as required by Attachment B. Personnel costs for agency and public reimbursable cost estimates shall be calculated as provided below. Agencies shall determine and manually input the cost data for this SCF/SLCF line into COMPARE. COMPARE automatically computes Line 1 and Line 1a totals based upon user inputs.

   a. **Labor Costs.** Agency and public reimbursable sources shall calculate all labor costs to reflect the staffing (e.g., MEO) necessary to meet the solicitation requirements and include these costs in cost estimates. These labor costs include, but are not limited to, direct labor; labor for supervision and management related support to the tender (e.g., MEO) such as labor for quality control, labor for MEO administration and inspection based on the MEO letter of obligation, labor for contract administration and surveillance for MEO subcontract, and indirect labor. An agency shall determine direct labor costs based on the government personnel costs for labor that will be dedicated to the MEO. To calculate direct labor, an agency shall identify the specific MEO staffing, wage/grade classifications, salaries, wages and other entitlements such as fringe benefits, overseas allowances, uniform allowances and overtime and other local personnel costs expended to perform the MEO. Direct labor includes resources dedicated to performing the requirements of the solicitation and labor for supervision and management related support to the tender (e.g., MEO) such as labor for quality control.

   b. **Prorated Labor.** Agency and public reimbursable sources shall prorate the cost of government personnel who will not be 100 percent dedicated to the organization in the tender (e.g., MEO) based on the amount of dedicated time the agency expects these civilian positions to provide to the organization (e.g., MEO). For example, if a GS-13 position spends 20 percent of their time performing management oversight of an activity being competed, the prorated cost is entered on SCF Line 1 as 0.20 FTE in the grade of GS-13, step 5. Agencies and public reimbursable sources shall calculate prorated labor in cost estimates and enter these costs on SCF Line 1 or Line 1a, as appropriate.

   c. **Administration and Inspection Costs for an MEO Letter of Obligation.** The agency cost estimate shall include labor costs for MEO administration and inspection. These costs include, but are not limited to, monitoring performance and compliance with the MEO letter of obligation for all performance periods. A public reimbursable cost estimate shall not include these administration costs since they are accounted for on SCF/SLCF Line 8.

   d. **Full-Time Equivalents (FTE).** Based on workload requirements, agency and public reimbursable sources shall determine the productive work hours for the organization in the tender (e.g., MEO) and then convert these productive hours into FTE positions. After the

FTE determination, an agency shall establish the staffing for the organization in the tender (e.g., MEO), which includes the number of positions and grades necessary to meet the FTE requirements. For example, if an agency determines that 35.789 FTEs of direct labor will be necessary to meet the workload requirements, the agency will then convert the 35.789 FTE requirement into the number of positions and corresponding grades necessary to fill these requirements, resulting in a staffing level of 36 positions for the organization in the agency tender. The agency then calculates the cost of the 36 positions and enters the cost on Line 1 or Line 1a, as appropriate. In this example, the work associated with the 0.789 FTEs was converted into a whole position based on a specific staffing approach; however, another agency might elect to use intermittent or part-time positions to accomplish the 0.789 FTE requirement. After these FTE calculations and staffing determinations, agency and public reimbursable sources shall determine and add the staffing for indirect labor to the organization in the tender to support the direct labor (man-year) requirements.

(1) **FTE Rounding.** An agency shall round FTE calculations to three decimal places (for example: 0.000 FTEs).

(2) **Full-time, Part-time, Temporary, and Seasonal FTEs.** An agency shall determine the required number of FTEs by identifying the total hours required, by skill and grade, and then divide by 1,776 annual productive hours. The productive hours shall exclude annual leave, sick leave, administrative leave, training, and other nonproductive hours.

(3) **Intermittent FTEs.** An agency shall determine the required number of FTEs by identifying the total hours required, by skill and grade, and then divide by 2,007 annual productive hours.

e. **Civilian Position Pay and Wages.**

(1) **Calculation.** Agency and public reimbursable sources shall calculate civilian pay and wages for cost estimates using (a) local pay salaries and wages at a rate of step 5 for GS, and step 4 for FWS, positions; (b) the mid-grade, or mid-band and mid-step level for pay-banded or demonstration project positions; (c) the locality pay for the location, or each location in a multi-location competition; and (d) the length of time in grade for each grade in a developmental series, as determined by the HRA.

(2) **Pay Rate Changes.** Agency and public reimbursable sources shall implement pay rate changes in cost estimates when the pay rate changes become "known." The specific point at which these pay rate changes become "known" is after the President signs the executive order approving the pay rate changes and the executive order is made available to the public. The cost of a pay rate change is incurred by the government based upon the effective date of the pay tables, regardless of whether the President signs the treasury/postal authorization bill for a given fiscal year. Therefore, agency and public reimbursable sources shall incorporate pay rate changes in cost estimates if (a) the effective date of the new pay table is prior to or the same day as the first day of the phase-in period; and (b) the signed Presidential executive order approving the pay rate changes is available to the public. If an agency or public reimbursable source has prepared a cost estimate but a performance decision is pending, the agency or public reimbursable source shall update the cost estimate to reflect these "known" pay rate changes prior to the performance decision being made.

f. **Civilian Position Fringe Benefits and Federal Insurance Contribution Act (FICA).** Agency and public reimbursable sources shall calculate civilian fringe benefits and FICA based upon the basic pay for each position in the cost estimate. Basic pay for GS positions is the position's annual salary plus any applicable "other civilian position pay entitlements" (see "Other Civilian Pay Entitlements" paragraph below). Basic pay for FWS positions is the position's annual wages including shift differential pay and environmental pay plus any applicable "other civilian pay entitlements" (see "Other Civilian Pay Entitlements" paragraph below). Agency and public reimbursable sources shall multiply basic pay by the following government-wide standard factors. COMPARE automatically computes the costs for these entries.

(1) **Full-time and Part-time Permanent Civilian Positions.** Full-time and part-time permanent civilian positions receive the civilian position full fringe benefit cost factor of 36.45 percent of the position's basic pay. The 36.45 percent civilian position full fringe benefit cost factor is the sum of the standard civilian position retirement benefit cost factor (26.6 percent), insurance and health benefit cost factor (6.7 percent), Medicare benefit cost factor (1.45 percent), and miscellaneous fringe benefit cost factor (1.7 percent).

(a) **Retirement Benefit Cost Factors.** The standard civilian retirement benefit cost factor represents the cost of the weighted Civil Service Retirement System/Federal Employees Retirement System to the government, based upon the full dynamic normal cost of the retirement systems, the normal cost of accruing retiree health benefits based on average participation rates, social security, and Thrift Savings Plan contributions. The standard civilian retirement benefit cost factor for civilian positions is 26.6 percent of the position's basic pay (20.4 percent retirement pension plus 6.2 percent for retiree health). The retirement cost factors for special class civilian positions are: 37.6 percent of basic pay for air traffic controllers (31.4 percent retirement pension plus 6.2 percent for retiree health) and 39.8 percent of basic pay for law enforcement and fire protection (33.6 percent retirement pension plus 6.2 percent for retiree health).

(b) **Insurance and Health Benefit Cost Factor.** The insurance and health benefit cost factor for civilian positions, based on actual cost, is 6.7 percent of the position's basic pay (0.2 percent for life insurance benefits and 6.5 percent for health benefits).

(c) **Medicare Benefit Cost Factor.** On the publication date of this circular, the Medicare benefit cost factor is 1.45 percent of the civilian position's basic pay.

(d) **Miscellaneous Fringe Benefit Cost Factor.** As of the publication date of this circular, the miscellaneous fringe benefits cost factor for civilian positions (workmen's compensation, bonuses, awards, and unemployment programs) is 1.7 percent of the position's basic pay. Based on the OPM civilian award policy, there are two general categories for civilian awards. Category one is for special acts (e.g., cash awards, bonuses) that are over and above a civilian employee's expected annual performance, and category two is for awards that are based on a civilian employee's annual performance rating (e.g., cash awards, bonuses, quality step increases). Category one civilian awards are not included in the 1.7 percent miscellaneous fringe benefit factor (these costs are entered under "Other Civilian Pay"). Category two civilian awards are included in the 1.7 percent miscellaneous fringe benefit factor.

(2) **Temporary and Intermittent Civilian Positions.** The full benefit factor is not applied to temporary and intermittent civilian positions. Agencies and public reimbursable sources shall apply the FICA cost factor to civilian positions not covered by Civil Servant Retirement System or Federal Employee Retirement System (typically intermittent and temporary civilian positions). On the publication date of this circular, the FICA cost factor is 7.65 percent of salaries or wages subject to federal income tax. The FICA cost factor equates to 6.2 percent for Old Age and Survivors Death Insurance benefits and 1.45 percent for Medicare benefits. There is an annual maximum earnings limitation of $87,000 for the Old Age and Survivors Death Insurance benefit portion of the FICA tax.

(3) **Seasonal Civilian Positions.** Seasonal civilian positions are employed on a recurring basis for less than 12 months each year. Agencies and public reimbursable sources shall calculate the cost of a seasonal position based on 1,776 annual productive hours, and determine the number of seasonal civilian positions as a seasonal full-time or seasonal part-time position based on the number of annual hours the civilians will be scheduled to work. Agencies and public reimbursable sources shall then calculate permanent seasonal civilian positions using the civilian position full fringe benefit cost factor, and temporary seasonal civilian positions using the FICA cost factor.

g. **Other Civilian Pay.** Agency and public reimbursable sources shall calculate other civilian pay for each position in the cost estimate, when applicable. Other civilian pay includes pay that is subject only to FICA taxes. Examples of this type of pay include, but are not limited to, premium pay, night differential pay for GS positions, overtime pay, holiday pay, category one civilian awards, civilian bonuses, and uniform allowances.

h. **Other Civilian Pay Entitlements.** Agency and public reimbursable sources shall calculate other civilian pay entitlements for each civilian position in the cost estimate, when applicable. Agency and public reimbursable sources shall identify these entitlements and use current cost factors for each entitlement identified in cost estimates. In a standard competition, the HRA shall identify these entitlements and obtain the current cost factors for each entitlement identified in the agency cost estimate. Examples of these entitlements include, but are not limited to, night differential pay for FWS positions, environmental differential pay and premium pay (for civilian fire fighters and law enforcement officers). Agencies shall determine and manually input the cost data for this cost entry into COMPARE.

i. **Non-Foreign Area Civilian Employee Cost-Of-Living Allowance.** Agency and public reimbursable sources shall calculate cost-of-living allowances for each position in the cost estimate, when applicable. A cost-of-living allowance is applied to any civilian employee position that will physically perform work in the following locations: Alaska, Hawaii, Guam, Puerto Rico, the United States Virgin Islands, and the Commonwealth of the Northern Mariana Islands. Agencies shall determine and manually input the cost data for this cost entry into COMPARE.

j. **Administration and Surveillance for MEO Subcontracts.** If a mix of government positions and subcontracts is included in a tender, agency and public reimbursable sources shall calculate the cost of labor for the administration and surveillance of these subcontracts and enter the cost on Line 1 or 1a, as appropriate. An agency shall enter the actual costs of MEO subcontracts and fee-for-service agreements, as well as the cost of government-

furnished material, equipment, facilities, and services for these subcontracts, on Line 3 or Line 3a, as appropriate. A public reimbursable source shall enter the actual costs of subcontracts and fee-for-service agreements, as well as the cost of public reimbursable furnished material, equipment, facilities, and services for these subcontracts, on Line 3a. Agencies shall determine and manually input the cost data for this cost entry into COMPARE.

k. **Labor Escalation.** Inflation for wages and salaries of civilian positions and private sector service positions (often referred to as "labor escalation") is included in private sector cost proposals, agency cost estimates, and public reimbursable cost estimates based on the solicitation requirements for economic price adjustment for labor inflation. An economic price adjustment for services and construction labor is determined by the Service Contract Act (SCA), the Davis-Bacon Act and FAR Part 22. To calculate inflation for civilian positions in cost estimates, agency and public reimbursable sources shall comply with the following guidance, which is consistent with the requirements in FAR Part 22 for submission of private sector offers. COMPARE automatically computes the applicable inflation costs based on the user input selections in accordance with the following:

(1) If a solicitation **does not include** either FAR clause 52.222-43 or 52.222-44, an agency shall apply inflation to all civilian positions for all performance periods through the end of the last performance period stated in the solicitation.

(2) If a solicitation **does include** either FAR clause 52.222-43 or 52.222-44, agency and public reimbursable sources shall inflate labor costs in cost estimates as follows: (a) For civilian positions that are subject to an economic price adjustment (i.e., the position description states the position is nonexempt under the Fair Labor Standards Act, inflation is applied only through the end of the first period of full performance; or (b) For civilian positions that are not subject to an economic price adjustment (i.e., the position description states the position is exempt under the Fair Labor Standards Act inflation) is applied for all performance periods through the end of the last performance period stated in the solicitation.

(3) SCA and the Davis-Bacon Act do not apply to civilian positions; however, the Fair Labor Standards Act can be applied to civilian positions consistent with SCA since both the Fair Labor Standards Act and SCA use the same definitions for employees that perform services. On the basis of these common definitions, and since the private sector uses the SCA and the Davis-Bacon Act (as prescribed in FAR Part 22) to determine which private sector positions are subject to an economic price adjustment, agencies and public reimbursable sources shall use the Fair Labor Standards Act to determine which civilian positions are subject to an economic price adjustment in cost estimates. The determination of whether a civilian position is exempt or nonexempt under the Fair Labor Standards Act is required by OPM when civilian position descriptions are classified. Therefore, when an official civilian position description is classified as exempt under the Fair Labor Standards Act, the civilian position is not subject to an economic price adjustment and labor costs are inflated for all performance periods through the end of the last performance period stated in the solicitation. When a position description is classified as nonexempt under the Fair Labor Standards Act, the civilian position is subject to an economic price adjustment but **only** if the solicitation includes FAR clause 52.222-43 or FAR 52.222-44; in that case, labor costs for non-exempt positions are inflated through the end of the first period of full performance.

l. **Labor Inflation Cost Factors.** As provided in paragraph A of this Attachment, an annual OMB Transmittal Memorandum identifies the federal pay raise assumptions and inflation cost factors (i.e., pay increases expressed in percentages) for civilian positions. This transmittal memorandum provides an update to the pay inflation cost factors used to estimate projected civilian pay costs and to specify the year in which these labor inflation cost factors become effective. Agency and public reimbursable sources shall apply the labor inflation cost factors (specified in the annual OMB transmittal memorandum) on the day immediately following the end of the effective period of the GS or FWS pay schedules used in the agency cost estimate.

(1) **General Schedule (GS).** Since GS pay schedules are effective on the first day of the first full pay period beginning on or after January 1 of each year, agency and public reimbursable sources shall apply the labor inflation cost factors in January of each year following the end of the effective period for the pay schedule used in cost estimates for GS positions. For example, if the GS pay schedule in use is effective on January 12, 2003, the 2004 pay inflation factor is applied on January 12, 2004. The labor inflation cost factor for each year provided in the transmittal memorandum is applied on January 12 of each subsequent year of performance included in the cost estimate as required by the performance periods stated in the solicitation.

(2) **Federal Wage System (FWS).** FWS pay schedules are effective for a 12-month period, and differ from GS pay schedules in that effective dates for FWS pay schedules (a) occur during any month of the year and (b) vary by location. For FWS positions, agency and public reimbursable sources shall apply the labor inflation cost factors at the end of the effective period of the FWS pay schedule used in the cost estimates. Agency and public reimbursable sources shall apply FWS labor inflation cost factors to FWS pay as follows:

(a) **January to September Effective Dates.** For FWS pay schedules with effective dates from January 1 through September 30, agency and public reimbursable sources shall use the labor inflation cost factor that corresponds to the year of the end date of the effective period for the FWS pay schedule. For example, if an FWS pay schedule is effective from April 20, 2003 to April 19, 2004, the 2004 labor inflation cost factor is used on April 20, 2004. On April 20 of each subsequent year, the labor inflation cost factor that corresponds to each subsequent year is used.

(b) **October to December Effective Dates.** For FWS pay schedules with effective dates from October 1 through December 31, agency and public reimbursable sources shall use the labor inflation cost factor that corresponds to the year following the end date of the effective period for the FWS pay schedule. For example, if an FWS pay schedule is effective from October 20, 2003 to October 19, 2004, the 2005 labor inflation cost factor is used on October 20, 2004. On October 20 of each subsequent year, the labor inflation cost factor that corresponds to each subsequent year is used.

m. **Uniformed Services Labor.** Agency and public reimbursable sources may include uniformed services labor in tenders, only under the following conditions: (a) uniformed services positions in the tender (e.g., MEO) shall not exceed the number of pre-competition uniformed services positions performing the activity and (b) civilian employee positions shall not be converted to uniformed services positions. If uniformed services labor is used in a tender, the agency or public reimbursable source shall develop

productive hours for the uniformed services positions that include annual leave, sick leave, administrative leave, training, and other nonproductive hours. Agency and public reimbursable sources shall calculate the cost of uniformed services positions using the military/uniformed services composite pay rate, apply the labor inflation cost factor, and enter this cost data for Line 1 or Line 1a calculations, as appropriate. COMPARE automatically computes the Line 1 or Line 1a entry based on the user inputs.

3. **Material and Supply Costs (SCF/SLCF Line 2/2a).** Material and supply costs in an agency cost estimate shall be entered on SCF Line 2 for a standard competition or SLCF Line 2 for a streamlined competition. Material and supply costs in a public reimbursable cost estimate shall be entered on SCF Line 2a for a standard competition or SLCF Line 2a for a streamlined competition. Agency and public reimbursable sources shall include sufficient written documentation of all material and supply costs included in cost estimates for the CO to conduct price analysis and cost realism as required by Attachment B. Agencies and public reimbursable cost estimates shall calculate material and supply costs as follows. Agencies shall determine and manually input the cost data for this SCF/SLCF line into COMPARE.

   a. **General.** Material and supply costs are incurred in each performance period for goods such as raw materials, parts, subassemblies, components, fuel, and office supplies. Agency and public reimbursable sources shall adjust historical or engineering estimates of material and supply use, and cost data, to reflect the solicitation requirements in cost estimates. An agency shall calculate material and supply costs and include these costs in the agency cost estimate **only** if the materials and supplies are required for the agency tender but are not provided to all prospective providers as GFP in the solicitation. The CO includes instructions for material and supply costs in the solicitation (FAR 51.101). Agency and public reimbursable sources shall comply with the solicitation instructions for calculating the cost of materials and supplies in cost estimates and enter the costs on Line 2 or 2a, as appropriate. For material and supplies not provided as GFP but needed to meet the requirements of the solicitation, a public reimbursable source shall calculate the cost of materials and supplies in accordance with this paragraph, reflect these costs in the cost estimate, and enter the costs on Line 2a.

   b. **Cost Ceiling.** If the solicitation includes a material and supply cost ceiling, agency and public reimbursable sources shall include this ceiling cost in cost estimates and enter the cost on Line 2 or Line 2a, as appropriate. If a solicitation does not include a material and supply cost ceiling, agency and public reimbursable sources shall calculate the full cost of materials and supplies, including inflation if required, and enter these costs on Line 2 or 2a, as appropriate.

   c. **Material Related Costs.** Agency and public reimbursable sources shall list required material by the quantity needed, unit price, inflation for out-years, and enter the total cost in cost estimates on Line 2 or Line 2a, as appropriate. Material costs include, but are not limited to, material, transport, handling, availability, delay costs, and established allowances for normal scrap, spoilage, overruns and defective work. Agency and public reimbursable sources may make a single entry for miscellaneous items such as office supplies in cost estimates.

   d. **Inflation.** Agency and public reimbursable sources shall calculate an estimate for material and supply costs in cost estimates for all performance periods, including adjustments for non-pay inflation identified in the annual update of non-pay inflation factors issued by an OMB Transmittal Memorandum. Agency and public reimbursable sources shall calculate unit prices to the end of the first period of full performance and inflate and/or prorate the cost of

materials and supplies in the cost estimate in accordance with instructions in the solicitation. Agency and public reimbursable sources shall review section B (Supplies or Services and Prices) and any special clauses in section H (Special Contract Requirements) of the solicitation to determine if an economic price adjustment applies to materials and supplies. If materials and supplies listed in section B are subject to an economic price adjustment, agency and public reimbursable sources shall inflate these costs through the end of the first period of full performance in cost estimates. If materials and supplies listed in section B are not subject to an economic price adjustment, agency and public reimbursable sources shall inflate these costs by applying the applicable inflation factors (if any) for all performance periods through the end of the last performance period stated in the solicitation. If fuel costs are entered on Line 2 or Line 2a, the fuels (non-pay) inflation cost factor shall be used to apply inflation to the fuel costs.

4. **Other Specifically Attributable Costs (SCF/SLCF Line 3/3a).** Other specifically attributable costs in an agency cost estimate shall be entered on SCF Line 3 for a standard competition or SLCF Line 3 for a streamlined competition. Other specifically attributable costs in a public reimbursable cost estimate shall be entered on SCF Line 3a for a standard competition or SLCF Line 3a for a streamlined competition. Agency and public reimbursable sources shall include sufficient written documentation for all other specifically attributable costs included in cost estimates for the CO to conduct price analysis and cost realism as required by Attachment B. Agencies and public reimbursable cost estimates shall calculate other specifically attributable costs as follows:

   a. **Depreciation.** Agency and public reimbursable sources shall use the Useful Life and Disposal Value Table to calculate residual value, and The Federal Accounting Standards for Property, Plant and Equipment (both documents are posted on the OMB website) to establish depreciation schedules, rates of depreciation, and other related guidance. If a capital asset is (1) fully depreciated; (2) used in the tender; and (3) not provided to all prospective providers as GFP in the solicitation, agency and public reimbursable sources shall extend the life of the capital asset for all performance periods through the end of the last performance period stated in the solicitation or until replacement. Agency and public reimbursable sources shall calculate the depreciation using the extended life and original acquisition cost. If a capital asset involves a capital improvement, agency and public reimbursable sources shall calculate the cost of the capital improvement as a separate asset in cost estimates and enter this cost on Line 3 or 3a, as appropriate. The cost of capital improvements shall be entered as a separate asset entry because capital improvement costs are depreciated from the date of the capital improvement, not from the original acquisition date. The total depreciable acquisition cost is the sum of the capital asset's acquisition, transportation, and installation costs minus the capital asset's residual value. COMPARE automatically computes the costs required for this entry based upon the cost data entered for this line.

      (1) **Minor Items.** Minor items are individual assets costing less than $25,000. Agency and public reimbursable sources shall not depreciate minor items in cost estimates.

      (2) **Capital Assets.** Capital assets are major items costing $25,000 or more. An agency shall depreciate capital assets not provided to all prospective providers as GFP in the solicitation and enter the depreciation cost on Line 3 or 3a, as appropriate. If a capital asset is (a) to be jointly used in the agency tender (e.g., MEO) and another agency activity that is not included in the streamlined or standard competition, and (b) not provided to all prospective providers as GFP in the solicitation, an agency shall prorate

the cost of this joint usage of the capital asset on Line 3. For capital assets not provided as GFP but needed to meet the requirements of the solicitation, a public reimbursable source shall calculate depreciation costs for major items in the cost estimate and enter the cost on Line 3a beginning with the first performance period the major item is required and all subsequent performance periods stated in the solicitation. COMPARE automatically computes the costs required for this entry based upon the cost data entered for this line.

(3) **Calculation Method.** Agency and public reimbursable sources shall calculate depreciation using straight line accounting methods and enter this depreciation on Line 3 or Line 3a, as appropriate, as annual depreciation for each performance period stated in the solicitation. If a major item was acquired through transfer, seizure or forfeiture, an industry specific standard or engineering appraisal may be used to establish the market or "acquisition" value of the asset. COMPARE automatically computes the costs required for this entry based upon the cost data entered for this line.

b. **Facilities.** If facilities are not provided to all prospective providers as GFP in the solicitation, an agency shall use the useful life expectancies listed by type of facility in Figure C4. to estimate the cost of facilities in the agency cost estimate and enter this cost on Line 3 or 3a, as appropriate. If the useful life has been exceeded, an agency shall use an engineering projection of anticipated remaining useful life. An agency shall prorate these costs in the agency cost estimate by a unit of measure that varies directly with consumption (e.g., floor space, type of facility, number of telephones). An agency shall base estimates of expenses to be incurred for the first period of full performance on recent experience, appropriately adjusted for anticipated requirements. An agency shall use engineering estimates when historical data is not available. If an asset such as a facility has a capital improvement (such as renovation), an agency shall calculate the cost of the capital improvement (renovation costs) as a separate asset in the agency cost estimate. The cost of capital improvements is calculated as a separate asset because the capital improvement costs (renovation costs) are depreciated from the date of the capital improvement (renovation) not the original acquisition or construction date. An agency shall include costs for facilities and equipment used in the agency tender, but not provided to all prospective providers as GFP in the solicitation, on Line 3. For facilities not provided as GFP but needed to meet the requirements of the solicitation, a public reimbursable source shall calculate facilities costs in accordance with this paragraph, reflect these costs in the cost estimate, and enter the costs on Line 3a. COMPARE automatically computes the costs required for this entry based upon the cost data entered for this line.

Table of Facility Useful Life Expectancies	
Facility Category	**Useful Life**
Permanent	75 years
Semi-Permanent	50 years
Temporary	25 years

Figure C4.

c. **Cost of Capital.** An agency shall only calculate the cost of capital for capital assets included in the agency cost estimate if the item is (1) not provided to all prospective providers as GFP in the solicitation, and (2) scheduled for purchase within any of the performance periods stated in the solicitation. An Agency shall enter the appropriate cost of capital costs on Line

3. To estimate the annual cost of capital, an agency shall first identify the total depreciable acquisition cost of new purchased capital assets or the market value of capital assets acquired by transfer, forfeiture or seizure. An agency shall base the total depreciable acquisition cost on the value of the capital asset, plus transportation costs (if not already included in the purchase price) and installation costs to place the capital asset in operation minus any applicable residual value. An agency shall compute the cost of capital by applying the applicable nominal rate (cost of capital factors) provided by OMB Circular A-94, *Guidelines for Discount Rates for Benefit-Cost Analysis of Federal Programs*, to the determined total depreciable acquisition cost of the purchased capital assets or to the market value of capital assets acquired by transfer, forfeiture or seizure. If a major item is to be jointly used between the tender (e.g., MEO) and another agency activity that is not included in the streamlined or standard competition, an agency shall prorate the capital asset's cost of capital on Line 3 based on the percentage used by the agency. For capital assets not provided to all prospective providers as GFP in the solicitation, but needed to meet the requirements of the solicitation, a public reimbursable source shall calculate the cost of capital in accordance with this paragraph, reflect this cost in the cost estimate, and enter the costs on Line 3a. COMPARE automatically computes the costs required for this entry based upon the cost data entered for this line.

d. Rent. If rented or leased assets are used in the agency tender but are not provided to all prospective providers as GFP in the solicitation, an agency shall calculate rental and lease costs in the agency cost estimate and enter the cost on Line 3. Rent is incurred for, but not limited to, the use, operation and maintenance of land, building space, plant and machinery. An agency shall calculate rental or lease costs that are associated with the agency tender on an allocated basis for all performance periods for which the costs will be incurred. For rent not provided as GFP but needed to meet the requirements of the solicitation, a public reimbursable source shall calculate rental and/or lease costs in accordance with this paragraph, reflect these costs in the cost estimate, and enter the costs on Line 3a. Agencies shall determine and manually input the cost data for this cost entry into COMPARE.

e. Utilities. If utilities are provided for the agency tender but are not provided for all prospective providers as GFP in the solicitation, an agency shall calculate and enter the cost of utilities on Line 3. Utility costs include, but are not limited to, electricity, telephone, water, and sewage services. An agency shall calculate the amount of these utility costs on an allocated or a metered basis for all performance periods for which costs will be incurred. For utilities not provided as GFP but needed to meet the requirements of the solicitation, a public reimbursable source shall calculate costs for utilities in accordance with this paragraph, reflect these costs in the cost estimate, and enter the costs on Line 3a. Agencies shall determine and manually input the cost data for this cost entry into COMPARE.

f. Insurance.

(1) Casualty Insurance. Agency and public reimbursable sources shall calculate casualty insurance premiums in cost estimates and enter these costs on Line 3 or Line 3a as appropriate for all materials and supplies, minor items, and capital assets that are not provided to all prospective providers as GFP in the solicitation, or if the solicitation includes terms that specify that property losses may be assessed to private sector sources. Agency and public reimbursable sources shall calculate casualty insurance premiums for capital assets by multiplying the net book value of each capital asset as of the beginning of each performance period that the agency will use the capital asset by

0.005 (the casualty insurance cost factor). Agency and public reimbursable sources shall calculate casualty insurance premiums for minor items not provided to all prospective providers by multiplying the annual cost, inflated as appropriate, of each minor item by 0.005 (the casualty insurance cost factor). Agency and public reimbursable sources shall calculate casualty insurance premiums for materials and supplies by multiplying a one-month average value of material and supplies by 0.005 (the casualty insurance cost factor) times a one-month average value of material and supplies. Agency and public reimbursable sources shall calculate casualty insurance premiums for each performance period that they will use the capital assets, minor items, materials, and supplies. COMPARE automatically calculates this entry if the items are not government furnished. Agencies shall determine and manually input the cost data into COMPARE for solicitations that specify that property losses may be assessed to private sector sources.

(2) **Government Furnished Property (GFP) Casualty Insurance.** While the FAR includes many GFP clauses that may be included in a solicitation, the following table provides an extract of FAR GFP clauses that a solicitation is likely to contain for a standard competition. The GFP clause, included in the solicitation, determines whether casualty insurance costs for GFP should be included on Line 3 or Line 3a, as appropriate. For solicitations that include both firm-fixed-price and cost reimbursement CLINs in section B, the solicitation identifies the GFP clause that applies to a specific CLIN. For example, the solicitation may apply FAR clause 52.245-5 to the material and supply ceiling cost, indicating that insurance is not required for the material and supply dollars. The same solicitation may designate FAR clause 52.245-2 to GFP vehicles, indicating that the vehicles require casualty insurance. When vehicles leased from the General Services Administration are used in the agency tender but are not provided to all prospective providers as GFP in the solicitation, an agency shall include the cost of casualty insurance on Line 3 if the General Services Administration lease terms make the lessee liable for vehicle damage. Based upon the FAR provisions included in the solicitation, agencies may be required to determine and manually input the cost data into COMPARE.

GFP CLAUSES AND CASUALTY INSURANCE REQUIREMENTS				
FAR Reference	Liability Assigned to Private Sector and Public Reimbursable Sources	Is GFP Casualty Insurance Required in the Agency Cost Estimate?		
		Materials	Capital Assets	Minor Items
52.245-2	Yes	Yes	Yes	Yes
52.245-2 Alt I	No	No	No	No
52.245-4	Yes	Yes	Yes	Yes
52.245-5	No	No	No	No

Figure C5.

(3) **Liability Insurance.** Agency and public reimbursable sources shall calculate the cost of personnel liability insurance in cost estimates and enter the cost on Line 3 or Line 3a, as appropriate. Agency and public reimbursable sources shall calculate the cost of personnel liability insurance by multiplying the total personnel-related costs on Line 1 (or Line 1a, as appropriate) by 0.007 (the personnel liability insurance cost factor). Agency and public reimbursable sources shall calculate the cost of additional liability insurance (not associated with personnel liability) that is assigned to the private sector in the solicitation by multiplying the estimated liability ceiling identified in the solicitation by 0.007 (the personnel liability insurance cost factor). If the solicitation requires

additional liability insurance to cover certain high-risk activities (e.g., environmental, air traffic control, child care, ammunition handling, air cargo, nuclear fuel handling), agency and public reimbursable sources shall calculate the cost of this additional liability insurance in cost estimates and enter this cost on Line 3 or Line 3a, as appropriate. COMPARE automatically calculates this entry.

g. **Travel.** Agency and public reimbursable sources shall calculate the costs for travel not provided as government furnished to all prospective providers in the solicitation and enter these costs on Line 3 or Line 3a, as appropriate. Agency and public reimbursable sources shall calculate the projected cost of travel that will be expended by agency or public reimbursable sources and identified in tenders unless the solicitation includes a ceiling cost for travel reimbursement or states that travel is government-furnished for all prospective providers. If the solicitation includes a cost ceiling for travel, agency and public reimbursable sources shall include the cost ceiling in cost estimates and enter the cost on Line 3 or Line 3a, as appropriate. Unless a cost ceiling is provided, agency and public reimbursable sources shall inflate travel costs for all performance periods through the end of the last performance period stated in the solicitation or as required by the economic price adjustment clause in the solicitation. Agencies shall determine and manually input the cost data for this cost entry into COMPARE.

h. **MEO Subcontracts.** Agency and public reimbursable sources shall include the cost of each subcontract included in a tender but not made available to all prospective providers in the solicitation as a subcontract in cost estimates and enter the costs on Line 3 or Line 3a, as appropriate. Agency and public reimbursable sources shall calculate the total cost of a subcontract by including the following in cost estimates (1) the contract price for each contract, or cost estimate for each fee-for-service agreement; (2) the cost of any related government-furnished material, equipment, facilities, and services not provided to all prospective providers as GFP in the solicitation; (3) inflation for all performance periods through the end of the last performance period stated in the solicitation, as appropriate; and (4) the offset for federal income tax for each subcontract with the tax rate applicable to each subcontract (see paragraph C12. in this attachment). Agencies shall determine and manually input the cost data for this cost entry into COMPARE. COMPARE automatically computes the applicable inflation and federal income tax offset.

(1) **Nonrecurring Workload.** Agency and public reimbursable sources may calculate overtime and surge or other types of nonrecurring workload as an MEO subcontract cost, if the services are purchased using either a government purchase card or a task order under an existing contract. When purchasing services with a government purchase card or task order under an existing contract, agencies and public reimbursable sources shall calculate the cost of the purchased services in the cost estimate and include (a) the offset for federal income tax for each subcontract with the tax rate applicable to each subcontract (see the "Federal Income Tax Adjustment" paragraph in this attachment), and (b) inflation for all performance periods through the end of the last performance period stated in the solicitation, as appropriate.

(2) **Administration and Surveillance of Subcontracts.** Agencies and public reimbursable sources shall calculate the cost of labor for (a) the administration and surveillance for each subcontract (for both recurring and nonrecurring workload); and (b) administration of the government purchase card program.

i. **Maintenance and Repair Costs.** Agency and public reimbursable sources shall calculate the cost of maintenance and repair, if applicable, for capital assets and minor items to account for the cost of routine maintenance on buildings and for equipment and enter these costs on Line 3 or 3a, as appropriate. These costs do not include capital improvements that add value to a capital asset, which are calculated in depreciation costs. Agency and public reimbursable sources shall calculate maintenance and repair costs (1) for capital assets and minor items that are not provided to all prospective providers as GFP in the solicitation, and (2) for capital assets or minor items that are provided to all prospective service providers as GFP in the solicitation but maintenance, replacement, or repair are not provided as GFP in the solicitation. Agencies shall determine and manually input the cost data for this cost entry into COMPARE.

j. **Other Costs.** Agencies and public reimbursable sources shall include costs that do not fit the other Line 3 or Line 3a categories of cost in the "other costs" category of Line 3 or Line 3a. Examples of "other costs" include, but are not limited to, purchased services for packaging and crating (if not already a included in the cost of material and supplies), transportation costs; royalties, overhead projectors, office equipment, tools, chairs, desks, and cabinets.

(1) **Minor Items.** As part of "other costs," agencies shall include 10 percent of the replacement cost of minor items not provided to all prospective providers as GFP in the solicitation, for each performance period included in the solicitation. If the minor item is (a) to be jointly used by the agency tender (e.g., MEO) and another agency activity that is not included in the streamlined or standard competition, and (b) not provided to all prospective providers as GFP in the solicitation, an agency shall prorate the cost of this joint usage of a minor item on Line 3 based upon 10 percent of the purchase price. For minor items not provided as GFP but needed to meet the requirements of the solicitation, a public reimbursable source shall calculate 10 percent of the replacement value of the minor items in the cost estimate and enter the cost on Line 3a, beginning with the first performance period the public reimbursable source expects to replace the minor item and for all subsequent performance periods stated in the solicitation. For minor items, and any necessary replacements, that are provided as GFP in the solicitation, agencies and public reimbursable sources shall not include costs. When minor items are provided as GFP and prospective providers are responsible for replacement, agencies and public reimbursable sources shall include 10 percent of the replacement cost of the minor items in cost estimates, beginning with the first performance period where replacement of the minor item is required and all subsequent performance periods stated in the solicitation. Agencies and public reimbursable sources shall include costs for casualty insurance of minor items that are not GFP, including instances where the replacement of the minor items is the responsibility of prospective providers. Agencies shall determine and manually input the cost data for this SCF/SLCF line into COMPARE. COMPARE automatically computes the 10 percent minor item replacement cost.

(2) **Award Fee.** Before a solicitation may include an award fee for an agency source (in addition to other prospective providers), the CSO shall determine if an agency source may receive such an award fee. If the award fee arrangements are approved by the CSO and the solicitation states that the award fee will be available for all prospective providers, the agency shall include the award fee in the cost estimate and enter the fee on Line 3 as "other costs." A public reimbursable source shall include the award fee in the cost estimate and enter the fee on Line 3a as "other costs." Agency and public reimbursable sources shall not inflate the cost of the award fee in cost estimates. Agency

and public reimbursable sources shall not inflate the cost of the award fee in cost estimates. Agencies shall determine and manually input the cost data for this cost entry into COMPARE.

(3) **Training Costs.** Agency and public reimbursable sources shall calculate training costs for training not made available as government furnished to all prospective providers in the solicitation and enter these costs on Line 3 or 3a, as appropriate. Agency and public reimbursable sources shall calculate training costs, including travel costs, for recurring and/or specialized training necessary to maintain required licensing or certification. Agencies shall determine and manually input the cost data for this cost entry into COMPARE.

5. **Overhead (SCF/SLCF Line 4/4a).** Agency and public reimbursable sources shall enter overhead in cost estimates on Line 4 or 4a, as appropriate. An agency shall include overhead for a standard or streamlined competition by overhead for each performance period by multiplying the SCF Line 1 civilian position costs, including fringe benefits, by 12 percent (the overhead factor). A public reimbursable cost estimate shall include overhead for a streamlined or standard competition by calculating overhead for each performance period by multiplying the SCF Line 1a civilian position costs, including fringe benefits, by 12 percent (the overhead factor). Agency and public reimbursable sources shall not calculate overhead for uniformed services labor costs. COMPARE automatically calculates this SCF/SLCF line.

6. **Additional Costs (SCF Line 5/5a).** This SCF line includes costs not otherwise represented or accounted for on Lines 1-4 or Lines 1a-4a. An agency shall enter additional costs on SCF Line 5. A public reimbursable source shall enter additional costs on SCF Line 5a. Additional costs include, but are not limited to, costs resulting from unusual or special circumstances. When these costs are included the source shall provide additional documentation to explain the underlying assumptions and methods of computation. Agency and public reimbursable sources shall include sufficient written documentation of all additional costs included in cost estimates for the CO to conduct price analysis and cost realism as required by Attachment B. Agencies and public reimbursable sources shall not use Line 5 or Line 5a in a streamlined competition. Agencies shall determine and manually input the cost data for this SCF/SLCF line into COMPARE.

   a. **Expansions of Existing Activities, New Requirements, or Conversions From Private Sector to Agency Performance.** An agency shall enter the one-time additional costs of an expansion, new requirement or conversion from a private sector or public reimbursable source to agency performance on Line 5. An agency shall not include any new investment by the agency in facilities and equipment as one-time costs. An agency shall include the costs incurred when acquiring facilities or equipment and installing the equipment in the capitalized cost. Government facilities and equipment shall not normally be expanded to accommodate new or expanded agency requirements if cost-effective private sector or public reimbursable facilities and equipment are available. If the agency tender is dependent upon the agency's purchase or construction of new facilities or other capital asset purchases, the standard competition should be delayed until the approval to purchase or construct such items is obtained.

   b. **Medical Physical Exams.** Agency and public reimbursable sources shall calculate the costs associated with the civilian safety and health requirements of 29 C.F.R., including medical physical examinations, and enter these costs on Line 5 or 5a, as appropriate. The cost of

performing medical physical exams is not included in the 12 percent overhead factor. These medical physical exams are a direct cost to all prospective providers.

7. **Total Cost of Agency Performance (SCF/SLCF Line 6/6a).** The total agency cost estimate calculated on Line 6 is the sum of Lines 1-5. The total public reimbursable cost estimate calculated on Line 6a is the sum of Lines 1a-5a. COMPARE automatically calculates this SCF/SLCF line.

C. ADJUSTED COST OF PRIVATE SECTOR OR PUBLIC REIMBURSABLE PERFORMANCE (SCF/SLCF LINES 7-13).

1. **Contract Price or Public Reimbursable Cost Estimate (SCF/SLCF Line 7).** In a standard competition, the CO shall enter the private sector contract price(s), or public reimbursable cost estimate(s) on SCF Line 7, as appropriate. In a streamlined competition, the agency shall enter an estimated contract price or public reimbursable cost estimate on SLCF Line 7.

   a. **Contract Price.** If a contract price(s) is entered on Line 7, the CO shall comply with the source selection process requirements in Attachment B and shall determine the contract price based on the contract type stated in the solicitation.

      (1) **Sealed Bid Acquisition.** The CO shall enter the firm fixed price of the low responsible, responsive private sector offeror on Line 7.

      (2) **Negotiated Acquisition.**

         (a) **Firm Fixed Price Contract.** The CO shall enter the negotiated contract price on SCF Line 7.

         (b) **Firm Fixed Price Incentive Fee Contract.** The CO shall enter the target cost and target profit on SCF Line 7.

         (c) **Cost-Reimbursement Contracts (FAR 16.3).**

            1. **Cost Plus Incentive Fee Contract.** The CO shall enter the negotiated estimated cost plus incentive fee.

            2. **Cost Plus Award Fee Contract.** The CO shall enter the negotiated estimated cost plus award fee.

            3. **Cost Plus Fixed Fee Contract.** The CO shall enter the negotiated estimated cost plus fixed fee.

            4. **Cost Sharing Contract.** The CO shall enter the negotiated estimate.

   b. **Public Reimbursable Cost Estimate.** If a cost estimate is submitted by a public reimbursable source(s), the CO shall make the following calculations to determine the cost to enter on SCF/SLCF Line 7 (1) calculate the federal tax adjustment for any private sector contract price(s); (2) subtract this federal tax calculation from the private sector contract price(s); (3) compare these adjusted private sector contract price(s), with all public reimbursable cost estimate(s) to determine the lowest cost provider; and (4) enter the lowest

cost on SCF/SLCF Line 7. The CO shall enter the cost estimate submitted by a tax exempt organization on SCF/SLCF Line 7 only if the calculations required by this paragraph indicate the tax exempt organization is the lowest cost provider. The CO shall document these calculations as part of the SCF supporting documentation.

c. **Tax-Exempt Organization.** If a cost estimate is submitted by a tax-exempt organization(s), the CO shall make the following calculations to determine the cost to enter on SCF/SLCF Line 7 (1) calculate the federal tax adjustment for any non-tax-exempt contract price(s); (2) subtract this federal tax calculation from non-tax-exempt contract price(s); (3) compare these adjusted private sector contract price(s), with any tax-exempt organization(s) cost estimates and any public reimbursable cost estimate(s) to determine the lowest cost provider; and (4) enter the lowest cost on SCF Line 7. The CO shall enter the cost estimate submitted by a tax exempt organization on SCF/SLCF Line 7 only if the calculations required by this paragraph indicate the tax exempt organization is the lowest cost provider. The CO shall document these calculations as part of the SCF supporting documentation.

d. **Performance Bond.** When a solicitation requires private sector sources to provide a performance bond, the CO shall exclude the cost from the private sector source's contract price on SCF Line 7. The solicitation bid structure should facilitate the elimination of this cost (see Attachment B).

2. **Contract Administration Costs (SCF/SLCF Line 8).** An agency shall calculate and enter contract administration costs on Line 8 using the Contract Administration Cost Factors and Allowable Grades in Figure C6. based on the total MEO staffing (total Line 1 FTEs plus an estimate of labor for MEO subcontracts). These contract administration cost factors account for a full range of labor and non-labor requirements for contract administration. Contract administration costs include the costs associated with reviewing compliance with the terms of the contract, processing payments, negotiating change orders, and monitoring the closeout of contract operations. An agency shall not include the cost of surveillance performed by quality assurance evaluators, as required by the quality assurance surveillance plan, on SCF Line 8, since these are common costs regardless of the source of the selected service provider (i.e., agency, public reimbursable, private sector). Agencies shall inflate contract administration costs using the Labor Inflation Cost Factors for Civilian Positions in Figure C1. COMPARE automatically computes the costs required for this SCF/SLCF line based on the factors in Figure C6. and agencies shall not include any other contract administration costs.

Contract Administration Factors and Allowable Grades					
MEO STAFFING*	CONTRACT ADMINISTRATION FTE	GRADES			
		GS-12	GS-11	GS-9	GS-6
10 or less	.5	1	0	0	0
11 – 20	1	1	0	0	0
21 – 50	2	1	1	0	0
51 – 75	3	1	1	1	0
76 – 100	4	1	1	1	1
101 – 120	5	1	1	2	1
121 – 150	6	1	2	2	1
151 – 200	7	1	2	2	2
201 – 250	8	2	2	2	2
251 – 300	9	2	2	3	2
301 – 350	10	2	3	3	2
351 – 450	11	2	3	4	2
451 and above	2.5% of agency MEO staffing	Distribution automatically calculated by *COMPARE*			

Figure C6.

3. **Additional Costs (SCF Line 9).** SCF Line 9 shall include any additional costs to the agency, such as transportation or purchased services, resulting from unusual or special circumstances. An agency shall document these additional costs to describe the nature of the cost item, and indicate the reason the additional cost will not be incurred if the activity is performed by the agency source. When performance of an activity is converted from agency performance to either a private sector or public reimbursable source and the agency elects to retain existing equipment and facilities on standby, solely for the purpose of maintaining an agency performance capability, an agency shall not add these standby costs to the cost of the private sector or public reimbursable performance on SCF Line 9. An agency source shall include sufficient written documentation of all additional costs included in cost estimates for the CO to conduct price analysis and cost realism as required by Attachment B. Agencies shall not calculate Line 9 in a streamlined competition. Agencies shall determine and manually input the cost data for this SCF/SLCF line into COMPARE.

   a. **Nonprofit Agency Fees.** When a Javits-Wagner-O'Day participating nonprofit agency (as defined by FAR Part 8), such as NISH or the National Institute for the Blind, participates in a standard competition, the CO shall include the 4 percent fee paid to the Committee for Purchase from People Who Are Blind, NISH, or National Institute for the Blind on SCF Line 9. The CO shall determine if the 4 percent is included in or excluded from the contract price. If the 4 percent is included in the contract price, the CO shall enter the contract price on SCF Line 7 and shall not enter the 4 percent on SCF Line 9. If the 4 percent is excluded from the contract price, the CO shall enter the contract price on SCF Line 7 and shall enter the 4 percent fee on SCF Line 9.

   b. **Incentive Fees.** When an Indian Tribe competes as a private sector source in a standard competition, or is a subcontractor to a competing private sector source, and the Indian Incentive Program described in FAR Part 26 is authorized, the CO shall include the 5 percent incentive fee identified in FAR Part 26 on SCF Line 9.

4. **One-time Conversion Costs (SCF Line 10).** When an agency converts an activity performed by government personnel to a private sector or public reimbursable source, one-time conversion costs may be incurred by the agency. An agency source shall include sufficient written

documentation of all one-time conversion costs included in cost estimates for the CO to conduct price analysis and cost realism as required by Attachment B. Agencies shall not calculate Line 10 in a streamlined competition. Agencies shall calculate one-time conversion costs for severance costs and other costs as provided below and shall not calculate any other one-time conversions costs. COMPARE automatically calculates this SCF/SLCF line.

a. **Severance Costs.** An agency shall calculate one-time conversion costs for severance pay at 4 percent (the Severance Pay One-time Conversion Cost Factor) of SCF Line 1 basic pay, adjusted for inflation, for the first period of full performance (not the phase-in period) stated in the solicitation. If the first period of full performance is less than one full year, an agency shall annualize the basic pay only for the purpose of determining one full year of severance pay one-time conversion costs.

b. **Other Costs.** An agency shall calculate other one-time conversion costs as 1 percent (the Other Pay One-time Conversion Cost Factor) of SCF Line 1 basic pay, adjusted for inflation, for the first period of full performance stated in the solicitation (not the phase-in period). Agencies shall not calculate any other one-time conversion costs except this 1 percent. This "other cost" accounts for all other one-time conversion costs such as relocation and retraining. If the first period of full performance (not the phase-in period) is less than one full year, an agency shall annualize the basic pay only for the purpose of determining one full year of other pay one-time conversion costs.

c. **Annualize Basic Pay.** To annualize basic pay, divide the total inflated basic pay reflected in the first period of full performance on SCF Line 1 by the number of days in the second performance period and then multiply the result by 365.25 days (which accounts for leap year).

5. **Gain on Assets (SCF Line 11).** An agency shall calculate the estimated gain on assets on SCF Line 11, with supporting documentation to justify the type and calculation of asset disposal or transfer. The SCF Line 11 entry is the gain from the sale or transfer of government assets at the net book value of the asset as of the start date of the first performance period. An agency shall calculate this gain to account for government material or equipment included in the agency tender when this material or equipment (a) is not provided to all prospective providers as GFP in the solicitation and (b) is not needed by the agency if the standard competition results in either a private sector or public reimbursable performance decision. This gain on assets generates revenue for the government; therefore, the cost reduces the total cost of private sector or public reimbursable performance. An agency shall only enter a negative number or zero on SCF Line 11 to represent a gain on assets. An agency source shall include sufficient written documentation of all gain on assets costs included in cost estimates for the CO to conduct price analysis and cost realism as required by Attachment B. Agencies shall not calculate Line 11 in a streamlined competition. COMPARE automatically calculates this SCF/SLCF line after the agency manually selects the period in which the capital asset is disposed of or transferred.

6. **Federal Income Tax Adjustment (SCF/SLCF Line 12).** The cost entered on Line 12 represents revenue generated for the government that is subtracted from the total cost of private sector performance. An agency shall only enter these costs as a negative number, unless the private sector source is a tax-exempt organization. When entering the contract price, the CO shall determine and enter the appropriate industry code from the Tax Rate Table, which is based on the North American Industry Classification System, to calculate Line 12. An agency shall use the Tax Rate Table on the OMB website to calculate Line 12 for each performance period stated in the

solicitation. An agency shall enter on Line 12 the net increase of federal income tax that is expected if a performance decision results in a conversion from agency performance to private sector performance. The Internal Revenue Service provides the Tax Rate Table by types of industry and appropriate tax rates in relation to business receipts. The industry groupings are based on the North American Industry Classification System. COMPARE automatically calculates this SCF/SLCF line based on the tax rate table entry input by an agency.

GAIN ON CAPITAL ASSETS (SAMPLE CALCULATION)			
(A) Capital Asset	**(B)Original Acquisition Cost**	**(C) Accumulated Depreciation**	**(D) Net Book Value (B minus C)**
Capital Equipment = Bus	$30,000	$24,900	$5,100
Capital Facility = Cafeteria	$625,000	$502,000	$123,000
Column	**Instructions**		
A. Capital Asset	Identify the name of each specific capital asset		
B. Original Acquisition Cost	Enter the original acquisition cost of the asset, plus transportation and installation costs if not included in the purchase price, plus any capital improvement costs made to that asset		
C. Accumulated Depreciation	Enter the accumulated depreciation for the asset		
D. Net Book Value	Enter the net book value at the date of the first performance period. This is the gain on asset cost entered on the SCF. The cost of disposal or transfer is not included in the net book value		

Figure C.7

7. **Total Adjusted Cost of Private Sector or Public Reimbursable Performance (SCF/SLCF Line 13).** In a standard competition, the cost on Line 13 represents the total cost to the government of private sector performance (or public reimbursable performance if a public reimbursable cost estimate is entered on SCF Line 7), which is the sum of SCF Lines 7, 8, 9, 10, 11, and 12. In a streamlined competition, the cost on Line 13 represents the total cost to the government of private sector performance (or public reimbursable performance if a public reimbursable cost estimate is entered on SLCF Line 7), which is the sum of SLCF Lines 7, 8, and 12. COMPARE automatically calculates this SCF/SLCF line.

D. **CONVERSION DIFFERENTIAL (SCF LINE 14).** [*See OMB Memorandum M-06-13 (April 24, 2006) when applying this section.*] An agency shall calculate the conversion differential by multiplying SCF Line 1 personnel costs for all performance periods by 10 percent. If the calculated conversion differential is less than $10 million, the agency shall enter the calculated conversion differential on Line 14. If the calculated conversion differential is greater than or equal to $10 million, the agency shall enter $10 million on Line 14. Agencies shall not calculate Line 14 in a streamlined competition. COMPARE automatically calculates this SCF/SLCF line.

1. **Expansions, New Requirements, or Conversions From Contract To Agency Performance.** An agency shall add the conversion differential to SCF Line 6 of the agency cost estimate when an agency is performing a standard competition and the potential exists for (a) a conversion from a private sector provider (contract performance) to agency performance with government personnel; (b) agency performance of a new requirement with government personnel; or (c) agency performance with government personnel of an expansion of requirements for an existing commercial activity. Since agency performance of a new requirement or an expansion of an existing commercial activity is justified based upon a standard competition, an agency shall calculate the conversion differential as if the private sector source is the incumbent provider for a new requirement or an expansion of an existing commercial activity. For a standard competition of an expansion, the conversion differential is distributed to agency, private sector, and public

reimbursable sources based on the percentage of SCF Line 1 attributed to the expansion workload, as follows:

a. **Standard Competition of a Segregable Expansion.** For a standard competition of the segregable 30 percent of an expansion, an agency shall add all of SCF Line 14 (conversion differential) to the total cost of agency performance reflected on SCF Line 6 to generate the adjusted total cost of agency performance on SCF Line 15.

b. **Standard Competition of Activity and Expansion.** For a standard competition of an entire expansion of a commercial activity (i.e., the existing commercial activity performed by government positions plus the 30+ percent expansion), an agency shall (1) multiply the conversion differential on SCF Line 14 by the percentage of government position costs on SCF Line 1 that represents the expansion of recurring workload; (2) add the result to the total cost of agency performance reflected on SCF Line 6; and (3) enter the adjusted total cost of agency performance on SCF Line 15. The agency shall (1) multiply the percentage of SCF Line 1 (personnel) costs that represents the agency work currently performed by SCF Line 14 (conversion differential); (2) add the result to the total cost of private sector or public reimbursable performance on SCF Line 13; and (3) enter the total adjusted cost of private sector or public reimbursable performance on SCF Line 16. The agency shall divide the total SCF Line 1 costs assigned to the expanded work for all performance periods by the total SCF Line 1 costs for all performance periods to generate the percentage of agency position costs for the expanded work. To generate the percentage of agency position costs for the work performed by the agency, the agency shall divide the total SCF Line 1 costs assigned to the work performed by the agency for all performance periods by the total SCF Line 1 costs for all performance periods.

2. **Partial Conversion From Private Sector to Agency Performance.** For a standard competition of a commercial activity where the incumbent providers are a combination of private sector and agency sources, and the agency tender converts the portion of the work performed by the private sector performance to agency performance using government positions, the agency shall apportion the conversion differential to each source based upon the percentage of work performed by each incumbent source at the time of public announcement. Therefore, an agency shall calculate the conversion differential as follows: (a) calculate the conversion differential for the agency tender, (b) calculate the value of the conversion differential for the work performed by the private sector that will be converted to agency performance using government positions, and (c) enter the difference on SCF Line 14. If the agency tender includes an MEO subcontract, the agency shall not calculate any conversion differential for the MEO subcontract on the SCF.

E. <u>ADJUSTED TOTAL COST OF AGENCY PERFORMANCE (SCF LINE 15)</u>. If a standard competition is conducted to determine whether a commercial activity should be converted from private sector or public reimbursable performance to agency performance, the agency shall add the conversion differential from SCF Line 14 to SCF Line 6 and enter the sum on SCF Line 15. The total amount for all performance periods on SCF Line 13 is then replicated on SCF Line 16. Agencies shall not calculate Line 15 in a streamlined competition. COMPARE automatically calculates this SCF/SLCF line.

F. <u>ADJUSTED TOTAL COST OF PRIVATE SECTOR OR PUBLIC REIMBURSABLE PERFORMANCE (SCF LINE 16)</u>. If a standard competition is conducted to determine whether an activity should be converted from agency performance to private sector or public reimbursable

performance, the agency shall add the conversion differential from SCF Line 14 to SCF Line 13 and enter the sum on SCF Line 16. The total amount for all performance periods on SCF Line 6 is then replicated on SCF Line 15. Agencies shall not calculate Line 16 in a streamlined competition. COMPARE automatically calculates this SCF/SLCF line.

G. **THE COST DIFFERENCE (SCF/SLCF LINE 17).** In a standard competition, the agency shall calculate the cost difference by subtracting SCF Line 15 from SCF Line 16 and shall enter the sum on SCF Line 17. In a streamlined competition, the agency shall calculate the cost difference by subtracting SLCF Line 13 from SLCF Line 6 and shall enter the sum on SLCF Line 17. COMPARE automatically calculates this SCF/SLCF line.

H. **LOW-COST PROVIDER (SCF/SLCF LINE 18).** For a low-cost decision in a standard competition, a positive number on Line 17 indicates a decision for agency performance by government personnel, and a negative number indicates a decision for a private sector or public reimbursable performance. For either a low-cost decision or an other-than-low-cost decision in a standard competition, the SSA's decision is indicated by an "x" on SCF Line 18. For an other-than-low-cost decision, the SSA shall document the reasons for such a decision in accordance with Attachment B. For a streamlined competition, the cost difference entered on SLCF Line 17 indicates the low cost performance decision. COMPARE automatically calculates this SCF/SLCF line.