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OFFICE OF MANAGEMENT AND BUDGET

DEPARTMENT OF DEFENSE

Report on Alternative Measures of Allowable Reimbursement for Compensation of Contractor Employees

AGENCY: Office of Federal Procurement Policy, Office of Management and Budget, and Department of Defense (DOD)

ACTION: Notice of Request for Public Comment

SUMMARY: The Office of Federal Procurement Policy (OFPP), in the Office of Management and Budget (OMB), and the Department of Defense (DOD) seek public input for consideration in the development of a report to Congress on alternative measures of allowable reimbursement for the compensation of contractor employees. The report is required by section 702(e) of the Bipartisan Budget Act of 2013 (Pub. L. 113-67; enacted Dec 26, 2013).

DATES: Interested parties should submit comments in writing to an address below on or before **[insert date that is 30 days from FR publication date]**

ADDRESSES: All comments to this notice must be in writing, and may be submitted to any of the following methods:

- *E-mail:* compcap@omb.eop.gov
- *Facsimile:* 202-395-5105
- *Mail:* Office of Federal Procurement Policy, ATTN: Raymond Wong, New Executive Office Building, Room 9013, 725 - 17th St., NW, Washington, DC 20503

Instructions: Please submit comments only and cite “Report on Benchmark Alternatives” in all correspondence. Comments received will be posted without change to

http://www.whitehouse.gov/omb/procurement/ccp_reports, including any personal information provided.

FOR FURTHER INFORMATION CONTACT: Raymond Wong, OFPP, 202-395-6805 or rwong@omb.eop.gov.

SUPPLEMENTARY INFORMATION

Section 702 of the Bipartisan Budget Act of 2013 (Pub. L. 113-67; enacted Dec 26, 2013) establishes a cap of \$487,000 per year on the amount the Federal Government will reimburse for contractor-paid employee compensation on contracts with defense and civilian agencies. By law, this amount must be adjusted annually to reflect the change in the Employment Cost Index for all workers, as calculated by the Bureau of Labor Statistics. Pursuant to section 702(c), the new cap applies to costs of compensation incurred under contracts entered into on or after the date that is 180 days after the enactment of the Bipartisan Budget Act of FY 2013, (June 24, 2014). The Defense Acquisition Regulations Council and the Civilian Agency Acquisition Council published an interim rule via separate notice on June 24, 2014 to revise the Federal Acquisition Regulation to implement section 702 and seek public comment.

Section 702(e) directs OMB and DOD to report to Congress” on alternative benchmarks and industry standards for compensation, including whether any such benchmarks or standards would provide a more appropriate measure of allowable compensation for the purposes of section 2324(e)(1)(P) of title 10, United States Code, and section 4304(a)(16) of title 41, United States Code.” These statutory provisions set forth the caps on contractor employee compensation that may be reimbursed by the government.

OMB's OFPP and DoD seek public input on alternative benchmarks that would provide a more appropriate measure of allowable compensation for the purposes of section 2324(e)(1)(P) of title 10, and section 4304(a)(16) of title 41, United States Code, as amended by section 702, including appropriate inflators (i.e., alternatives in lieu of the Employment Cost Index for all workers, as calculated by the Bureau of Labor Statistics). Feedback will be considered in preparation of the report to Congress and should both describe the alternative(s) and explain why such might be more suitable than the benchmark and inflators set forth in statute.

Lesley A. Field,
Administrator (Acting),
Office of Federal Procurement Policy.

Richard Ginman,
Director,
Defense Procurement and Acquisition Policy.

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