SEC. ____. MODIFICATION OF AUTHORITY FOR THE CIVILIAN ACQUISITION WORKFORCE PERSONNEL DEMONSTRATION PROJECT.

Section 1762 of title 10, United States Code, is amended—

(1) in subsection (c), by striking "120,000" and inserting "150,000"; and

(2) in subsection (g), by striking "December 31, 2020" and inserting "December 31, 2022".

Section-by-Section Analysis

This proposal would amend section 1762 of title 10, United States Code, to (1) increase the 120,000 ceiling limitation on the number of persons who may participate in the project to 150,000; and (2) extend the authority to conduct the AcqDemo until December 31, 2022. Since implementation, there have been four legislative issuances that prescribed various modifications to the original legislation involving participant eligibility criteria and approval processing. Section 872 of the Ike Skelton NDAA for FY 2011 (P.L. 111-383, 124 Stat. 4300, 4302) repealed section 4308 of the NDAA for FY 1996 (P.L. 104-106; 10 U.S.C. 1701 note) and amended Chapter 87 of title 10, United States Code, by inserting after section 1761, the new section: **"1762. Demonstration project relating to certain acquisition personnel management policies and procedures"**. This legislation compiles the various pieces of AcqDemo legislation; prescribes two assessments of AcqDemo; extends the authority expiration date to September 30, 2017; and prescribes that within 6 months of the authority's termination, project employees shall convert to the personnel system created pursuant to section 9902 of title 5.

In addition to the numerous legislative provisions affecting AcqDemo since its implementation in FY 1999, over 71 percent of the participants were converted into the National Security Personnel System (NSPS) in FY 2007. The residual 29 percent of participants were covered by bargaining units and were to remain in AcqDemo until it was appropriate for them to transition to NSPS. Four years later, in FY 2011, the former AcqDemo participants were converted back to AcqDemo following the repeal of NSPS. This hiatus from planned AcqDemo growth and maturity severely hampered the continued design, development, implementation, and refinement of the original and new AcqDemo interventions in support of the Department's acquisition mission and workforce.

The acquisition workforce supports a constantly changing acquisition resource management environment further complicated by Government sequestration actions required by the Budget Control Act of 2011. It is impacted by a variable workload and mission changes that require streamlined, flexible, and effective personnel processes and procedures as well as a professionally skilled, knowledgeable, and adaptable workforce in which significant investment of Department resources has been made. These requirements are paramount in achieving excellent acquisition outcomes as evidenced by the enhanced goals of the Better Buying Power 3.0 Program designed and implemented by the Under Secretary of Defense (Acquisition,

Technology, and Logistics). Through this program, the Under Secretary is seeking to obtain greater efficiency and productivity in defense spending by pursuing initiatives in the following seven focus areas: (l) Achieve Affordable Programs; (2) Control Costs Throughout the Product Lifecycle; (3) Incentivize Productivity and Innovation in Industry and Government; (4) Eliminate Unproductive Processes and Bureaucracy; (5) Promote Effective Competition; (6) Improve Tradecraft in Services Acquisition; and (7) Improve the Professionalism of the Total Acquisition Workforce.

The AcqDemo was and is designed to provide the necessary personnel flexibilities and tools that can function in a dynamic environment to improve Department managers' ability to manage the acquisition workforce and its productivity effectively. As such, it is an essential tool in the design, development, test, and evaluation of personnel interventions for their effectiveness in the vigorous acquisition environment. For the Secretary to have a streamlined process and the time necessary to test and evaluate modified or new flexibilities and for both short- and long-range planning of the design and development of new interventions, the proposal is to extend the Termination of Authority, subsection (g), to December 31, 2022.

The AcqDemo was designed to experiment with the necessary personnel flexibilities and tools that can function in a dynamic acquisition environment to improve Department managers' ability to manage the acquisition workforce and its productivity effectively. As such, through the design, development, test, and evaluation of its flexibilities for their effectiveness in the vigorous acquisition environment since the project implementation in FY 1999, the classification, contribution assessment, and compensation flexibilities have become essential within the acquisition cadre of workforce management tools. There is strong evidence that the initiatives implemented under the AcqDemo are successful. Component Service acquisition leaders' feedback on effectiveness of AcqDemo programs on recruitment and retention has been positive. Senior Leader interviews were positive on the outcomes of initiatives but suggested processes may need to be tweaked. Analysis in a 2014 Rand Corporation Report[1] provided evidence that people who entered the acquisition workforce and were covered by AcqDemo (or any demo pay plan) were retained longer than those in the GS pay plan. AcqDemo retention was 24 percent higher than for the GS pay plan. Results from the 2015 OPM Federal Employee Viewpoint Survey indicated that AcqDemo responses overall were 87 percent as good as or better than the 2014 responses from Federal employees.

As a result of the positive aspects of AcqDemo and the number of requests by organizations to participate, USD(AT&L) has approved an expansion of AcqDemo to requesting organizations to achieve a better balanced population between Components and 4th Estate Agencies for evaluation purposes. The AcqDemo Program Office initially received interest queries from all Components/4th Estate Agencies totaling over 32,000 employees. It is expected that the number of interested organizations will continue to increase as well as the number of covered employees as additional flexibilities are included in AcqDemo for testing and evaluation and positive results are obtained. It is estimated that approximately 20,000 employees per year over the next five

[1] *Retention and Promotion of High-Quality Civil Service Workers in the Department of Defense Acquisition Workforce*, Christopher Guo, Philip Hall-Partyka, Susan M. Gates, Rand Corporation, Santa Monica, California, 2014.

years could possibly be added to AcqDemo rolls requiring an increase in the legislatively imposed ceiling of 120,000 participants to 150,000.

RESOURCE REQUIREMENTS ($MILLIONS)									
	FY 2017	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**Appropriation From**	**Budget Activity**	**Dash-1 Line Item**	**Program Element**
	0.0	0.0	2.4	2.4	2.4	Operation and Maintenance, Defense-Wide	04	4GTN	0901388D8Z

Changes to Existing Law: This proposal would amend section 1762 of title 10, United States Code, as follows:

§ 1762. Demonstration project relating to certain acquisition personnel management policies and procedures

(a) COMMENCEMENT.—The Secretary **o**f Defense is authorized to carry out a demonstration project, the purpose of which is to determine the feasibility or desirability of one or more proposals for improving the personnel management policies or procedures that apply with respect to the acquisition workforce of the Department of Defense and supporting personnel assigned to work directly with the acquisition workforce.

(b) TERMS AND CONDITIONS.—(1) Except as otherwise provided in this subsection, any demonstration project described in subsection (a) shall be subject to section 4703 of title 5 and all other provisions of such title that apply with respect to any demonstration project under such section.

(2) Subject to paragraph (3), in applying section 4703 of title 5 with respect to a demonstration project described in subsection (a)—

(A) “180 days” in subsection (b)(4) of such section shall be deemed to read “120 days”;

(B) “90 days” in subsection (b)(6) of such section shall be deemed to read “30 days”; and

(C) subsection (d)(1) of such section shall be disregarded.;

(3) Paragraph (2) shall not apply with respect to a demonstration project unless—

(A) for each organization or team participating in the demonstration project—

(i) at least one-third of the workforce participating in the demonstration project consists of members of the acquisition workforce; and

(ii) at least two-thirds of the workforce participating in the demonstration project consists of members of the acquisition workforce and supporting personnel assigned to work directly with the acquisition workforce; and

(B) the demonstration project commences before October 1, 2007.

(c) LIMITATION ON NUMBER OF PARTICIPANTS.—The total number of persons who may participate in the demonstration project under this section may not exceed ~~120,000~~ 150,000.

(d) EFFECT OF REORGANIZATIONS.—The applicability of paragraph (2) of subsection (b) to an organization or team shall not terminate by reason that the organization or team, after having satisfied the conditions in paragraph (3) of such subsection when it began to participate in a demonstration project under this section, ceases to meet one or both of the conditions set forth in subparagraph (A) of such paragraph (3) as a result of a reorganization, restructuring, realignment, consolidation, or other organizational change.

(e) ASSESSMENTS.—(1) The Secretary of Defense shall designate an independent organization to conduct two assessments of the acquisition workforce demonstration project described in subsection (a).

(2) Each such assessment shall include the following:

(A) A description of the workforce included in the project.

(B) An explanation of the flexibilities used in the project to appoint individuals to the acquisition workforce and whether those appointments are based on competitive procedures and recognize veteran's preferences.

(C) An explanation of the flexibilities used in the project to develop a performance appraisal system that recognizes excellence in performance and offers opportunities for improvement.

(D) The steps taken to ensure that such system is fair and transparent for all employees in the project.

(E) How the project allows the organization to better meet mission needs.

(F) An analysis of how the flexibilities in subparagraphs (B) and (C) are used, and what barriers have been encountered that inhibit their use.

(G) Whether there is a process for—

(i) ensuring ongoing performance feedback and dialogue among supervisors, managers, and employees throughout the performance appraisal period; and

(ii) setting timetables for performance appraisals.

(H) The project's impact on career progression.

(I) The project's appropriateness or inappropriateness in light of the complexities of the workforce affected.

(J) The project's sufficiency in terms of providing protections for diversity in promotion and retention of personnel.

(K) The adequacy of the training, policy guidelines, and other preparations afforded in connection with using the project.

(L) Whether there is a process for ensuring employee involvement in the development and improvement of the project.

(3) The first assessment under this subsection shall be completed not later than September 30, 2012. The second and final assessment shall be completed not later than September 30, 2016. The Secretary shall submit to the covered congressional committees a copy of each assessment within 30 days after receipt by the Secretary of the assessment.

(f) COVERED CONGRESSIONAL COMMITTEES.—In this section, the term “covered congressional committees” means—

(1) the Committees on Armed Services of the Senate and the House of Representatives;

(2) the Committee on Homeland Security and Governmental Affairs of the Senate; and

(3) the Committee on Oversight and Government Reform of the House of Representatives.

(g) TERMINATION OF AUTHORITY.—The authority to conduct a demonstration program under this section shall terminate on ~~September 30, 2020~~ December 31, 2022.

(h) CONVERSION.—Within 6 months after the authority to conduct a demonstration project under this section is terminated as provided in subsection (g), employees in the project shall convert to the civilian personnel system created pursuant to section 9902 of title 5.