SEC. ___. CATEGORY MANAGEMENT.

(a) GUIDANCE.—The Office of Management and Budget shall issue guidance to support the implementation of category management by executive agencies. The guidance shall address, at a minimum, the following:

(1) Principles and practices for—

(A) addressing common agency needs for goods and services through the use of data analytics, application of best-in-class practices, and an understanding of market and agency cost drivers and other relevant considerations;

(B) reducing duplication of contract vehicles for the same or similar requirements;

(C) collecting and interagency sharing of pricing data, contract terms and conditions, and other information as appropriate;

(D) strengthening demand management practices; and

(E) meeting other policy objectives achieved through federal contracting, including–

(i) ensuring that small businesses, qualified HUBZone small business concerns, small businesses owned and controlled by socially and economically disadvantaged individuals, service-disabled veteran-owned small businesses, and small businesses owned and controlled by women are provided with the maximum practicable opportunities, as available to other potential contractors, to participate in Federal acquisitions; and

(ii) strengthening sustainability and accessibility requirements in Federal acquisitions.

(2) The roles and responsibilities of the Office of Management and Budget, the General Services Administration, and other agencies, as appropriate, in furthering category management principles and practices.

(3) Metrics for measuring results achieved through application of category management principles and practices.

(b) RESPONSIBILITIES OF AGENCY CHIEF ACQUISITION OFFICERS.—Section 1702(b)(3) of title 41, United States Code, is amended—

(1) by redesignating subparagraphs (D), (E), (F), and (G) as subparagraphs (E), (F), (G), and (H), respectively; and

(2) by inserting after subparagraph (C) the following new subparagraph (D):

"(D) establishing and overseeing a category management program for the agency's spend in consultation with the agency Chief Information Officer, the agency Chief Financial Officer, and other agency officials, as appropriate;".

Section-by-Section Analysis

The purpose of this proposal is to help reduce complexity and increase the efficiency and effectiveness of the Federal acquisition system to drive greater value in the acquisition of goods and services by facilitating the institutionalization of category management, a strategic practice where Federal contracting for common goods and services is managed by categories of spending across the Government and supported by teams of experts. Institutionalizing category management as an organizing principle of the Federal acquisition system will help the executive branch buy as one, thereby reducing redundant buying actions that increase administrative costs for contractors, allowing agency contracting officers to focus on mission critical acquisitions, and driving greater value in the more than $440 billion of taxpayer dollars spent annually on Federal acquisitions.

Specifically, the proposal would require the Office of Management and Budget (OMB) to issue guidance to executive agencies addressing key principles and best practices of category management, and highlight category management as one of the enumerated responsibilities of agency Chief Acquisition Officers.

In December 2014, the Office of Federal Procurement Policy (OFPP) announced a new model for organizing how the Federal Government manages the acquisition of commonly acquired goods and services, which account for almost two-thirds of the Government's annual contract spending. Historically, the vast majority of common agency needs -- such as for information technology, professional services, medical supplies, human capital, security and protection, and transportation and logistics – have been acquired in a disaggregated manner, often left to the discretion of the more than 3,300 contracting offices across government that are responsible for conducting acquisitions to support their agencies' mission needs. Contracting officers within these geographically dispersed offices are not always aware of – or often do not use – existing vehicles that could meet their agencies' needs. Even when they award new contracts, they generally do not have access to critical prices-paid information, so they risk overpaying for many common commodities.

These challenges have contributed to a sub-optimization of the Government's buying power and diminished the Federal Government's market profile. Fragmented buying has also contributed to the overall complexity and cost of the acquisition process. In addition to driving up transactional costs for contractors, who must currently spend resources competing for redundant contracts, disaggregated buying complicates the government's ability to adopt model contracts and contracting practices for particular types of goods and services that are considered best in class by agencies and contractors. Disaggregated buying of common items also leads to significant duplication of effort among the federal acquisition workforce.

Since 2010, strategic sourcing efforts have helped agencies save more than $500 million by reducing unit prices, applying effective demand management strategies, and avoiding duplicative administrative costs. These accomplishments are impactful and will continue, but a broader organizational vision is needed to accelerate and successfully manage the many dimensions of interagency collaboration that must occur for the federal government to buy as one – from continuous and organized information sharing to carefully coordinated decision-making between agency executives and better leveraging of workforce expertise. Whereas strategic sourcing is a strategy led by a procurement executive who is working towards an enterprise-wide contract with lower unit cost pricing, category management is a broader framework under which categories are led by senior executives who have deep expertise in their category and act as category CEOs implementing a wide range of business strategies to help agencies meet their mission needs. For example, a former information technology (IT) executive with thirty years industry experience, is managing the IT category – one of the Federal government's largest categories. This category manager is launching a broad set of strategies that include right-sizing software inventories, standardizing PC refresh cycles, and removing contract clauses that hinder information sharing, as well as a more traditional strategic sourcing strategy to create enterprise-wide software licenses.

Just one year after OFPP announced the Government's plan to transform the federal marketplace through category management, noteworthy progress has been made to start breaking down agency silos and acting as the world's largest buyer. By the end of 2016, OMB expects nearly half of all purchases for basic desktops and laptops to be consolidated into three government-wide contracts, and at least 10,000 federal users to take advantage of a new online tool to increase use of existing contracts and further reduce contract duplication. OFPP and GSA

also expect to have in place at least four new government-wide software agreements to increase agency use of enterprise license agreements, consistent with direction in the Federal Information Technology Acquisition Reform Act. These agreements will enable the government to make significant inroads in reducing the more than 50,000 transactions that are currently conducted each year to address needs for IT software.

Codifying category management in law will help reinforce these important efforts to make the government a smarter buyer by lowering complexity, increasing efficiency, and improving the value received from federal acquisitions to meet every-day needs. In developing guidance to move agencies away from managing purchases and prices individually across thousands of procurement units and towards managing entire categories of common spend, OMB will seek to promote collaborative decision-making wherever possible. OMB will also ensure that its guidance reflects the Government's continued commitment to maximizing opportunities for small business contractors and strengthened sustainability and accessibility.

Budgetary Implications: There would be no budgetary impact as a result of these legislative changes because the proposal is only an authorization and would not increase the overall budget requirements of the Department or any other Federal agency.

Changes to Existing Law: The proposal would amend section 1702(b) of title 41, United States Code, as follows:

TITLE 41, UNITED STATES CODE

§ 1702. Chief Acquisition Officers and senior procurement executives.

(a)APPOINTMENT OR DESIGNATION OF CHIEF ACQUISITION OFFICER.—The head of each executive agency described in section 901(b)(1) (other than the Department of Defense) or 901(b)(2)(C) of title 31 with a Chief Financial Officer appointed or designated under section 901(a) of title 31 shall appoint or designate a non-career employee as Chief Acquisition Officer for the agency.

(b) AUTHORITY AND FUNCTIONS OF CHIEF ACQUISITION OFFICER.—

(1) PRIMARY DUTY.—The primary duty of a Chief Acquisition Officer is acquisition management.

(2)ADVICE AND ASSISTANCE.—A Chief Acquisition Officer shall advise and assist the head of the executive agency and other agency officials to ensure that the mission of the executive agency is achieved through the management of the agency's acquisition activities.

(3) OTHER FUNCTIONS.—The functions of each Chief Acquisition Officer include—

(A) monitoring the performance of acquisition activities and acquisition programs of the executive agency, evaluating the performance of those programs on the basis of applicable performance measurements, and advising the head of the executive agency regarding the appropriate business strategy to achieve the mission of the executive agency;

(B) increasing the use of full and open competition in the acquisition of property and services by the executive agency by establishing policies, procedures, and practices that ensure that the executive agency receives a sufficient number of sealed bids or competitive proposals from responsible sources to fulfill the Federal Government's requirements (including performance and delivery schedules) at the lowest cost or best value considering the nature of the property or service procured;

(C) increasing appropriate use of performance-based contracting and performance specifications;

(D) establishing and overseeing a category management program for the agency's spend in consultation with the agency Chief Information Officer, the agency Chief Financial Officer, and other agency officials, as appropriate

~~(D)~~ (E) making acquisition decisions consistent with all applicable laws and establishing clear lines of authority, accountability, and responsibility for acquisition decisionmaking within the executive agency;

~~(E)~~ (F) managing the direction of acquisition policy for the executive agency, including implementation of the unique acquisition policies, regulations, and standards of the executive agency;

~~(F)~~ (G) advising the executive agency on the applicability of relevant policy on the contracts of the agency for overseas contingency operations and ensuring the compliance of the contracts and contracting activities of the agency with such policy;

~~(G)~~ (H) developing and maintaining an acquisition career management program in the executive agency to ensure that there is an adequate professional workforce; and

~~(H)~~ (I) as part of the strategic planning and performance evaluation process required under section 306 of title 5 and sections 1105(a)(28), 1115, 1116, and 9703 (added by section 5(a) of Public Law 103–62 (107 Stat. 289)) of title 31—

(i) assessing the requirements established for agency personnel regarding knowledge and skill in acquisition resources management and the adequacy of those requirements for facilitating the achievement of the performance goals established for acquisition management;

(ii) developing strategies and specific plans for hiring, training, and professional development to rectify a deficiency in meeting those requirements; and

(iii) reporting to the head of the executive agency on the progress made in improving acquisition management capability.

(c) SENIOR PROCUREMENT EXECUTIVE.—

(1) DESIGNATION—The head of each executive agency shall designate a senior procurement executive.

(2) RESPONSIBILITY—The senior procurement executive is responsible for management direction of the procurement system of the executive agency, including implementation of the unique procurement policies, regulations, and standards of the executive agency.

(3) WHEN CHIEF ACQUISITION OFFICER APPOINTED OR DESIGNATED.—For an executive agency for which a Chief Acquisition Officer has been appointed or designated under subsection (a), the head of the executive agency shall—

(A) designate the Chief Acquisition Officer as the senior procurement executive for the executive agency; or

(B) ensure that the senior procurement executive designated under paragraph (1) reports directly to the Chief Acquisition Officer without intervening authority.

(d) OVERSEAS CONTINGENCY OPERATIONS DEFINED.—In this section, the term "overseas contingency operations" means military operations outside the United States and its territories and possessions that are a contingency operation (as that term is defined in section 101(a)(13) of title 10).