SEC. ___. AUTHORITY TO CEASE SELECTED ACQUISITION REPORTING ON CERTAIN MAJOR DEFENSE ACQUISITION PROGRAMS.

Section 2432(g) of title 10, United States Code, is amended—

(1) by striking "shall cease to apply after 90 percent" and inserting the following: "shall cease to apply—

"(1) after 90 percent";

(2) in paragraph (1), as designated by paragraph (1) of this section, by striking the period and inserting "; or"; and

(3) by adding at the end the following new paragraph:

"(2) if—

"(A) the procurement unit cost for a fully configured end item is less than $500,000 in fiscal year 2019 constant dollars;

"(B) more than five years have passed since the full-rate production decision for the program; and

"(C) the program is stable and the procurement unit cost has not increased by a percentage equal to or greater than the significant cost threshold or the critical cost threshold (as those terms are defined in section 2433 of this title).".

[Please note: The "Changes to Existing Law" section below sets out in red-line format how the legislative text would amend existing law.]

Section-by-Section Analysis

This proposal would eliminate the requirement for Major Defense Acquisition Programs (MDAPs) to continue submittal of Selected Acquisition Reports (SAR) to Congress after achieving 90 percent of deliveries or expenditures against the Acquisition Objective identified in the original Acquisition Program Baseline (APB). This would abolish the continual annual reporting for select MDAPs that have surpassed their original objective, but are obligated to sustain SAR status given the recurring extension of procurements well beyond the original quantity in their first APB. Specifically, the Air Force's Joint Direct Attack Munition (JDAM)

program will never achieve the current 90 percent threshold given the continual quantity increases driven by sustained warfighting demand. Continued annual reporting in JDAM's situation also offers limited value as this MDAP has no history of unit cost growth (PAUC -35.48%, APUC -25.00%) or schedule delays (deliveries regularly ahead of contract) and continually meets reliability requirements. Given its consistent performance in improving the accuracy of general purpose bombs, demand for the weapon continues to increase forcing regular procurement extensions and pushing the 90 percent threshold beyond program reach. One hundred (100) percent of the original combined Service acquisition objective of 87,496 JDAM tail kits was achieved in 2004, production Lot 7. The Air Force plans no significant system upgrades or configuration changes to the JDAM program within the foreseeable future that would warrant interest in continued reporting, with the exception of integrating an M-Code GPS receiver when the design is developed. A change in statutory language would eliminate SAR reporting for the JDAM program. There are currently no other MDAPs that share these same procurement circumstances so only JDAM would benefit from this change in statutory language.

This proposal would have an immediate impact in providing administrative staffing relief for the Service Acquisition staffs and the Office of Secretary of Defense staff in eliminating SAR reporting for the JDAM program. Other MDAPs that may ultimately have their procurements extended beyond their original Acquisition Objective due to increased requirements would similarly benefit in the future.

Budgetary Implications: There are no budgetary implications for this proposal. The primary benefit would be administrative streamlining. Department analysis shows that JDAM SAR reporting requires 360 total hours to process each, up through USD(AT&L) review and signature. This would be a considerable process improvement for the JDAM program office, the Service Acquisition staff, and the Office of Secretary of Defense staff in eliminating SAR reporting for JDAM, and in the future for any other select MDAPs that reach the advanced stages of life-cycle, recurring procurement.

Changes to Existing Law: This proposal would amend section 2432 of title 10, United States Code, as follows:

§2432. Selected Acquisition Reports

(a) In this section:

(1) The term "program acquisition unit cost", with respect to a major defense acquisition program, means the amount equal to (A) the total cost for development and procurement of, and system-specific military construction for, the acquisition program, divided by (B) the number of fully-configured end items to be produced for the acquisition program.

(2) The term "procurement unit cost", with respect to a major defense acquisition program, means the amount equal to (A) the total of all funds programmed to be available for obligation for procurement for the program, divided by (B) the number of fully-configured end items to be procured.

(3) The term "major contract", with respect to a major defense acquisition program, means each of the six largest prime, associate, or Government-furnished

equipment contracts under the program that is in excess of $40,000,000 and that is not a firm, fixed price contract.

(4) The term "full life-cycle cost", with respect to a major defense acquisition program, means all costs of development, procurement, military construction, and operations and support, without regard to funding source or management control.

(b)(1) The Secretary of Defense shall submit to Congress at the end of each fiscal-year quarter a report on current major defense acquisition programs. Except as provided in paragraphs (2) and (3), each such report shall include a status report on each defense acquisition program that at the end of such quarter is a major defense acquisition program. Reports under this section shall be known as Selected Acquisition Reports.

(2) A status report on a major defense acquisition program need not be included in the Selected Acquisition Report for the second, third, or fourth quarter of a fiscal year if such a report was included in a previous Selected Acquisition Report for that fiscal year and during the period since that report there has been-

(A) less than a 15 percent increase in program acquisition unit cost and current procurement unit cost for the program (or for each designated subprogram under the program); and

(B) less than a six-month delay in any program schedule milestone shown in the Selected Acquisition Report.

(3)(A) The Secretary of Defense may waive the requirement for submission of Selected Acquisition Reports for a program for a fiscal year if-

(i) the program has not entered system development and demonstration;

(ii) a reasonable cost estimate has not been established for such program; and

(iii) the system configuration for such program is not well defined.

(B) The Secretary shall submit to the Committee on Armed Services of the Senate and the Committee on Armed Services of the House of Representatives a written notification of each waiver under subparagraph (A) for a program for a fiscal year not later than 60 days before the President submits the budget to Congress pursuant to section 1105 of title 31 in that fiscal year.

(c)(1) Each Selected Acquisition Report for the first quarter for a fiscal year shall include-

(A) the same information, in detailed and summarized form, as is provided in reports submitted under section 2431 of this title;

(B) for each major defense acquisition program or designated major subprogram included in the report-

(i) the Baseline Estimate (as that term is defined in section 2433(a)(2) of this title), along with the associated risk and sensitivity analysis of that estimate;

(ii) the original Baseline Estimate (as that term is defined in section 2435(d)(1) of this title), along with the associated risk and sensitivity analysis of that estimate;

(iii) if the original Baseline Estimate was adjusted or revised pursuant to section 2435(d)(2) of this title, such adjusted or revised estimate, along with the associated risk and sensitivity analysis of that estimate; and

(iv) the primary risk parameters associated with the current procurement cost for the program (as that term is used in section 2432(e)(4) of this title);

(C) a summary of the history of significant developments from the date each major defense acquisition program or designated major subprogram included in the report was first included in a Selected Acquisition Report and program highlights since the last Selected Acquisition Report;

(D) the significant schedule and technical risks for each such program or subprogram, identified at each major milestone and as of the quarter for which the current report is submitted;

(E) the current program acquisition cost and program acquisition unit cost for each such program or subprogram included in the report and the history of those costs from the December 2001 reporting period to the end of the quarter for which the current report is submitted;

(F) the current procurement unit cost for each such program or subprogram included in the report and the history of that cost from the December 2001 reporting period to the end of the quarter for which the current report is submitted;

(G) for each major defense acquisition program that receives Milestone B approval after January 1, 2019, a brief summary description of the key elements of the modular open system approach as defined in section 2446a of this title or, if a modular open system approach was not used, the rationale for not using such an approach; and

(H) such other information as the Secretary of Defense considers appropriate.

(2) Each Selected Acquisition Report for the first quarter of a fiscal year shall be designed to provide to the Committee on Armed Services of the Senate and the Committee on Armed Services of the House of Representatives the information such Committees need to perform their oversight functions. Whenever the Secretary of Defense proposes to make changes in the content of a Selected Acquisition Report, the Secretary shall submit a notice of the proposed changes to such committees. The changes shall be considered approved by the Secretary, and may be incorporated into the report, only after the end of the 60-day period beginning on the date on which the notice is received by those committees.

(3) In addition to the material required by paragraphs (1) and (2), each Selected Acquisition Report for the first quarter of a fiscal year shall include the following:

(A) A full life-cycle cost analysis for each major defense acquisition program and each designated major subprogram included in the report that is in the system development and demonstration stage or has completed that stage. The Secretary of Defense shall ensure that this subparagraph is implemented in a uniform manner, to the extent practicable, throughout the Department of Defense.

(B) If the system that is included in that major defense acquisition program has an antecedent system, a full life-cycle cost analysis for that system.

(4) Selected Acquisition Reports for the first quarter of a fiscal year shall be known as comprehensive annual Selected Acquisition Reports.

(d)(1) Each Selected Acquisition Report for the second, third, and fourth quarters of a fiscal year shall include-

(A) with respect to each major defense acquisition program that was included in the most recent comprehensive annual Selected Acquisition Report, the information described in subsection (e); and

(B) with respect to each major defense acquisition program that was not included in the most recent comprehensive annual Selected Acquisition Report, the information described in subsection (c).

(2) Selected Acquisition Reports for the second, third, and fourth quarters of a fiscal year shall be known as Quarterly Selected Acquisition Reports.

(e) Information to be included under this subsection in a Quarterly Selected Acquisition Report with respect to a major defense acquisition program is as follows:

(1) The quantity of items to be purchased under the program.

(2) The program acquisition cost.

(3) The program acquisition unit cost for the program (or for each designated major subprogram under the program).

(4) The current procurement cost for the program.

(5) The current procurement unit cost for the program (or for each designated major subprogram under the program).

(6) The reasons for any change in program acquisition cost, program acquisition unit cost, procurement cost, or procurement unit cost or in program schedule from the previous Selected Acquisition Report.

(7) The reasons for any significant changes (from the previous Selected Acquisition Report) in the total program cost for development and procurement of the software component of the program or subprogram, schedule milestones for the software component of the program or subprogram, or expected performance for the software component of the program or subprogram that are known, expected, or anticipated by the program manager.

(8) The major contracts under the program and designated major subprograms under the program and the reasons for any cost or schedule variances under those contracts since the last Selected Acquisition Report.

(9) Program highlights since the last Selected Acquisition Report.

(f) Each comprehensive annual Selected Acquisition Report shall be submitted within 30 days after the date on which the President transmits the Budget to Congress for the following fiscal year, and each Quarterly Selected Acquisition Report shall be submitted within 45 days after the end of the fiscal-year quarter.

(g) The requirements of this section with respect to a major defense acquisition program or designated major subprogram shall cease to apply—

(1) after 90 percent of the items to be delivered to the United States under the program or subprogram (shown as the total quantity of items to be purchased under the program or subprogram in the most recent Selected Acquisition Report) have been delivered or 90 percent of planned expenditures under the program or subprogram have been made.; or

(2) if—

(A) the procurement unit cost for a fully configured end item is less than $500,000 in fiscal year 2019 constant dollars;

(B) more than five years have passed since the full-rate production decision for the program; and

(C) the program is stable and the procurement unit cost has not increased by a percentage equal to or greater than the significant cost threshold or the critical cost threshold (as those terms are defined in section 2433 of this title).

(h)(1) Total program reporting under this section shall apply to a major defense acquisition program when funds have been appropriated for such program and the Secretary of Defense has decided to proceed to system development and demonstration of such program. Reporting may be limited to the development program as provided in paragraph (2) before a decision is made by the Secretary of Defense to proceed to system development and demonstration if the Secretary notifies the Committee on Armed Services of the Senate and the Committee on Armed Services of the House of Representatives of the intention to submit a limited report under this subsection not less than 15 days before a report is due under this section.

(2) A limited report under this subsection shall include the following:

(A) The same information, in detail and summarized form, as is provided in reports submitted under subsections (b)(1) and (b)(3) of section 2431 of this title.

(B) Reasons for any change in the development cost and schedule.

(C) The major contracts under the development program and designated major subprograms under the program and the reasons for any cost or schedule variances under those contracts since the last Selected Acquisition Report.

(D) Program highlights since the last Selected Acquisition Report.

(E) Other information as the Secretary of Defense considers appropriate.

(3) The submission requirements for a limited report under this subsection shall be the same as for quarterly Selected Acquisition Reports for total program reporting.