



Acquisition Research Program: Creating Synergy for Informed Change

Budget Scoring of Alternative Financing Methods for Defense Requirements

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Introduction

- Shrinking Defense Budget – Global War on Terrorism, growing entitlements
- Need for alternative financing
- Current budget “scoring”



Scoring

- Key “players” in determining “scoring” Budget Authority – “The Scorekeepers”
- The process in which “The Scorekeepers” estimate the budget authority for proposed programs
- Importance of scoring
- Scoring guidelines
- Financing strategies



Full / Up-Front Funding

- Assigning budget authority in the first year of the contract sufficient to cover government's total estimated legal obligations over the life of the contract
- Emphasized since 1991 with new OMB scoring guidelines
- Positives / Negatives of full / up-front Funding
- Financing methods that require full funding



Alternative Funding

- Various funding methods designed to reduce the up-front / full budget authority assigned to a project
- These methods include: Operating Leases, Public-Private Partnerships, Share-in-Savings Contracts (ESPC), Debt Issuance, Leasebacks, Out-leases, Incremental Funding, Barter/Exchanges, etc...
- Advantages / Disadvantages of alternative funding



Applications of Alternative Financing

- Ft. Hood Family Housing, LLP (PPP)
- ESPC



Recommendations

- Resolve ambiguity of scoring guidelines through open hearings, Financing committees, detailed explanations of policy
- Revise requirements for Operating Leases
- Base scoring determination on economic efficiency rather than on scoring of outlays
 - Greater emphasis on the inclusion of benefits / savings of a project



