Full-Cost Recovery of CS salary

Presentation to Administrator Bolden
and Deputy Administrator Garver

NASA Council of IFPTE Locals

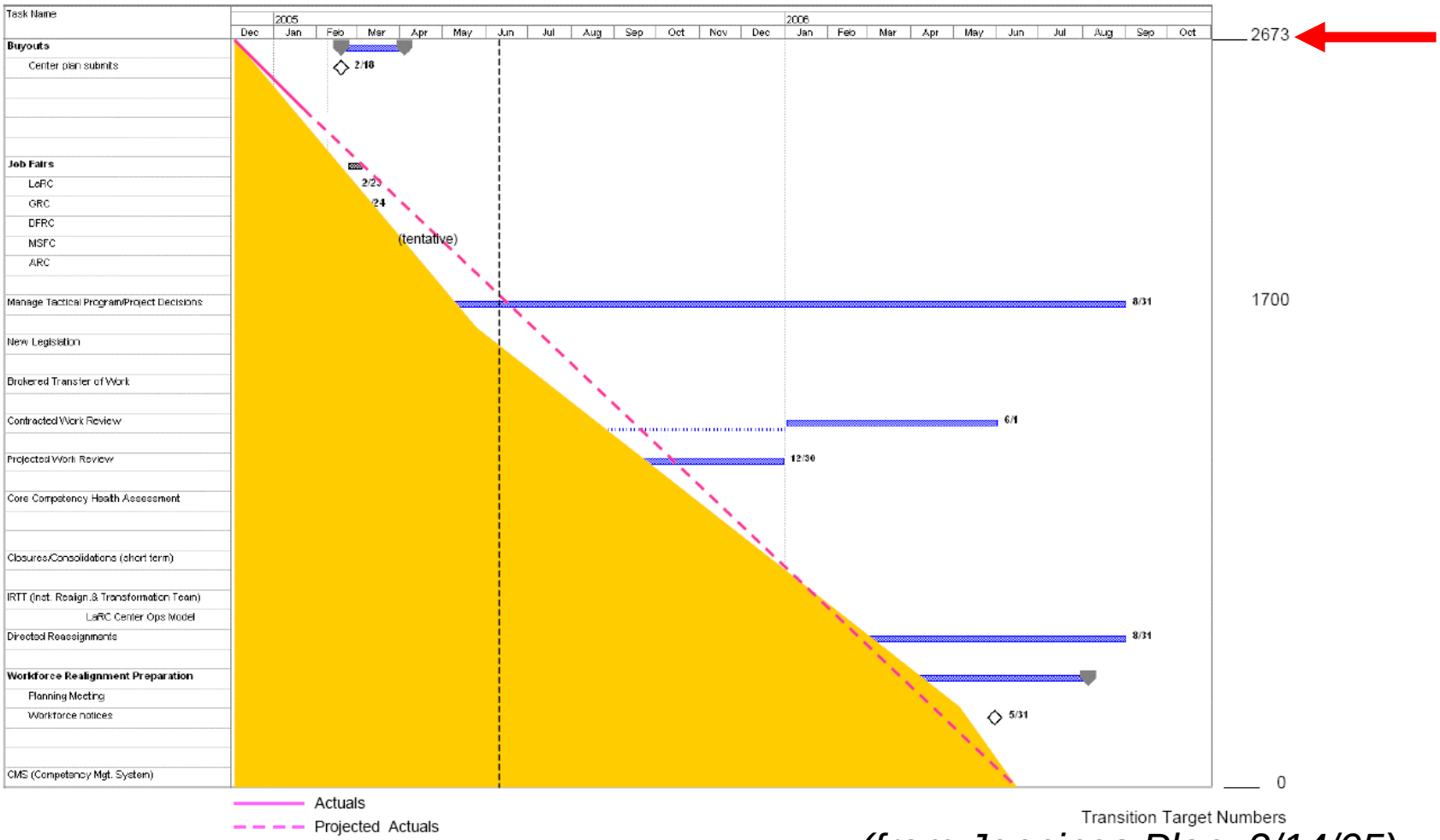
October 8th 2009

Historical Background

- The main intent of implementing Full-Cost Recovery (FCR) of Civil-Service salary was to force NASA to reduce its CS workforce from >18,000 in FY2005 to <16,000 by FY2007.
- In January-February of 2005, NASA Leadership Council initiated a plan to use FCR to identify/target 2,673 employees for removal first by voluntary means, but ultimately by a involuntary Reduction-in-Force (RIF) prior to FY2007.
- The target of 2,673 was not set after an analysis of NASA's skill mix, but rather by using the number of annuity-eligible employees who could be RIFed without paying severance.
- The turmoil of Available For New Work (AFNW) associated with FCR was not a surprise or an unintended consequence.

Historical Background

Eliminating Full-Cost Recovery



(from Jennings Plan, 2/14/05)

- By February of 2005, a plan was in place to eliminate 2,673 NASA civil servants over an 18-month period.

Historical Background

Eliminating Full-Cost Recovery

Action	Lead For Action Implementation	POC(s)	Status To Date	Next Key Milestone	Key Issues	Activity Completion Date	Projected Results
Involuntary workforce realignment preparation*	OIM with Center HR Directors	Melissa Riesco (202) 358-1518 Leah Meisel (757)864-2953	Team is being formed.	2/9 planning meeting	Uncontrollable end state. Workforce mix. Congressional sensitivity.	8/6/2006	Elimination of an residual uncovered capacity by end of FY06.

(from Jennings Plan, 2/14/05)

- By February 2005, there was an active plan for a large-scale RIF to be implemented prior to the end of FY2006.
- There is solid bipartisan consensus among Appropriators and Authorizers that any RIF at NASA would be counter-productive so Congress has consistently forbidden NASA from using RIFs because it recognizes the value of a strong independent CS.
- Lastly, a RIF, even if permitted, could never target employees based on AFNW status.

FY2007 - FCR 2.0

- In FY2007, FCR was abandoned for NASA HQ and Center Management and NASA transitioned to “simplified” FCR.
- Because there was no FCR “demand” from Programs to pay for HQ or Center management and overhead, the Agency Management & Overhead (AM&O) and Center Management & Overhead (CM&O) sub-accounts were established and associated CS labor moved to Cross-Agency Support account, independent of Program control.
- HQ/Center management CS labor is now “free” (as defined in your 9/21/09 briefing), yet the sky has not fallen. Ironically, the CS labor of proponents of FCR within OHCM, OCFO, and PA&E is “free”.
- Because there was only intermittent FCR “demand” for critical and unique NASA facilities, the Strategic Capabilities Assets Program was established to rescue NASA’s physical infrastructure from FCR.

➔ Although FCR’s fundamental flaws were recognized by FY07 and rescue plans were put in place for management and physical infrastructure, no rescue was performed to preserve the integrity of NASA’s critical technical expertise and intellectual infrastructure.

Premise behind FCR

FCR is based on the misguided theory that NASA should work like a private-sector entity in a market-based economy. The false premise is that FCR allows NASA to determine the true labor "demand" for each program by pretending that Program Managers are objective customers of government goods and services.

- ➔ NASA's budget execution does not play out in the market place.
- ➔ Program managers are not customers, nor should they be.
- ➔ NASA managers should be striving not only to efficiently meet immediate milestones, but also to sustain and enhance NASA's core intellectual and physical infrastructure to meet future Agency needs.
- ➔ Most importantly, there are no market forces acting on Program Managers and they have no accountability to shareholders.
- ➔ Thus, Program management decisions are often arbitrary and can be capricious, parochial, and political with little accountability.
- ➔ Lastly, proponents of FCR refuse to accept the reality of no RIF authority, so CS labor costs are indeed part of NASA's fixed costs.

Arguments for FCR

1) FCR provides accurate "full-cost" labor data from each program to allow HQ to properly monitor and manage NASA's programs and to control and report program costs accurately.

2) FCR allows NASA to save money through additional privatization by identifying more work that it could outsource.

3) FCR forces Centers to be more responsive to Agency and Program needs.

➔ Point 1 is a myth; FCR data are inaccurate.

➔ Point 2 is a myth; FCR ends up costing NASA more.

➔ Point 3 argues that a huge burden be placed on CS employees to fix a management failure and ignores the fact that true matrix management without FCR would solve the problem in a less harmful and less costly manner.

Myth 1: FCR provides true labor data

- NASA's FCR labor metrics are rigged to meet fiscal planning goals. Employees are explicitly directed to fill out their timecards according to the projected outlays to the Center and not according to the actual work performed.

- CS labor distribution is inaccurately reported because:

➔ Programs systematically underfund Centers for CS technical labor forcing Centers to charge work performed under one Program to another, or to CM&O.

➔ Centers are forced to supplement an inadequate CM&O budget by direct charging Programs for institutional costs (e.g., safety, building repairs, administrative support).

➔ Piecemeal *ad hoc* emergency Program funding for AFNW adds to the inaccuracy.

- FTEs reported in WebTADS circularly reflect CFO budget plans and do not accurately represent what work is being performed.

➔ Thus, FCR CS labor cost estimates for Programs/Projects and CM&O are systematically distorted to meet CFO metrics with true labor allocations unknown.

➔ In this way, FCR is a misnomer and the opposite of *bone fide* Full-Cost Accounting, which strives to accurately report labor costs for each activity.

Myth 2: Privatization is better & cheaper

- The Bush Administration embraced the fundamental anti-government ideology that the federal government in general and NASA in particular should outsource all functions to the maximum extent possible. That bias is the motivation behind FCR.

- 80% of NASA's budget already flows to the private sector. External interests (corporate, entrepreneurial, academic) want access to the last 20%.

- Despite the Columbia Accident Investigation Board's warning of the danger of over-outsourcing the in-house technical capabilities critical for overseeing contractor activities, the 2004 Aldridge report argued for the conversion of CS Centers into Federally-Funded Research & Development Centers because FFDRCs would be magically cheaper. While Caltech has assembled an impressive technical team:
  - The IG recently reported that JPL is mismanaged and that its business model is inefficient;
  - The Mars Science Lab debacle alone is going to cost NASA many hundreds of millions of dollars and is completely disrupting NASA's Science Mission;
  - Being an FFRDC does not make JPL immune to waste and failure. The key to efficiency is good management, not privatization.

➔ FCR's underlying privatization goal interferes with NASA's ability to maintain the core technical capabilities necessary to perform its inherently governmental functions, including proper and vigilant technical oversight of outsourced development activities or academic research grants, as well as the vigorous and long-term in-house aerospace Research and Technology efforts needed to enable future missions.

Balanced Management, not FCR

- Reversing FCR does not mean a return to the days of Research & Program Management when Centers ruled and Programs suffered.
- Originally, Center/Line managers had all of the authority. FCR radically gave Program managers all of the authority. This approach has failed. Balanced authority and good governance is needed for success and efficiency.
- Healthy Matrix management requires that both Line and Program management have equal authority and both can bring their own resources to bear as they negotiate projects and work assignments.
  - Line managers should control all FTEs and assign/manage work.
  - Program managers should control all WYE and procurement funds and assign/manage milestones and deliverables.
  - This balance of authority within a proper matrixed governance would establish fair and equitable project plans with Programs negotiating for critical technical FTEs they need and Centers negotiating for critical WYE/procurements they need.

➔ Balanced Matrix Management will ensure that Centers remain responsive to Program needs (a legitimate goal), without sacrificing NASA's ability to preserve its core competencies at the Centers.

Arguments against FCR

1) FCR wastes ~$50 to $100M/yr in unnecessary procurement and reduced productivity:
   - Centers have at least 6-12 WYE accountants merely to track technical FTEs in order to make the bi-weekly payroll (~$10-20 million).
   - Line and Program managers and administrative staff spend 10-20% of their time negotiating, planning, revising, and/or monitoring technical FTEs down to the 0.1 level (~$40-80 million).
   - The IG could make a more accurate quantitative determination, but even the most conservative estimates represent at least tens of millions in wasted resources per year.

2) FCR undermines Line management authority and good governance:
   - Program managers often micromanage work assignments from a distance, in direct violation of NASA's governance model. *He who pays the piper, calls the tune*.
   - Line managers are demoralized because they have been marginalized.
   - FCR makes Matrixed Management unworkable and performance control difficult.

3) FCR prevents our R&T performing organizations from fairly competing with top-notch academic institutions :
   - University faculty are generally asked to recoup only a small portion of their salaries.
   - NASA R&T personnel however are being asked to recoup 100% of their salary from competitive grants, with an effective cap of 20% PI FTE per grant due to total funding limits (i.e., PIs must successfully compete for ~4-5 grants to avoid being partially AFNW).
   - This situation is incompatible with NASA remaining a top-notch R&D organization.

Arguments against FCR (cont'd)

4) FCR effectively creates a $2 billion slush fund of CS technical salary that can be diverted, thus inviting parochial mischief or even flat-out corruption:
   - **SMD:** a former Chief of Staff was convicted of diverting more than $10 million in Earth Science research funds to a third-rate University while dedicated and talented Earth Scientists at Ames, Glenn, Goddard, Langley, and Marshall remain un- or under-funded.
   - **ESMD:** Life Scientists at Ames, Glenn, and Kennedy remain un- or under-funded and long-standing core capabilities and facilities are slowly being destroyed because, ostensibly, of a lack of labor "demand" within the Human Research Program (HRP), yet the Wyle contract for Life Science HRP support at JSC continues to grow dramatically.
   - **ARMD:** ARMD enforces overt outsourcing quotas whereby up to 50% of R&D funds must go to Universities, regardless of merit, despite underfunded in-house expertise.
   - In all cases above, FCR was used to achieve parochial or political goals at the expense of NASA's core capabilities and competencies by diverting funds that should have been used for CS FTEs, in order to cover local contract or academic activities generally associated with the Center that controls the Program funding.

5) FCR creates a hostile work environment, leading to:
   - Decreased morale and productivity among rank-and-file and line managers,
   - Increased difficulty in recruiting and retaining the best workers, and
   - Increased risk of lowering the caliber of technical workforce in the future.

6) FCR does not allow for any Strategic Workforce planning:
   - All hiring under FCR is tactical and responsive only to near-term Program needs.
   - There is no succession planning or investment in NASA's future workforce.

Forward Plan

- There are two ways to move forward to reverse FCR:
  - Plan A (best): In NASA's FY10 Operating Plan, transfer ~$2 billion in technical CS salary funds to a new sub-account in CASP (as was already done to cover HQ and Center management/institutional labor in the conversion to simplified FCR). Plan A requires that Appropriators provide NASA with additional transfer authority in the final FY10 Appropriations Bill.
  - Plan B: Brute-force direction to SMD, ARMD, ESMD, Education, and SOMD that they allocate funds at the beginning of the fiscal year to fully cover all technical CS employees serving these functions for a full year before allocating any other Program resources, consistent with Congressional intent.
- In either case, NASA should establish a true Full-Cost Accounting labor database, independent of payroll, whereby CS employees report biweekly exactly how they allocate their work hours (to each project, to training, to administrative duties, etc.). Unlike FCR, this approach would be responsive to Congressional mandate and would promote good governance.

Plan A – transfer FTE funds to CASP

Eliminating Full-Cost Recovery

			IFPTE Rec. FY10 PB Allocation millions of $		IFPTE Rec. Stimulus Allocation millions of $		Labor Redistribution millions of $		IFPTE FY10 RECAST OpPlan millions of $	FTEs (estimated) FY10 # of people
TOP LINE			**$18,749.9**	+	**$1,002.0**	+	**$0.0**	=	**$19,751.9**	
Science			**$4,562.2**		**$400.0**		**($375.0)**		**$4,587.2**	**2060**
Earth Science			$1,208.0		$310.0		($155.0)		$1,363.0	850
HelioPhysics			$630.8		$10.0		($65.0)		$575.8	356
Planetary Science			$1,458.0		$25.0		($55.0)		$1,428.0	304
Astrophysics			$1,265.4		$25.0		($100.0)		$1,190.4	550
Supercomputing	(SMD's SCAP)				$30.0				$30.0	
Exploration	**Systems**		**$4,057.0**		**$400.0**		**($675.0)**		**$3,782.0**	**3700**
Constellation	Systems		$3,480.0		$325.0		($550.0)		$3,255.0	3015
Advanced	Capabilities		$577.0		$75.0		($125.0)		$527.0	685
Aeronautics	**Research**		**$480.0**		**$150.0**		**($275.0)**		**$355.0**	**1510**
Aviation Safety		(AvSF	$55.0		$25.0		($50.0)		$30.0	275
Airspace Systems		(ASP)	$80.0		$50.0		($35.0)		$95.0	193
Fundamental Aeronautics		(FAP)	$260.0				($150.0)		$110.0	823
Aeronautics Test		(ATP)	$85.0				($40.0)		$45.0	219
Green Aviation		(GAP)			$75.0				$75.0	
Cross-Agency	**Support**	**Program**	**$3,392.5**		**$50.0**		**$1,905.0**		**$5,347.5**	**18,591**
Agency Management and Operations			$950.0						$950.0	1825
Procurement									*$639.8*	
CS Labor									*$310*	
	HQ									*1220*
	ARC									*65*
	DFRC									
	GRC									*65*
	GSFC									*168*
	JSC									*20*
	KSC									*27*
	LaRC									
	MSFC									*114*
	SSC									*8*
Center Management and Operations			$2,115.0				$34.0		$2,149.0	6180
Procurement									*$1,064.9*	
CS Labor (including CoF)									*$1,084.1*	
	ARC								*$346.0*	*490*
	DFRC								*$36.9*	*205*
	GRC								*$104.0*	*620*
	GSFC								*$266.0*	*1485*
	JSC								*$148.0*	*840*
	KSC								*$124.0*	*740*
	LaRC								*$129.0*	*730*
	MSFC								*$169.2*	*940*
	SSC								*$22.0*	*130*
Institutional Investments (procurement)			$260.0		$50.0		($34.0)		$276.0	200
Congressionally directed projects			$87.5						$87.5	
Technical Workforce (CS Labor)							$1,905.0		$1,905.0	10586
	ARC								*$144.0*	*800*
	DFRC								*$63.0*	*350*
	GRC								*$189.0*	*1050*
	GSFC								*$288.0*	*1600*
	JSC								*$450.0*	*2500*
	KSC								*$247.0*	*1375*
	LaRC								*$200.0*	*1110*
	MSFC								*$306.0*	*1700*
	SSC								*$18.0*	*101*
Education			**$150.0**				**($10.0)**		**$140.0**	**55**
Space Operations			**$6,074.7**				**($570.0)**		**$5,504.7**	**3261**
Space	Shuttle*		$3,185.6				($271.0)		$2,914.6	1551
International	Space	Statio	$2,277.0				($206.0)		$2,071.0	1178
Space and Flight	and	Suppx	$612.1				($93.0)		$519.1	532
Inspector	**General**		**$33.5**		**$2.0**				**$35.5**	*in AM&O

The adjacent spreadsheet illustrates how to transfer ~$2 billion in program FTE funds to CASP [using an N2 snapshot from early FY09]. This plan requires action by congress (i.e., appropriate language in the administrative provisions of the FY10 NASA Appropriations).

Program	FTE Funds
SMD	375
ESMD	675
ARMD	275
Education	10
SOMD	570

(in millions of $)

CASP	1905

Center	Budget	FTEs
ARC	*$144*	*800*
DFRC	*$63*	*350*
GRC	*$189*	*1050*
GSFC	*$288*	*1600*
JSC	*$450*	*2500*
KSC	*$247*	*1375*
LaRC	*$200*	*1110*
MSFC	*$306*	*1700*
SSC	*$18*	*101*

Plan B – Direct work/FTEs to Centers

Eliminating Full-Cost Recovery

Program	FTE Funds
SMD	375
ESMD	675
ARMD	275
Education	10
SOMD	570

(in millions of $)

Center	Budget	FTEs
ARC	*$144*	*800*
DFRC	*$63*	*350*
GRC	*$189*	*1050*
GSFC	*$288*	*1600*
JSC	*$450*	*2500*
KSC	*$247*	*1375*
LaRC	*$200*	*1110*
MSFC	*$306*	*1700*
SSC	*$18*	*101*

(in millions of $)

On an interim basis (if Plan A is not possible in FY10), the Administrator could direct the AAs for SMD, ESMD, ARMD, Education, and SOMD to allocate Program funds at the beginning of the fiscal year directly to Centers to fully cover all CS employees supporting these functions based on current complement allowing for some growth. This assignment of funds however **must not** translate into direct workforce control by Program managers (this is contrary to proper matrix governance). Programs would need to negotiate with each Center what work would be performed by controlling the procurement resources that would be provided. This plan does not require Congressional action as long as final Center complements and work assignments are consistent with Congressional direction (easily accomplished).

Why we can't wait

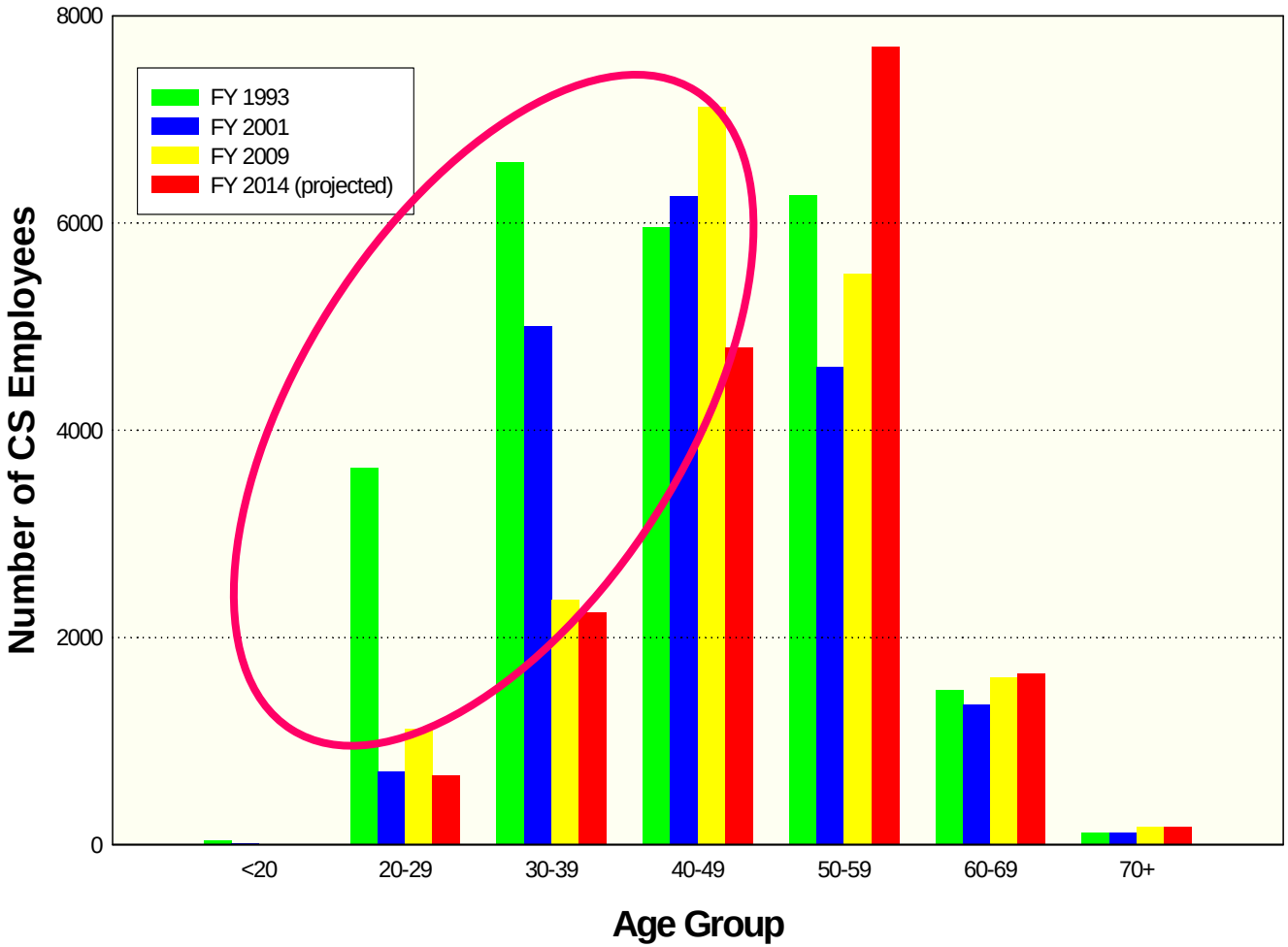
- Waiting until FY2012 (as proposed in your 9/21 briefing) will waste an additional $100M to $200M and will effectively leave the issue unresolved before the end of President Obama's current term.

- NASA's technical workforce is waiting for a sign from the new Administration in its first NASA Operating Plan that the anti-CS hostility has come to an end. Reversing FCR is a litmus test of the new Administration's true intention toward its CS workforce.

- The workforce demographic falls off a cliff in the next 5 years and FCR is preventing any *bone fide* succession planning.

Why we can't wait (cont'd)

Eliminating Full-Cost Recovery



NASA's march off the demographic cliff. (Data from wicn.nssc.nasa.gov/generic.html) Note the oval marking the disappearing cohort of younger employees. This problem needs immediate attention to prevent further damage yet it cannot be remedied under FCR.

Conclusions

- FCR is ill-conceived. It is based on:
  - a false premise (to apply a market-based approach to NASA);
  - an ideological motive (to eliminate as much of the CS workforce as possible);
  - a misguided goal (to maximally outsource NASA functions).

- FCR is a failure. It has not provided any of the promised benefits:
  - FCR does not provide accurate CS labor allocations or measure true demand;
  - FCR has not allowed NASA or Congress to predict or control Program costs; and
  - FCR has not allowed NASA to pass a clean audit.

- FCR is wasteful. It squanders at least tens of millions of dollars a year (perhaps hundreds of millions) and facilitates parochialism and corruption.

- FCR is unnecessary. Better alternatives would save money and would provide the desired legitimate benefits, while protecting NASA's core intellectual capabilities and long-term interests.

- NASA cannot afford to wait until FY2011 or FY2012 to act because the cumulative damage to NASA's technical capabilities and morale is fast approaching a breaking point.