

Buying Consumption-based Solutions

and other FY21 NDAA IT-related legislation

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What is a Consumption-Based Solution?

“Any combination of hardware/equipment, software, and labor/services that together provide a seamless capability that is metered and billed based on actual usage and predetermined pricing per resource unit and that includes the ability to rapidly scale capacity up or down.”

Cloud services



Tractor
as a service

Aerial
reconnaissance



Transportation
on demand



Why this topic?

- IT acquisition legislation: Clinger-Cohen Act of 1996
- IT previously considered an investment; now can be bought as a utility
- Influence from factors such as:
 - Ubiquitous internet access
 - Internet of Things (IoT)
 - Bring Your Own Device (BYOD)
 - Familiarity from consumer-oriented services
 - Commoditization of IT
- Like everyone else, the government will be buying more consumption-based solutions in the future



So what's the problem?

- The *FAR* categorizes all purchases as either *supplies* or *services*
- What about Software as a Service (SaaS)?



THEN: Supply



NOW: Service?

- Service contracting rules: how many people?
- Subscriptions: pay in advance, not arrears
- Utilities: highly regulated

Recommendations

- Revise appropriation law to permit 5% carryover
- Create a new subcategory of services called “consumption-based solutions” in FAR Part 37, Service Contracting
- Regulations, policies, and guidance regarding Service Contracting are not applicable to contracts for consumption-based solutions
- Update the Product Service Code (PSC) data architecture
- Add a new contract type called “fixed-price resource units” to FAR Subpart 16.2.
- Not just for IT: any consumption-based solution

Status of Recommendations

**Recommendations published
(Sec. 809 Panel Report Vol. 3)**

**FY21 NDAA includes Section 834: Pilot
program on the use of consumption-
based solutions to address software-
intensive warfighting capability**

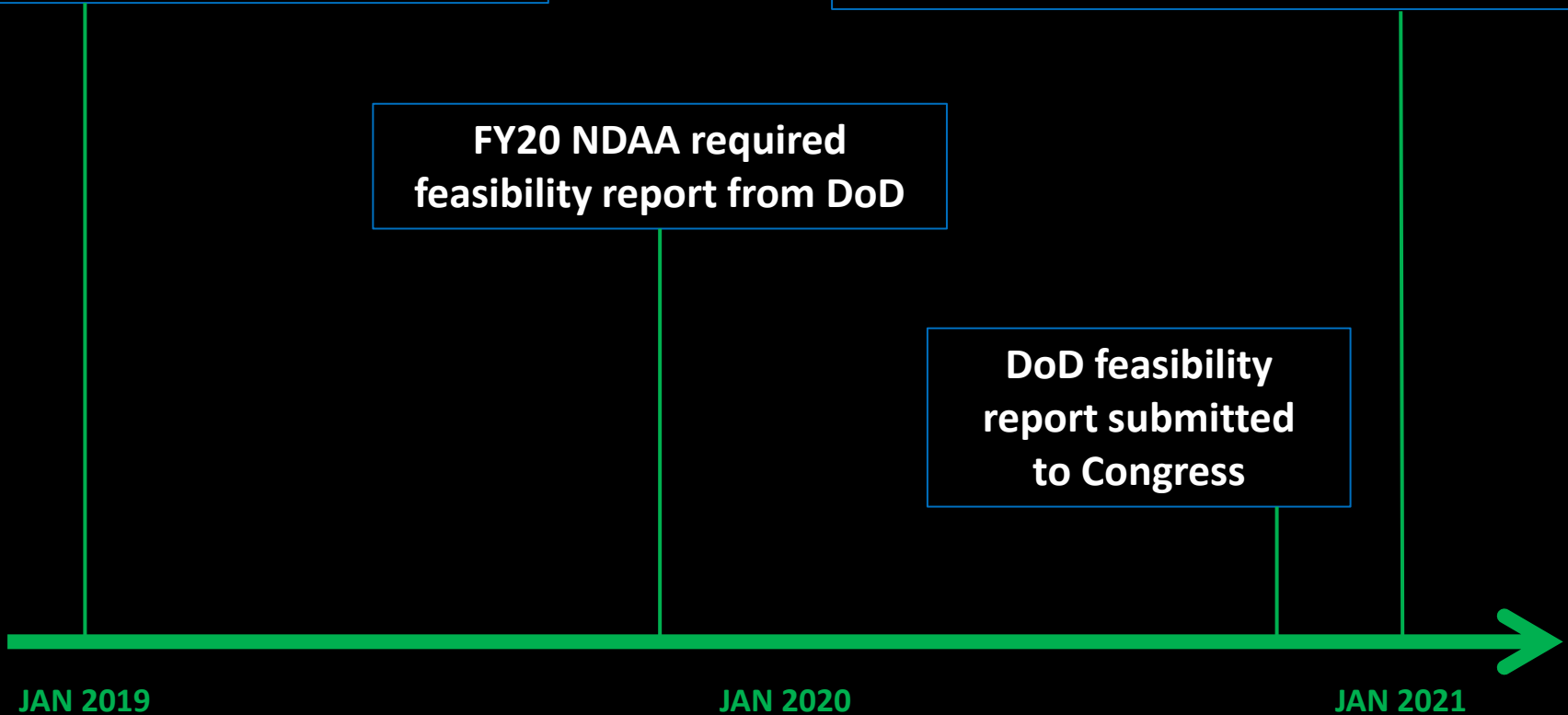
**FY20 NDAA required
feasibility report from DoD**

**DoD feasibility
report submitted
to Congress**

JAN 2019

JAN 2020

JAN 2021



Other FY21 NDAA IT-related Provisions

Sec. 901 – Repeal of DoD Chief Management Officer position

Sec. 241 – Measuring and incentivizing programming proficiency

Sec. 835 – Balancing security and innovation in software development and acquisition

Sec. 837 – Safeguarding defense-sensitive U.S. intellectual property, technology, and other data and information (from government of China)

Sec. 838 – Comptroller General report on implementation of software acquisition reforms

Numerous cybersecurity related provisions, including:

Sec. 1752 - Establish the National Cyber Director to serve as the President's principal cyber advisor

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