January 11, 2006

Dear Colleague:

Enclosed is the Department of Education's report to Congress on its Fiscal Year (FY) 2005 competitive sourcing efforts as required under Section 647(B) of Division F of the Consolidated Appropriations Act, FY 2004, P.L. 108-199. The report was prepared in accordance with OMB Memorandum M-06-01, dated October 7, 2005.

The Department developed a competitive sourcing strategy in FY 2002, and has completed two standard and two streamlined competitions over the last two fiscal years. The performance decision in three of the four competitions favored the most efficient organization proposed by ED employees. As a result of the Department's work during the last three fiscal years, ED is focusing on what it has identified as its major lines of business.

One new competition was announced and completed in FY 2005. The details of the competition are included in the attached worksheets. At this time, the Department is reviewing the activities of approximately 250 FTE for possible competition. However, these reviews have not proceeded sufficiently to determine if any of these activities should be announced for competition in FY 2006. Currently, the Department is focusing attention on the successful implementation of the most efficient organization proposals developed in the standard competitions completed in FY 2004 and FY 2005 and on identifying program delivery activities to compete in FY 2006.

If you need any additional information or wish to discuss this further, please have your staff contact Terrell Halaska at 202-401-0020.

Sincerely,

/s/

Margaret Spellings

Enclosures

#REF!

FY 2005 COMPETITIVE SOURCING ACTIVITIES SUMMARY SHEET

COMPLETED COMPETITIONS

(Dollars in Millions)

Competition Description																		Savings and/or Performance Improvements					
Agency	Bureau	Primary Activity Code	Secondary Activity Code	Additional Activity Code	Description of Activity Competed	Type of Competition	Location (State)	# of FTE in study	# of Bids Received	Start Date (MM/DD/YYYY)	End Date (MM/DD/YYYY)	Expected Phase-In Completion Date (MM/DD/YYYY)	Actual Phase-In Completion Date (MM/DD/YYYY)	Source Selection Strategy Used	Winning Provider	FY 2005 Costs	Total Cost - All Years	Estimated Savings	Period of Est. Savings (Performance Period--in years)	Annualized Savings	Actual Savings(if available)	Saving Methodology: Calculation/Proxy	Quantifiable Description of Improvements in Service or Performance (if appropriate)
STREAMLINED COMPETITIONS																							
Education	OCIO	W601 Information Technology Management	D501 Customer Services		EDSN System Partner Support (Help Desk)	Streamlined competition with MEO	DC	30	N/A	8/5/2005	9/21/2005	10/1/2005	10/1/2005		private sector source (CTR)	0.166	0.166	1.850	3.000	0.617			
SUBTOTAL, STREAMLINED COMPETITIONS								30	0							0.166	0.166	1.850		0.617			
STANDARD COMPETITIONS																							
SUBTOTAL, STANDARD COMPETITIONS								0	0							0.000	0.000	0.000		0.000			
TOTAL, ALL COMPETITIONS								30	0							0.166	0.166	1.850		0.617			

FY 2005 FIXED COSTS* 0.058

**Note: These costs are not competition-specific*

Department of Education

FY 2003 and FY 2004 COMPETITIVE SOURCING ACTIVITIES

SAVINGS & PERFORMANCE UPDATE
(Dollars in Millions)

Agency	Bureau	Function Competed	Type of Competition	Total Estimated Savings (As reported to Congress in past 647 reports)	Total Performance Period (in years)	Actual Phase-In Completion Date (MM/DD/YYYY)	Actual Accrued Savings FY 2002	Actual Accrued Savings FY 2003	Actual Accrued Savings FY 2004	Actual Accrued Savings FY 2005	Total Actual Accrued Savings	Pd Over Which Actual Savings Accrued (In Years)	Savings Methodology:Calculation/ Proxy	Quantifiable Description of Imporvements in Service or Performance (if appropriate)
STREAMLINED COMPETITIONS														
ED	OIG	I420 Financial Audits	Streamlined Competition without MEO	0.756	3	5/1/2005	0.000	0.000	0.000	0.196	0.196	0.5	Calculation	
SUBTOTAL, STREAMLINED COMPETITIONS				0.756							0.196			
STANDARD COMPETITIONS														
ED	OCFO	C312 Payments Issuance Support/Processing	Standard competition	34.209	5	1/1/2005	0.000	0.000	0.292	1.392	1.684	1.4	Calculation	
ED	OM	B700 Personnel Management Specialist	Standard competition	53.009	5	10/1/2004	0.000	0.000	0.000	6.840	6.840	1	Calculation	
SUBTOTAL, STANDARD COMPETITIONS				87.218							8.524			
TOTAL, ALL COMPETITIONS				87.974							8.720			

Attachment

Item 9. The total projected number of Federal Employees that are to be covered by competitions scheduled to be announced in FY 2006.

The Department is currently reviewing an estimated 250 FTE that may be announced for competition later in FY 2006.

Item 10. A general description of how the competitive sourcing decision making processes of the agency are aligned with the agency strategic work plan.

Early in 2002, ED began taking a comprehensive look at its human capital, the activities it was performing, its capabilities, and the potential for future investment in that resource. Concurrently, resources acquired from the public and private commercial sector were quantified in terms of the activities being performed and their capabilities. One result of that effort was a determination that the activities performed by agency employees were in large part commercial. It was also found that gaps and duplication in the knowledge, skills, and abilities existed in both ED's employee base and its support from industry based on feedback from employees themselves and outside constituencies.

As a result of the Department's work during the last three fiscal years to improve its overall performance in delivering on its mission to citizens, including the areas of human capital and competitive sourcing, ED is focusing on what it has identified as its major lines of business.

The Department has recently developed a revised comprehensive enterprise architecture, focused on program delivery to the public. This architecture consists of: (1) aligning programs with the strategic plan; (2) maintaining a workforce with the skills to perform the work of the programs; (3) utilizing systems that support the people and programs; and (4) implementing these solutions in a way that creates the best value for the taxpayer. Strategic investment decisions will be made in the context of this architecture and, where possible, public-private competition will be used to obtain optimum solutions.