DEPARTMENT OF THE AIR FORCE
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OFFICE OF THE ASSISTANT SECRETARY

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MEMORANDUM FOR DISTRIBUTION C, MAJCOM's, FOAs, DRUs

FROM: SAF/AQ
1060 Air Force Pentagon
Washington, DC 20330-1060

SUBJECT: Guidance Memorandum to AFI 63-101: Confidence Level Selection for Air Force Acquisition Programs

This is an Air Force Guidance Memorandum immediately implementing changes to AFI 63-101, *Acquisition and Sustainment Life Cycle Management*. Compliance with this Memorandum is mandatory. To the extent its directions are inconsistent with other Air Force publications, the information herein prevails, in accordance with AFI 33-360, *Publications and Forms Management*.

The Air Force Acquisition Improvement Plan emphasizes the need for more realistic and comprehensive cost estimates for Air Force acquisition programs, and for establishing the budget for any acquisition program at a Confidence Level (CL) sufficient for successful program execution. In addition, the Weapon Systems Acquisition Reform Act of 2009 requires that the Director, Cost Assessment and Program Evaluation, and the directors of DoD Component cost agencies state the confidence level used in establishing the cost estimate for Major Defense Acquisition Programs (MDAPs) and Major Automated Information System (MAIS) programs, the rationale for selecting the confidence level, and, if the confidence level is less than 80 percent, the justification for selecting the lower confidence level.

All Air Force Acquisition Category (ACAT) I and II program cost estimates shall provide decision-makers with a range of potential costs based upon a robust assessment of, and accounting for, cost, technical, and schedule uncertainty for each program. Each cost estimate and associated risk assessment shall be established using approved Air Force cost estimating procedures and shall consider technical, schedule, and programmatic risk assessments from qualified program personnel and independent subject-matter experts in order to produce a cost estimate distribution or, where a distribution cannot be computed, a range of potential program costs.

To establish sufficient program funding, the Milestone Decision Authority (MDA) for an ACAT I or II program shall use the cost estimate distribution to make a deliberate choice of the cost estimate CL for the program. The selection of the appropriate program cost estimate CL is at the discretion of the MDA, however, an ACAT I and II program budget shall not be established at a CL lower than the mean of the program cost estimate distribution (typically 55-65% CL) or, where a distribution cannot be computed, the expected value of the cost estimate.

For Air Force ACAT ID programs, SAF/AQ and SAF/US shall, in concert with SAF/FM, apply this approach in formulating the Service Cost Position.

When selecting a CL, the MDA shall consider program-specific requirements, schedule, and technical maturity issues, as well as interrelationships with other programs and program increments, and any other relevant environmental considerations. The cost estimate CL shall be documented in the Acquisition Decision Memorandum (ADM) and other deliverables/documents as required. The same approach should also be followed for programs below ACAT II.

SAF/AQ and SAF/USA shall work with AF/A8 and SAF/FM to ensure that the Air Force Corporate Structure (AFCS) has clear visibility into the MDA-determined cost estimate CL for all ACAT I and II programs. Any deviation from the funding level specified in the ADM, whether the result of AFCS funding deliberations or events internal and external to the program shall be made visible during each step of the AFCS process and reported to SecAF and CSAF. Additionally, any impacts to Title 10, Section 2366 certification for MDAPs must also be reported to the MDA.

The guidance in this Memorandum becomes void after 180 days have elapsed from the date of this Memorandum, or upon publication of an Interim Change or rewrite of AFI 63-101, whichever is earlier.

DAVID M. VAN BUREN
Acting Assistant Secretary of the Air Force
(Acquisition)

Attachment:
Confidence Level Considerations

Independent Cost Estimates (ICEs) are required for MDAPs and MAIS programs in advance of: (1) MS A, MS B, low rate initial production (LRIP), and full rate production (FRP); (2) Any certification pursuant to sections 2366a, 2366b, or 2433a of title 10, U.S.C.; (3) Any report pursuant to section 2445c of title 10 U.S.C.; and (4) At any time specified by the MDA or the D, CAPE.

- Estimating agencies shall state the confidence level used in establishing the cost estimate. This confidence level statement shall be included in the ADM approving the APB; it will also be included in any other cost estimates for MDAPs or MAIS programs prepared in association with the estimates identified above. For MDAPs, the confidence level statement shall also be included in the next selected acquisition report (SAR) prepared in compliance with section 2432 of title 10 U.S.C., and for MAIS, in the next quarterly report prepared in compliance with section 2445c of title 10 U.S.C.

When recommending or selecting a Confidence Level (CL) for an estimate (MDAP, MAIS, or ACAT II), which will directly affect the program budget, the program team and Milestone Decision Authority (MDA) shall consider a program's requirements, cost and schedule, interfaces or criticality to other programs, and technical and programmatic maturity. Where these considerations are found to be exceptional with respect to acquisition programs in general, they may be used to justify a higher CL estimate for developing a program budget. These considerations shall be used (1) by the program team in formulating a CL recommendation, (2) at the MDA level in determining the appropriate CL for the program and in documenting the rationale for the choice of the CL in the Acquisition Decision Memorandum (ADM), and (3) by the Air Force Corporate Structure (AFCS) in evaluation of program funding. The following list gives examples of possible considerations and shall be augmented with other exceptional aspects of the individual acquisition program that affect the choice of the program's CL.

- Requirements
  - Low level of detail with respect to granularity of requirements (e.g. completeness of the Capability Based Assessment (CBA), system requirements are traceable to operational requirements, degree to which requirements are finite and testable)
  - Incremental strategy in providing capability
  - Prevention of Class A type incidents (Safety Issues)
  - Warfighter requirements vs. business system requirements
  - Air Force specific requirements (importance of joint requirements would need to be accompanied by a funding mandate)
  - Increment delivering multiple Key Performance Parameters (KPPs)
  - Major risk areas from Capabilities Review and Risk Assessment (CRRA)
  - Tier I Weapons Systems
  - Sufficient number of test articles and Test & Evaluation infrastructure for completing the development program

Confidence Level Considerations

- Schedule/Cost
  - Time critical delivery (schedule urgency)
  - Low confidence in quality/completeness of cost estimate
  - Degree to which schedule and cost uncertainties are integrated, and time-phasing of budget
  - Development Test / Production schedule phase concurrency

- Interfaces/Criticality to Other Programs and/or Other Program Increments
  - Several other programs dependent on the program in question (type of program dependencies in a system-of-systems)
  - Foundational increment (e.g. platform)

- Programmatic/Technical
  - Degree to which significant functional groups (e.g. contracting, systems engineering, logistics, T&E, risk management) believe the level of acquisition strategy detail is appropriate
  - Cost type strategy
  - Developmental Planning (Pre Milestone A)
  - Between Milestone A & Milestone B (Technology Development Phase)
  - Post Milestone B
  - Technology Readiness and Manufacturing Readiness Levels are appropriate for Milestone events
  - History of like/similar program execution problems due to risk realization