



**SAF/AQ**

**Should Cost Management (SCM)**

**Guidance and Business Rules**

**October 2014**

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## 1. Background

**1.1. Better Buying Power (BBP).** In response to the 22 May 2009 Public Law 111-23, titled “Weapons Systems Reform Act,” in which it was identified that nearly half of DoD’s 95 Major Defense Acquisition Programs (MDAP) since 2006 experienced critical cost growth, on average, of 40%, Under Secretary of Defense (Acquisition, Technology, and Logistics) (USD(AT&L)), Mr. Ashton Carter, released a memo to acquisition professionals titled *Better Buying Power: Mandate for Restoring Affordability and Productivity in Defense Spending* (BBP) on 28 Jun 2010. In the memo, USD(AT&L) declared it a priority to continually deliver better value to the taxpayer and improve the way the Department does business.<sup>1</sup> Additional departmental guidance has been provided through various USD(AT&L) memos.

An initial outline for how to achieve BBP priorities was signed by USD(AT&L) on 14 Sep 2010, titled *Better Buying Power: Guidance for Obtaining Greater Efficiency and Productivity in Defense Spending*. The guidance contains 23 principle actions organized into five areas: target affordability and control cost growth; incentivize productivity and innovation in industry; promote real competition; improve tradecraft in acquisition services; and reduce non-productive processes and bureaucracy. One principle to target affordability and control cost growth is driving “productivity through Will Cost/Should Cost management.”

**1.2. What is Should Cost (SC) Management (SCM)?** SCM is a strategy for Program Managers (PMs) to “seek out and eliminate, through discrete actions, low-value added ingredients of program cost.”<sup>2</sup> As an element of BBP, SC urges program managers to scrutinize every element of program cost, assess whether each element can be reduced relative to the year before, challenge learning curves, dissect overheads and indirect costs, and target cost reduction with profit incentive – in short, execute to what the program *should cost*.<sup>3</sup>

USD (AT&L) expects that participation in Should Cost will occur at all levels of acquisition management. On 3 Nov 2010, USD(AT&L) directed all ACAT I, II, and III programs to “establish ‘Should Cost’ estimates [...] as they are considered for component [milestone (MS)] decisions.”<sup>4</sup> On 22 Apr 2011, USD(AT&L) released an implementation memo requiring progress reporting on SC Estimates (SCE) at all Defense Acquisition

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<sup>1</sup> Undersecretary of Defense (Acquisition, Technology, & Logistics), *Better Buying Power: Mandate for Restoring Affordability and Productivity in Defense Spending*, June 28, 2010, p.1

<sup>2</sup> Undersecretary of Defense (Acquisition, Technology, & Logistics), *Better Buying Power: Mandate for Restoring Affordability and Productivity in Defense Spending*, June 28, 2010, p.3

<sup>3</sup> Undersecretary of Defense (Acquisition, Technology, & Logistics), *Better Buying Power: Guidance for Obtaining Greater Efficiency and Productivity in Defense Spending*, September 14, 2010, p.3

<sup>4</sup> Undersecretary of Defense (Acquisition, Technology, & Logistics), *Implementation Directive for Better Buying Power – Obtaining Greater Efficiency and Productivity in Defense Spending*, November 03, 2010, p.2

Executive Summary (DAES) reviews.<sup>5</sup>

In support of BBP, the intent of SC is to achieve better value and refine business management practices. The recommendation to use SCM to seek efficiencies and strive for lower life cycle costs has become a centerpiece of the DoD's BBP efforts.

## 2. Purpose

**2.1. Guidance Objectives.** SAF/AQ released a memo on 28 Oct 2013, titled *Implementation of Should-Cost Management*, which compounded previous AF guidance and established expectations for the development and reporting of AF SC initiatives (SCI).<sup>6</sup> The purpose of the 2013 guidance was to provide guidelines for AF PMs to utilize SC as a management tool. This update ensures that PMs, Program Executive Officers (PEOs), and their support staff have a common understanding of SCM terms, processes, roles, and responsibilities. This guidance is applicable for all ACAT I-III programs and focuses specifically on investment funding.

**2.2. Future Guidance Updates.** Although this guidance focuses on ACAT I-III programs and investment funding, SCM is intended to be applied to all activities regardless of ACAT, life cycle phase, or appropriation. Future guidance updates will address operation and maintenance funding, sustainment initiatives, and service support contracts. Until those updates are published, programs are encouraged to "pilot" sustainment SCIs utilizing content agreements instead of the Acquisition Program Baseline (APB). Lessons learned from these pilots will be used to shape future guidance updates.

## 3. Should Cost Management (SCM)

### 3.1. Considerations for Should Cost Management (SCM).

3.1.1. How Should Cost Management (SCM) and Will Cost Management (WCM) differ.

- SCM is a continuous process for programs to scrutinize elements of cost across the life cycle and assess how they can be reduced without unacceptable reductions in value received. SCM should not be considered a one-time only or once a year event.
- WCM is considered business-as-usual management for the PM, which aims to manage the program to the Will Cost Estimate (WCE) or current funding, and execute the program under acceptable levels of technical, schedule, and programmatic risk.

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<sup>5</sup> Undersecretary of Defense (Acquisition, Technology, & Logistics), Implementation of Will-Cost and Should-Cost Management, Memorandum for Acquisition and Logistics Professionals, April 22, 2011

<sup>6</sup> Assistant Secretary of the Air Force, Financial Management and Comptroller (SAF/FM) and Assistant Secretary of the Air Force, Acquisition (SAF/AQ), Implementation of Will-Cost and Should-Cost Management, June 2011; Assistant Secretary of the Air Force, Acquisition (SAF/AQ), Expectations Regarding Should-Cost (SC) Management of Acquisition Programs, March 11, 2013.

- Programs plan to the WCE but should strive to execute what the program should cost.

### 3.1.2. How Should Cost Management (SCM) and Affordability differ.

- SCM establishes SCIs, which are “stretch goals” that identify discrete and measurable initiatives to achieve savings against the WCE. SCM is one method to meet affordability constraints; however, it is not relevant to setting those constraints.
- USD(AT&L) defines affordability as “conducting a program at a cost constrained by the maximum resources the Department can allocate for that capability[...].”<sup>7</sup> Affordability consists of the Milestone Decision Authority (MDA) setting affordability targets and approving trade excursions at/before MS B to understand how key design features affect the target costs. Affordability trades are budget-constrained and program scope may be altered or removed. Affordability is not cost consciousness, cost control, acquisition strategy, based on cost estimates, established by the acquisition community, a cost-benefit analysis of a single program, or soft constraints toward saving some money.<sup>8</sup>

### 3.1.3. How Budget Savings and Cost Avoidance differ.<sup>9</sup>

- SC Savings include both Budget Savings and Cost Avoidance. Externally driven fiscal fluctuations do not equate to SC Savings. SC Savings are derived from SCIs that have a discrete action and distinct strategy.
  - $SC\ Savings = Budget\ Savings (+) Cost\ Avoidance$
  - $SC\ Savings = WCE (-) SCE$
- Budget Savings occur within the execution years and Future Year Defense Plan (FYDP), provide opportunities for reinvestment, and are identified by subtracting the SCE from the President’s Budget (PB).
  - $PB (-) SCE = Budget\ Savings.$
- Cost Avoidances occur throughout the life cycle of the program, do not require reinvestment, and occur either in in the FYDP or post-FYDP.
  - During FYDP, identified by subtracting the PB from the WCE:  
 $WCE (-) PB = Cost\ Avoidance.$
  - Post-FYDP year(s), identified by subtracting the SCE from the WCE:

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<sup>7</sup> Undersecretary of Defense (Acquisition, Technology, & Logistics), Better Buying Power: Mandate for Restoring Affordability and Productivity in Defense Spending, June 28, 2010, p.2

<sup>8</sup> Ohlandt, Chad J.R., Dispelling the Myths of DoD’s Affordability Policy, Defense AT&L Special BBP 2.0 Issue, September-October 2013. p.2

<sup>9</sup> Image #2 – SC Savings

WCE (-) SCE = Cost Avoidance.

3.1.4. Other Considerations for Should Cost Management (SCM).

- SCM applies to all aspects of programs. FMS programs are encouraged to use CCaRS to document and report SCM.
- The CCaRS database is the authoritative source for Air Force SCM. PMs are required to incorporate SCM philosophy into their program execution and utilize CCaRS to manage SCIs.
- DoD officials recognize SCIs may not always be successful but expect a strong effort to achieve them. SCIs that are not successful provide valuable insight for other programs and development of new initiatives.
- Program cancellation, rephrasing, and/or descoping are not valid SCIs.
- Programs operating under Firm Fixed Price (FFP) contracts should consider re-opening FFP contracts only when there is a clear benefit. Programs with FFP contracts should explore opportunities such as Other Government Costs (OGC) and sustainment efforts to develop SCIs.
- OSD has identified the following as ingredients of successful SCM:
  - Scrutinize each contributing ingredient of program cost and justify it. Why is it as reported or negotiated? What reasonable measures might reduce it?
  - Challenge the basis for indirect costs in contractor proposals.
  - Track recent program cost, schedule, and performance trends and identify ways to reverse negative trend(s).
  - Benchmark against similar DoD programs and commercial analogues (where possible), and against other programs performed by the same contractor or in the same facilities.
  - Promote Supply Chain Management to encourage competition and incentivize cost performance at lower tiers.
  - Reconstruct the program (government and contractor) team to be more streamlined and efficient.
  - Identify opportunities to breakout Government-Furnished Equipment versus prime contractor-provided items.
  - Identify items or services contracted through a second or third party vehicle. Eliminate unnecessary pass-through costs by considering other contracting options.

- In the area of Test and Evaluation (T&E):
  - Take full advantage of integrated Developmental and Operational Testing to reduce overall cost of testing;
  - Integrate modeling and simulation into the test construct to reduce overall costs and ensure optimal use of National test facilities and ranges.
- Identify an alternative technology/material that can potentially reduce development or life cycle costs for a program. Ensure the prime product contract includes the development of this technology/material at the right time.<sup>10</sup>

### **3.2. Should Cost Initiative (SCI) Development.**

3.2.1. A SCI should be a discrete action with a distinct strategy. PMs are responsible for developing SCIs. PMs should leverage an Integrated Product Team (IPT) or functional experts (including program management, engineering, financial management, contracting, and logistics), the requirements office, other programs performed by the same contractor or in the same facilities, and prime contractor to develop SCIs. They can seek assistance from outside organizations as well.

3.2.2. Continuous SCM creates a culture of analysis, development, and monitoring.

- Analyze program costs using functional, domain, and process expertise to identify areas where value can be achieved at lower costs while mitigating risk. Three strategies have been identified to analyze program costs.
  - Conduct a bottoms-up estimate, which will provide a detailed analysis.
  - Identify reductions from WCE in the form of actionable items.
  - Explore competitive contracting and contract negotiations to identify opportunities for saving.
- Develop candidate initiatives by identifying target areas of interest.
- Prioritize and select initiatives consistent with program scope, balanced requirements, funding and schedule.
- Develop courses of action to implement management strategies and infrastructure, including milestones for achievement.
- Implement and monitor the strategy, ensuring records are maintained in CCaRS that trace actions to outcomes.

### **3.3. PEO Should Cost Initiative (SCI) Validation and Approval.** Prior to approving the SCI

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<sup>10</sup> Undersecretary of Defense (Acquisition, Technology, & Logistics), Implementation of Will-Cost and Should-Cost Management, Memorandum for Acquisition and Logistics Professionals, April 22, 2011.

in CCaRS, the PEO should ensure that each SCI is valid according to the following criteria.

- Is the SCI achievable and realistic?
- Does the SCI seek to achieve better value or refine business management practices?
- Does the title describe the action/s?
- Is the description clear and complete?
  - Does the description contain a Plan of Action?
  - Does the description contain Milestones for Achievement?
- Is the Projected Realization Date reasonable?
- Does the SCI utilize the most recent WCE and PB positions?
- Are the Projected Savings reasonable?
- Is the Reinvestment Plan appropriate?

**3.4. Should Cost Initiative (SCI) Execution.**<sup>11</sup> PMs are responsible for the execution of the SCI; however, PMs are encouraged to involve all members of their program staff in the execution phase. It is pivotal that SCI actions and outcomes are documented in CCaRS; this ensures that future PMs understand historical efforts and AF and DoD leadership understand the strategies and efforts applied. As soon as the execution of an SCI is complete, the SCI should be closed in CCaRS.

**3.5. PEO Quarterly Should Cost Initiative (SCI) Review.** PEOs will review SCIs according to the following criteria not less than each quarter.

3.5.1. Open initiatives with a projected realization date in the upcoming quarter:

- Has execution occurred as planned?
- Does the projected realization date require revision?
- Is the description clear and complete?
- Does the budget need to be revised?
- Does the reinvestment plan need to be revised?

3.5.2. Initiatives that closed in the previous quarter or that are overdue:

- Are actions and outcomes described in the result details section of CCaRS?
- Have all realized Budget Savings been recommended for reinvestment in CCaRS?
- Should the overdue SCI be closed or should the projected realization date be revised?

**3.6. PEO Annual Should Cost Initiative (SCI) Update.** No later than 45 days after the end of the Fiscal Year (FY), PEOs will ensure open SCIs are updated in CCaRS according to

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<sup>11</sup> Image #1 – SCI Life Cycle

the following criteria.

3.6.1. Have all SCIs with projected realization dates in the previous FY been closed or revised in CCaRS?

3.6.2. Do all programs within the PEO's portfolio have open initiatives or approved waivers for the new FY?

**3.7. Should Cost Initiative (SCI) Closure.**<sup>12</sup> PMs are responsible for timely and accurate closure of SCIs in CCaRS, to include a detailed record of actions taken and associated outcomes. Initiatives should be closed in CCaRS as soon as the actions have been completed and documented as successful or unsuccessful. When input of required information is completed in CCaRS, the SCI will be routed to the PEO for review and approval before it can be reported as closed. Prior to approving closure of the SCI in CCaRS, the PEO should ensure that each SCI is complete according to the following criteria.

- Are the result details clear and complete?
  - Do the result details contain descriptions of each action and outcome?
  - Do the result details describe reasons for success or failure?
  - Are result details sufficient to allow for duplication of strategies?
  - Do the SC Savings (Cost Avoidance and/or Budget Savings) reflect the current WCE and PB positions?
- Has the Reinvestment Plan been updated?

**3.8. Reporting.**

3.8.1. All ACAT I-III programs are required to report on their SCM, to include at least one open SCI or an approved waiver.

3.8.2. CCaRS and Executive CCaRS are the authoritative data sources for AF SCM. Initiatives and savings must be documented in CCaRS; reports will be extracted from Executive CCaRS. The Service Acquisition Executive's (SAE) intent is to leverage Executive CCaRS to minimize additional reporting at the PM and PEO levels.

3.8.3. The occasions for SC reporting are Milestone Reviews, DAES reviews, DAB reviews, Spring Program Review (SPR), quarterly reports to the SAE, and quarterly OSD Business Senior Integration Group (BSIG) reviews.

- At Milestone A, B, and C Reviews, the PM will present SCIs and should be prepared to present projected and realized SC Savings.
- Selected PMs and PEOs will report SCIs at DAES reviews. PMs will include in their

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<sup>12</sup> Image #1 – SCI Life Cycle

presentations Plans of Action and Milestones for major SCIs along with projected and realized SC Savings by FY.

- Selected PMs and PEOs will report SCIs exported from CCaRS during the SPR.
- SAF/AQXRR will provide a quarterly report to the SAE exported from CCaRS.
- SAF/AQXRR will compile reports using SC data exported from CCaRS.

3.8.4. At a minimum, PMs and PEOs should be prepared to address the following aspects of their SCM.

- Open initiatives, including projected SC Savings, plans of action, milestones for achievement, and their reinvestment plan.
- Closed initiatives, including actions taken and associated outcomes, realized SC Savings, and their reinvestment report.
- Realized and projected SC Savings by FY, across the FYDP, and post-FYDP.
- Examples of successful and/or unsuccessful initiatives, including actions taken and associated outcomes as well as personnel involved.

### **3.9. Reinvestment.**

3.9.1. Budget Savings generated through SCIs will be reinvested. The SAE has final discretion for reinvestment of all out-of scope Budget Savings; however, PEO recommendations will be considered by the SAE.

3.9.2. Reinvestment recommendations will be provided in CCaRS through the “Reinvestment Category” data field.

- PMs will provide recommendations to PEOs for the reinvestment of Budget Savings.
- In-scope program reinvestments are approved by the PEO. By approving the program reinvestment, the PEO attests that the program is not utilizing the savings to alter the program’s scope.
- PEOs will provide recommendations to the SAE for out-of-scope program reinvestment.
- Out-of-scope program reinvestments are reviewed/approved by the SAE.
  - SAF/AQXRR will provide a quarterly report to the SAE, highlighting out-of-scope reinvestment recommendations for SAE review/approval.
  - When the SAE determines how the savings will be reinvested, SAF/AQXRR will notify the PEO.
  - PMs and PEOs will utilize existing Below Threshold Reprogramming (BTR) and Above Threshold Reprogramming (ATR) processes to redistribute funds.

- If the SAE does not approve the PEO recommendation, the PM will amend CCaRS to reflect the SAE-directed reinvestment.

3.9.3. To avoid duplication, the PM owning the requirement and funding will manage CCaRS entries. Offices that assist other programs through the establishment of enterprise ordering agreements or other execution vehicles may brief those activities at relevant reviews. The requirement/funds owner is encouraged to reference the support of other offices in the CCaRS SCI description.

3.9.4. The PM will notify the Major Command (MAJCOM) and/or Core Function Lead (CFL) A-8 office when any Budget Savings that affect non-execution years within the FYDP are realized.

### **3.10. Waivers.**

3.10.1. The SAE is the approval authority for all SC waivers. PMs may submit a waiver request for their program to their PEO. If the PEO concurs, the PEO will submit a waiver request to SAF/AQXRR.

3.10.2. The following inputs are required in the PEO's waiver request:

- Memorandum for Record template
- Funding profile template
- Explanation with supporting rationale
- Proposed expiration date
- PEO's POC
- PEO signature

3.10.3. All waiver requests should be sent to SAF/AQXRR workflow ([usaf.pentagon.saf-aq.mbx.saf-aqxrr-workflow@mail.mil](mailto:usaf.pentagon.saf-aq.mbx.saf-aqxrr-workflow@mail.mil)). Title the e-mail "SC Waiver Request for [*insert program name*] Program." The SAF/AQXRR team will review all requests, resolve any questions/concerns, and route the package to SAF/AQ for approval.

3.10.4. SAF/AQXRR will send waiver notifications to the PEO's Point of Contact (POC). The PEO or delegated personnel will be responsible to upload all documents including the approved waiver into CCaRS and update the radial button to show "Approved Waiver."

3.10.5. For reporting purposes, waivers will not be considered approved until CCaRS reflects an SAE approved waiver.

3.10.6. SAF/AQXRR will maintain a repository of approved waivers.

## **4. Roles and Responsibilities**

### **4.1. Program Manager (PM)**

- 4.1.1. Responsible for the program's SCIs.
- 4.1.2. Utilize an IPT or functional experts to develop and execute SCIs.
- 4.1.3. Enter SCI data in CCaRS and route SCI(s) to the PEO for approval.
- 4.1.4. Track and update SCI(s) in CCaRS.
- 4.1.5. Notify the PEO when SCIs are completed and SC Savings have been achieved.

### **4.2. Program Executive Officer (PEO)**

- 4.2.1. Validate and approve SCIs in CCaRS.
- 4.2.2. Ensure SCIs are clearly and accurately documented.
- 4.2.3. Conduct Quarterly SCIs Reviews.
- 4.2.4. Conduct Annual SCI Update.
- 4.2.5. Responsible for all SCIs and savings within their portfolio.
- 4.2.6. Review, approve, and close completed SCIs including in-scope reinvestments.
- 4.2.7. Provide recommendations to SAE for out-of-scope reinvestment.
- 4.2.8. Submit SC waiver requests to the SAE through SAF/AQXRR.

### **4.3. Center Staffs**

- 4.3.1. Provide Subject Matter Experts (SME) to advise PMs and PEO staff.
- 4.3.2. Collect Best Practices and Lessons Learned.

### **4.4. Secretary of the Air Force, Acquisition Integration (SAF/AQX)**

- 4.4.1. Provide SC data to USAF and OSD leadership.
- 4.4.2. Act as the HAF point of contact for SC policy, procedure, and reporting.
- 4.4.3. Serve as the AF focal point for SC best practices and lessons learned.
- 4.4.4. Conduct periodic assessment of SC data.

## 5. Additional Resources

### 5.1. Graphics

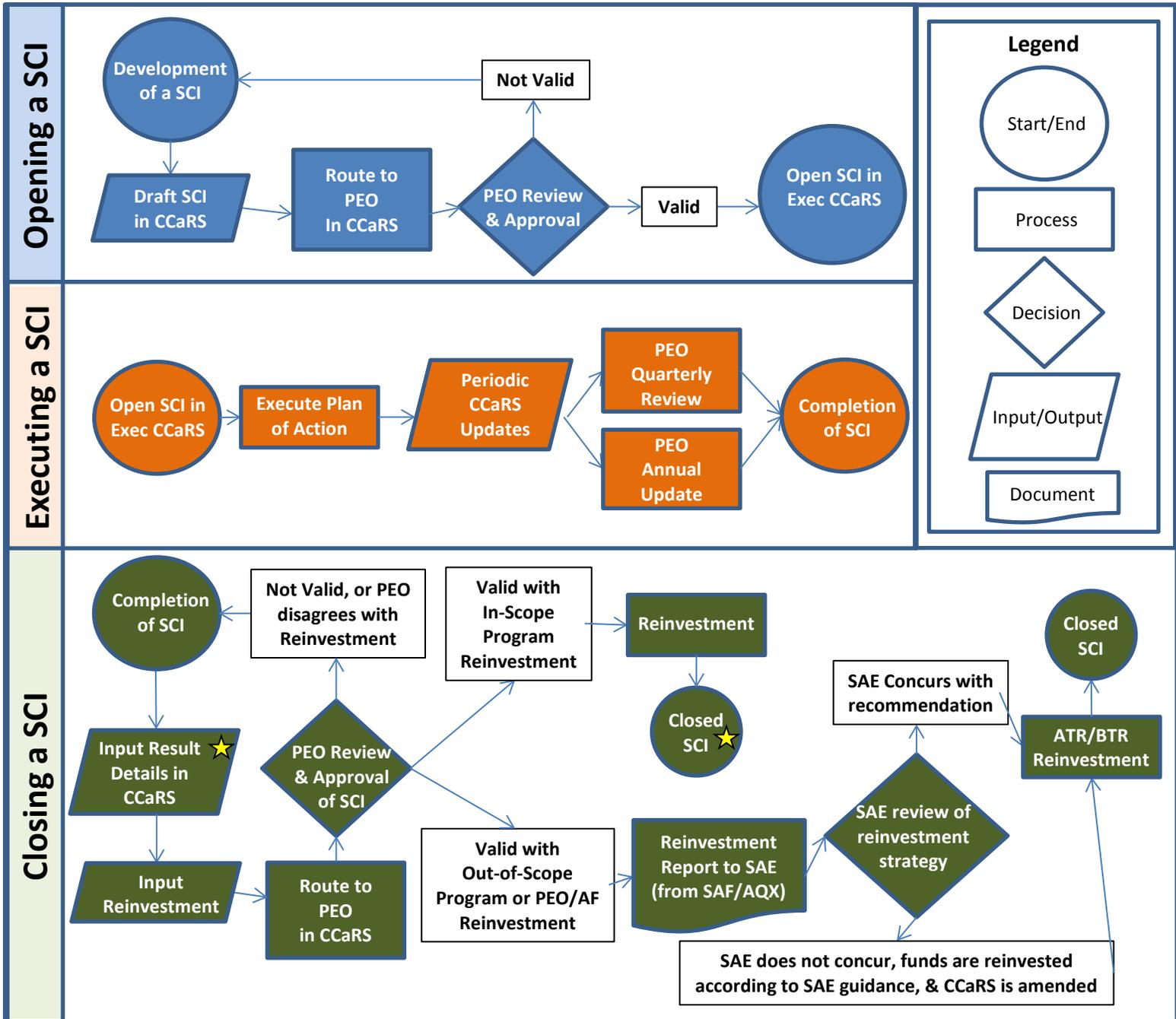


Image #1 – SCI Life Cycle

★ If a SCI does not realize savings, enter result details and route the SCI to the PEO for review & approval to achieve a closed SCI.

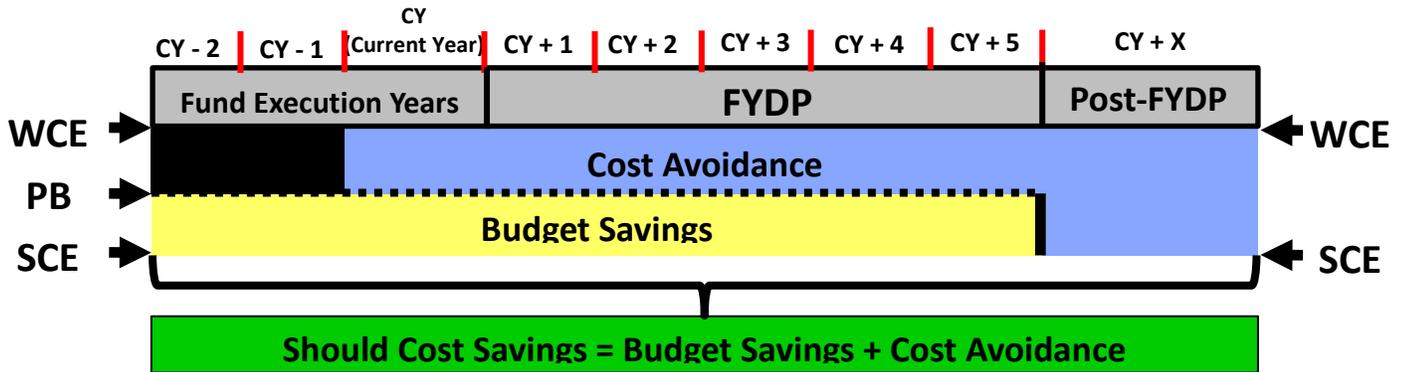


Image #2 – SC Savings

## 5.2. Points of Contact (POC).

5.2.1. Inquiries regarding SCM should first be directed to Center level SC POCs.

- AFLCMC/AQP workflow – [asc.aqm@us.af.mil](mailto:asc.aqm@us.af.mil)
- SMC POC – Mr. John Karns - [John.Karns.5@us.af.mil](mailto:John.Karns.5@us.af.mil)

5.2.2. If additional assistance is required, direct inquiries to the SAF/AQXRR workflow: [usaf.pentagon.saf-aq.mbx.saf-aqxrr-workflow@mail.mil](mailto:usaf.pentagon.saf-aq.mbx.saf-aqxrr-workflow@mail.mil)

5.2.3. PMs should leverage the DAU SC repository of best practices:

<https://dap.dau.mil/apl/Pages/Default.aspx>

5.2.4. Web CCRS Should-Cost Guidebook: [https://cs3.eis.af.mil/sites/OO-FM-MJ-43/AFKN\\_Docs/Acquisition%20Guidance/Web%20CCaR%20Should%20Cost%20Guidebook%20V1%200%20-%202019%20June%202013.pdf](https://cs3.eis.af.mil/sites/OO-FM-MJ-43/AFKN_Docs/Acquisition%20Guidance/Web%20CCaR%20Should%20Cost%20Guidebook%20V1%200%20-%202019%20June%202013.pdf)

5.2.5. Air Force SC repository: <https://www.my.af.mil/gess-af/USAF/ep/browse.do?programId=t0ECF2BB845754CE6014598CD38BD0375&channelPageId=s6925EC13430A0FB5E044080020E329A9>

## Appendix I – Definitions

**Affordability:** determination of what the AF is willing to pay for a requirement. For the purposes of SC, the establishment of cost and performance targets, such as the Average Procurement Unit Cost (APUC) and the Program Acquisition Unit Cost (PAUC), to determine cost ceilings. Occurs prior to and including Milestone B. Affordability and SCM are conducted concurrently between MS A and MS B. Affordability is considered a function of the Headquarters Air Force (HAF) and Core Function Lead (CFL) programming process. Affordability decisions may not be reported as SC Savings.

**Budget Savings:** savings against the program budget from a Closed SCI in current and FYDP years; equivalent to PB (-) SCE.

**Closed Initiative:** a SCI that requires no further action and has been closed in CCaRS. The criteria for a closed initiative includes CCaRS data that provides detailed results, including actions taken and associated outcomes, a determination of whether the initiative was successful or unsuccessful, the amount of realized savings, and an approved reinvestment report.

**Cost Avoidance:** the unfunded portion of the SC Savings against the official WCE that were mitigated through a SCI. WCE (-) PB for FYDP year/s; WCE (-) SCE for post-FYDP year/s.

**Development of an Initiative:** the process by which a Program Manager and/or an Integrated Product Team (IPT) conducts an analysis of cost elements comprising the WCE and PB, challenges underlying assumptions, and evaluates business practices and cost drivers to determine what opportunities exist to achieve savings through an alternative management strategy.

**Execution:** the period in which the strategies identified by the initiative are conducted, whether a one-time event such as a contract award or a periodized strategy such as reduction of annual testing requirements. Execution must have a reasonably foreseeable point of closure. For multi-year initiatives, the execution periods must be separated into multiple initiatives by FY (i.e. contract negotiation FY15, contract negotiations FY16, etc.).

**In-scope:** program requirements defined at the most recent Milestone decision documentation and/or ADM. Requirements may be modified by the MDA or Department's PB position.

**Open Initiative:** a SCI that has been approved by the PEO in CCaRS and is being executed.

**Out-of-scope:** program requirements that are not included in the most recent Milestone decision documentation and/or ADM.

**Planned Initiative:** a SCI that is not yet approved in CCaRS. Planned initiatives will not be included in AF reports until they are PEO approved in CCaRS and become Open Initiatives.

**Projected Savings:** WCE (-) SCE; reasonably predictable SC Savings related to an Open SCI; synonymous with Projected SC Savings; can be Budget Savings or Cost Avoidance.

**Realization Date:** for Open Initiatives, the projected closure date for an initiative, indicating when the execution period will be complete and results will be known. For Closed Initiatives, the date that the initiative was completed and closed in CCaRS, indicating that the execution period ended.

**Realized Savings:** reductions in actual costs (outlays), signed contract value, or President's Budget (PB) position resulting from a specific SCI, compared to the WCE. WCE (-) Realized Cost; synonymous with SC Savings from a Closed SCI.

**Reinvestment Plan/Report:** prior to realization referred to as a Reinvestment Plan, which describes the PM's recommendation to the PEO for reallocation of Budget Savings, including projected Budget Savings, appropriation, and the proposed recipient (Program, PEO, AF). After realization, referred to as Reinvestment Report, which describes the actions taken on the realized Budget Savings.

**Rephasing:** for the purposes of SC, rephasing of a program that requires revised schedule and cost estimates. The difference between the previous estimate and the new estimate are not considered valid SC Savings.

**SC Estimate (SCE):** the estimated cost of a program based on the projected effects of one or more SCIs on program costs, utilizing realistic technical and schedule baselines, and assuming success-oriented outcomes from implementation of efficiencies, lessons learned, or best practices. Utilized as the estimate floor to account for SC Savings.

**SC Initiative (SCI):** a discrete action with a distinct strategy, which includes a Plan of Action and Milestones for Achievement, to reduce programmatic cost without unacceptable reduction in value received. SCIs do not include actions required for Affordability or rephasing. If a SCI occurs over multiple years, then SCIs should be entered into CCaRS for each fiscal year.

**SC Savings:** the reduction in funding as a result of the implementation of a SCI.  $SC\ Savings = WCE (-) SCE$ ;  $SC\ Savings = Budget\ Savings (+) Cost\ Avoidance$ ; can be Projected or Realized.

**Successful:** a Closed SCI that realized some or all of the projected savings.

**Unsuccessful:** a Closed SCI that did not realize any savings.

**Validation:** PMs and PEOs ensure each SCI meets the criteria in section 3.3. Validation will be performed by the PEO. By approving the SCI, the PEO is attesting to the validity of the SCI.

**Will Cost Estimate (WCE):** reflects the MDA approved cost estimate. Examples include establishment of initial APB at Milestone B or at times where other factors drive APB updates. If annual estimates drive a significant change reflecting the “true state” of a program that is not yet captured in an APB change, the MDA may also direct the WCE be changed. It is important to note, that it is not the intent of this guidance to direct annual WCE updates. The Should Cost Business Rules do not supersede guidance in AFPD 65-5.

## Appendix II – Acronyms

<b>ADM</b> – Acquisition Decision Memorandum	synonymously with PEO delegated staff
<b>AF</b> – Air Force	<b>PM</b> – Program Manager, used synonymously with PM delegated staff
<b>AFLCMC</b> – Air Force Life Cycle Management Center	<b>POAM</b> – Plan of Action and Milestones
<b>AFMC</b> – Air Force Materiel Command	<b>POE</b> – Program Office Estimate
<b>BA</b> – Budget Authority	<b>SAE</b> – Service Acquisition Executive
<b>CAE</b> – Component Acquisition Executive	<b>SAF/AQ</b> – Assistant Secretary of the Air Force for Acquisition
<b>CCaRS</b> – Comprehensive Cost and Requirement System	<b>SAF/AQXRR</b> – Acquisition Integration, Reviews and Reports Branch, Office of the Assistant Secretary of the Air Force for Acquisition
<b>CFL</b> – Core Function Lead	<b>SC</b> – Should Cost
<b>CI</b> – Cost Initiative	<b>SCE</b> – Should Cost Estimate
<b>DAB</b> – Defense Acquisition Board	<b>SCI</b> – Should Cost Initiative
<b>DAES</b> – Defense Acquisition Executive Summary	<b>SCM</b> – Should Cost Management
<b>DAU</b> – Defense Acquisition University	<b>SCP</b> – Service Cost Position
<b>FMS</b> – Foreign Military Sales	<b>SMC</b> – Space and Missiles System Center
<b>FY</b> – Fiscal Year	<b>SME</b> – Subject Matter Expert
<b>FYDP</b> – Future Year Defense Plan	<b>WC</b> – Will Cost
<b>HAF</b> – Headquarters Air Force	<b>WCE</b> – Will Cost Estimate
<b>ICE</b> – Independent Cost Estimate	<b>WCM</b> – Will Cost Management
<b>MAIS</b> – Major Automated Information System	
<b>MAJCOM</b> – Major Command	
<b>MDA</b> – Milestone Decision Authority	
<b>MDAP</b> – Major Defense Acquisition Program	
<b>NACA</b> – Non-Advocate Cost Assessment	
<b>OSD</b> – Office of the Secretary of Defense	
<b>PB</b> – President’s Budget	
<b>PE</b> – Program Element	
<b>PEO</b> – Program Executive Office/r; used	