THE UNDER SECRETARY OF DEFENSE
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ACQUISITION,
TECHNOLOGY
AND LOGISTICS

JUL 17 2007

MEMORANDUM FOR: SEE DISTRIBUTION

SUBJECT: Acquisition Program Baselines (APBs) for Major Defense Acquisition Programs (MDAPs)

The APB is an important document for program management and should reflect the approved program being executed. Pursuant to title 10, United States Code, section 2435, an APB is required to be established for each MDAP. The purpose of this memorandum is to provide guidance on the circumstances that authorize an adjustment or revision to the baseline estimate or other parameters of an APB.

The original baseline description (original APB) is the first APB prepared prior to the program entering system development and demonstration (Milestone B), or at program initiation, whichever occurs later. The original APB also serves as the current baseline description (current APB) until a revised APB is prepared at a milestone or full rate production decision. The original baseline estimate (i.e., the cost estimate parameter of the original APB) may be revised under section 2435 only if a breach occurs that exceeds the critical cost growth threshold for the program under title 10, United States Code, section 2433 ("Nunn-McCurdy"). The "critical" cost growth threshold, as it relates to the original APB, is defined in section 2433 to be an increase of at least 50 percent over the original Program Acquisition Unit Cost (PAUC) or the original Average Procurement Unit Cost (APUC) for the program. The "critical" cost growth threshold, as it relates to the current APB, is defined in section 2433 to be an increase of at least 25 percent over the current PAUC or APUC for the MDAP.

The current APB shall be revised at milestone decisions and at full rate production. Revising APBs at milestone decisions and at full rate production serves to highlight cost and schedule deviations during the current phase of the MDAP, thereby enabling actions that may prevent more serious deviations. Based on the language in section 2435 and the legislative history accompanying recent changes to this section, the circumstances authorizing changes to the current baseline estimate are limited. A revision to the current baseline estimate or to the other APB parameters is not automatically authorized if there is a change to cost, schedule, or performance. Current APBs may be revised only as a result of major program restructures that are fully funded and approved by the Milestone Decision Authority (MDA) or as a result of program deviations (breaches), if the breach is primarily the result of external causes beyond the

control of the program manager. However, multiple revisions to the current APB will not be authorized, and in no event will a revision to the current APB be authorized if it is proposed merely to avoid a reportable breach. The determination of whether to revise the APB will be made by the MDA.

For all program deviations (cost, schedule, and performance), the program manager shall immediately notify the MDA of the deviation. Within 30 days of the occurrence of the deviation, the program manager will inform the MDA of the reason for the deviation and planned actions. Within 90 days of the occurrence of the program deviation, (1) a revised APB shall be submitted for approval (changing only those parameters that have breached), or (2) an Overarching Integrated Product Team or equivalent Component-level review shall be held to review the program. The MDA will decide based on the above criteria whether it is appropriate to approve a revision to the APB. In the case of program deviations that are "critical" Nunn-McCurdy unit cost breaches, both the current and original APBs shall be revised to form a single "new original" APB that reflects the Nunn-McCurdy certification approved by the MDA. For "significant" Nunn-McCurdy breaches to the current APB, only the current APB shall be revised. The "significant" cost growth threshold, as it relates to the current APB, is defined in section 2433 to be an increase of at least 15 percent over the PAUC or APUC for the MDAP.

This policy revises existing APB policy, is effective immediately, and shall remain in effect until rescinded or amended or included in the next update to DoDI 5000.2, "Operation of the Defense Acquisition System." Exceptions to this policy shall be approved by the USD(AT&L). My point of contact is Ms. Mona Lush at 703-697-0476 or Mona.lush@osd.mil.

Kenneth J. Krieg

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