

# Mobilizing Capital Investment to Modernize Government

In an environment of public sector resource constraints, opportunities to leverage private sector investment, technology, and expertise become critical. This report identifies strategies for Federal agencies on how to incentivize private sector capital investment. The authors discuss options and recommendations for revising budget and acquisition processes that have tended to limit systematic engagement with industry around investment and to discourage longer-term capital planning by government. For example, one option is to develop a centralized evidence base for future initiatives to develop standard budget and procurement models and develop, acquire, and deploy private technology, expertise, and capital for federal systems, including shared solutions.



## Budget Reform Ideas

**Capital Revolving Funds.** A federal capital revolving fund could be established with a one-time mandatory capitalization to capture and reuse administrative savings from systems investments.



**Crediting Investments with Expected Positive Returns.** Where savings have been demonstrated in the form of future efficiencies or enhanced revenues, these future savings can be recorded as offsets to the upfront expenditure and reflected in a smaller appropriations requirement.



**Shared Investment in Technology Joint Ventures.** The federal government could be an equity partner with advanced technology firms to develop and apply commercial technology solutions, sharing in returns in the form of public use and/or cash dividends.



**Review Current Budget Scorekeeping Rules for Capital Projects.** This would determine the best way to account for expected budget savings from systems investments as a result of operating efficiencies, improved customer service, and offsetting collections or revenues.



**Review Current Budget Concepts.** Their application to capital projects and other public investments could help craft recommendations to improve budget decision making. This might encourage private investors to support a multiyear capital planning, budgeting, and investment process for use by executive agencies.

## Acquisition Innovation Ideas

**Explore Using Share-in-Savings Contracts.** Cost-type incentive contracts attract private sector participation in procurements when the government cannot adequately define requirements to enable a precise estimate of total costs. Incentive contracts can provide a middle ground where the risks are shared proportionately. Additionally, SiS could be permanently authorized and broadened beyond IT to administrative systems or other areas where a savings or revenue pool could be generated to pay a contractor for its services.



**Promote More Use of Other Transaction Authorities (OTA) in Those Agencies Who Have the Authority.** Presently, 11 federal agencies and sub-agencies have OTAs with the expanded definition of prototype to now include “physical or virtual models used to evaluate the technical or manufacturing feasibility or military utility of a particular technology or process, concept, end item, or system.”



**Expand the Use of Public Private Partnerships.** Successful PPP arrangements have three common characteristics, 1) they are typically longer-term agreements with a statutory guarantee of support regardless changes in political leadership; 2) a “partnership” means both parties share risk so profits may be higher than in traditional contracting arrangements; and 3) federal agencies can mitigate some risk by including state governments, where practical, in PPP arrangements.



**Expand OTAs to All Civilian Agencies.** Develop a legislative proposal to permanently authorize OTA across the civilian sector. Such an expansion would have to ensure that new applications are well defined beyond the current scope of OTAs for innovation, research, and similar activities; and that protections are added to ensure that agencies do not misuse the authority in cases where traditional procurement methods are appropriate.



**Review Existing Procurement Laws, Regulations, and Policies.** Review in both civilian and defense agencies, to identify laws and regulations that could be changed to better accommodate the appropriate use of private investment in the public sector.



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