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H. R. 719

To require Federal agencies to apply value engineering, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 27, 1995

Mrs. COLLINS of Illinois (for herself, Mr. McHUGH, and Mrs. MALONEY) introduced the following bill; which was referred to the Committee on Government Reform and Oversight

A BILL

To require Federal agencies to apply value engineering, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Systematic Application
5 of Value Engineering Act of 1995”.

6 **SEC. 2. VALUE ENGINEERING REQUIREMENTS FOR FED-**
7 **ERAL AGENCIES.**

8 (a) IN GENERAL.—Federal agencies shall apply value
9 engineering consistent with subsection (b)(2) to, at a mini-
10 mum, identify and implement opportunities to reduce cap-

1 ital and operation costs and improve and maintain opti-
2 mum quality of construction, administrative, program, ac-
3 quisition, and grant projects. The head of each Federal
4 agency shall require senior management personnel to es-
5 tablish and maintain value engineering procedures and
6 processes. Such procedures and processes shall, at a mini-
7 mum—

8 (1) utilize qualified value engineering personnel
9 consistent with paragraphs (1) and (4) of subsection
10 (b);

11 (2) provide for the aggressive and systematic
12 development and maintenance of the most effective,
13 efficient, and economical arrangement for conduct-
14 ing the work of the agency; and

15 (3) provide a sound basis for the reporting of
16 accomplishments to the Office of Management and
17 Budget, the President, the Congress, and the public.

18 (b) AGENCY RESPONSIBILITIES.—To ensure that
19 systemic value engineering improvements are achieved,
20 each Federal agency shall, at a minimum, carry out the
21 following:

22 (1) Designate a senior management official with
23 a significant, well-documented background in value
24 engineering as the value engineering manager within
25 the agency, to oversee and monitor value engineering

1 efforts and to coordinate the development of criteria
2 and guidelines referred to in paragraph (2).

3 (2) Develop criteria and guidelines for both
4 agency employees and contractor employees to iden-
5 tify programs, projects, systems, and products with
6 the greatest potential to yield savings and benefits
7 from the application of value engineering methodol-
8 ogy. The criteria and guidelines should recognize
9 that the potential savings are greatest during the
10 planning, design, and other early phases of program,
11 project, system, and product development. The cri-
12 teria and guidelines shall include the following:

13 (A) Consideration of return on the Govern-
14 ment's investment in value engineering, deter-
15 mined by dividing the Government's cost of per-
16 forming the value engineering function by the
17 savings generated by the function.

18 (B) A dollar amount threshold for requir-
19 ing the application of value engineering. The
20 threshold shall be designed to ensure that value
21 engineering is applied to—

22 (i) each program, project, system, and
23 product of the agency that has a dollar
24 value greater than the threshold; and

1 (ii) those programs, projects, systems,
2 and products that, in a ranking of all pro-
3 grams, projects, systems, and products of
4 the agency according to greatest dollar
5 value, are within the highest 20th percent-
6 ile.

7 For purposes of applying such a threshold, the
8 dollar values of various programs, projects, sys-
9 tems, and products of an agency that have indi-
10 vidual values below the threshold shall be aggre-
11 gated if they utilize equivalent planning or de-
12 sign elements, are jointly administered, or are
13 functionally equivalent.

14 (C) Criteria under which the value engi-
15 neering manager of the agency may, on a case-
16 by-case basis, waive the requirement of this Act
17 to conduct value engineering studies, and proce-
18 dures and requirements for documenting and
19 maintaining records of the justification for each
20 such waiver.

21 (3) Provide training (including practical experi-
22 ence) in established value engineering methodology
23 to agency staff responsible for coordinating and
24 monitoring value engineering efforts and to staff re-
25 sponsible for developing, reviewing, analyzing, carry-

1 ing out, changing, and evaluating value engineering
2 proposals.

3 (4) Ensure that funds necessary for conducting
4 agency value engineering efforts are included in an-
5 nual budget requests to the Office of Management
6 and Budget.

7 (5) Document and maintain records of—

8 (A) programs, projects, systems, and prod-
9 ucts that meet agency criteria for requiring the
10 use of value engineering techniques; and

11 (B) determinations (including the reasons
12 therefor) that the recommendations resulting
13 from a value engineering review should not be
14 implemented.

15 (6) Except when inconsistent with this Act, ad-
16 here to the acquisition requirements of the Federal
17 Acquisition Regulation, including the use of value
18 engineering clauses in parts 48 and 52 for both
19 prime and subcontractors.

20 (7) In the case of discretionary grants awarded
21 by the agency, establish value engineering require-
22 ments, such as requiring grant applications to in-
23 clude a clause requiring the use of value engineering
24 methodology by qualified value engineering personnel
25 in the performance of the grant.

1 (8) Develop annual plans for using value engi-
2 neering in the agency, which, at a minimum, iden-
3 tify—

4 (A) the agency and contractor projects,
5 programs, systems, and products to which value
6 engineering techniques will be applied in the
7 next fiscal year; and

8 (B) the estimated costs of such projects,
9 programs, systems, and products.

10 (9) Report annually to the Office of Manage-
11 ment and Budget on value engineering activities in
12 accordance with subsection (c).

13 (c) REPORTS TO OFFICE OF MANAGEMENT AND
14 BUDGET.—

15 (1) IN GENERAL.—The head of each Federal
16 agency shall submit to the Office of Management
17 and Budget an annual report on the results of using
18 value engineering in the agency. The report shall be
19 submitted by February 15 of each year.

20 (2) CONTENTS.—The report required by this
21 subsection shall include the following:

22 (A) The name, job title, address, telephone
23 number, and any additional job titles of the
24 agency's current value engineering manager.

1 (B) The Government's return on invest-
2 ment in value engineering achieved through ac-
3 tual implementation by the agency of rec-
4 ommendations adopted as a result of value en-
5 gineering, calculated by dividing the amount of
6 savings achieved through such implementation
7 by the cost of performing value engineering re-
8 views.

9 (C) The Government's potential return on
10 investment achievable through value engineer-
11 ing, calculated by dividing the amount of sav-
12 ings achievable through the adoption of rec-
13 ommendations as a result of value engineering
14 by the cost of performing value engineering re-
15 views to produce those recommendations.

16 (D) A description of the application of
17 value engineering to the agency's programs,
18 projects, systems, and products, including the
19 net savings and quality improvements achieved
20 through use of value engineering in those pro-
21 grams, projects, systems, and products.

22 (E) A listing of the criteria adopted by the
23 agency pursuant to subsection (b)(2)(C) for
24 waiving the application of the value engineering

1 requirements of this Act, and documentation of
2 any waivers granted under the criteria.

3 (d) INSPECTOR GENERAL AUDITS.—The Inspector
4 General of each Federal agency shall audit the savings re-
5 ported by the agency in the second annual report submit-
6 ted under subsection (c). Thereafter, the Inspector Gen-
7 eral of each Federal agency shall audit the reported sav-
8 ings every second year.

9 (e) USE OF SAVINGS.—Of amounts available to a
10 Federal agency for a fiscal year for a program, project,
11 or system or development of a product that are unobli-
12 gated at the end of the fiscal year as a result of the appli-
13 cation of value engineering in accordance with this Act—

14 (1) 50 percent shall be available to the agency
15 for—

16 (A) use in the next fiscal year for that pro-
17 gram, project, system, or development; and

18 (B) use for programs in effect on the date
19 of the enactment of this Act under which incen-
20 tives are provided to employees of the agency to
21 identify and implement methods for achieving
22 savings in programs, projects, systems, and
23 product development of the agency; and

1 (2) 50 percent shall be deposited in the general
2 fund of the Treasury and used to reduce the Federal
3 debt.

4 (f) REVIEW.—The Director of Management and
5 Budget shall review the policies contained in this Act 5
6 years after the date of the enactment of this Act and shall
7 report the results of such review to Congress.

8 (g) DEFINITIONS.—For purposes of this Act, the fol-
9 lowing definitions apply:

10 (1) The term “Federal agency” has the mean-
11 ing the term “agency” has under section 551(1) of
12 title 5, United States Code.

13 (2) The term “savings” means a reduction in,
14 or avoidance of, expenditures that would be incurred
15 if programs, projects, systems, and products were
16 not evaluated using value engineering techniques.

17 (3) The term “value engineering” means a
18 team effort, performed by qualified agency or con-
19 tractor personnel, directed at analyzing the functions
20 of a program, project, system, product, item of
21 equipment, building, facility, service, or supply for
22 the purpose of achieving the essential functions at
23 the lowest life-cycle cost that is consistent with re-
24 quired or improved performance, reliability, quality,
25 and safety.

1 (4) The term “life-cycle cost” means the total
2 cost of a program, project, system, product, item of
3 equipment, building, facility, service, or supply, com-
4 puted over its useful life. The term includes all rel-
5 evant costs involved in acquiring, owning, operating,
6 maintaining, and disposing of the program, project,
7 system, product, item of equipment, building, facil-
8 ity, service, or supply over a specified period of time.

