DEPUTY SECRETARY OF DEFENSE
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MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
CHAIRMAN OF THE JOINT CHIEFS OF STAFF
UNDER SECRETARIES OF DEFENSE
DEPUTY CHIEF MANAGEMENT OFFICER
COMMANDERS OF THE COMBATANT COMMANDS
ASSISTANT SECRETARIES OF DEFENSE
GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE
DIRECTOR, OPERATIONAL TEST AND EVALUATION
DIRECTOR, COST ASSESSMENT AND PROGRAM EVALUATION
DEPARTMENT OF DEFENSE CHIEF INFORMATION OFFICER
ASSISTANTS TO THE SECRETARIES OF DEFENSE
DIRECTOR, ADMINISTRATION AND MANAGEMENT
DIRECTOR, NET ASSESSMENT
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTORS OF THE DOD FIELD ACTIVITIES

SUBJECT: 20% Headquarters Reductions

Secretary Hagel has directed a 20% cut in management headquarters spending throughout the Department of Defense (DoD). The cuts, which will take place regardless of the budget levels approved by Congress, are designed to streamline DoD's management through efficiencies and elimination of lower-priority activities. This memorandum defines the nature of these important reductions more specifically.

The headquarters cuts will apply to all higher headquarters staffs including Office of the Secretary of Defense Principal Staff Assistants (PSAs) and their associated Defense Agency staffs, Joint Staff, Service Secretary staffs, Service Chief staffs, Service 4-star major commands and Service component commands, lower level Service staffs (down to the appropriate level determined by the Service Secretaries and Chiefs), and Combatant Command staffs. Intelligence staffs will also be affected (primarily Military Intelligence Program-funded Intelligence Centers and, with the concurrence of the Director for National Intelligence, National Intelligence Program-funded centers).

Service Secretaries and Chiefs will decide the allocation of cuts among various organizations within their headquarters staffs. The Chairman of the Joint Chiefs will make the same allocation for the Joint Staff. Each PSA and Defense Agency should achieve a 20% reduction. If necessary, I will consider reallocations during program review.

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The 20% cut applies to the total headquarters budgets. Total headquarters budgets include government civilian personnel who work at headquarters and associated costs including contract services, facilities, information technology, and others that support headquarters functions. Budgets are those specified in the Future Years Defense Program supporting the President's budget for Fiscal Year (FY) 2014, extended to FY 2019 assuming growth for inflation. The 20% cut applies to budget dollars. However, organizations will strive for a goal of 20 percent reductions in authorized government civilian staff at their headquarters. Similarly, while military personnel are not part of headquarters budgets, organizations will strive for a goal of 20 percent reductions in military personnel billets on headquarters staffs. Finally, subordinate headquarters should not grow as a result of reductions in higher headquarters. I will be reviewing proposals to ensure that these various goals are met.

I recognize that the FY 2014 budget reflects past efficiency decisions, some of which affected headquarters. This 20% reduction represents an additional cut, which I know will be challenging. However, in this period of additional downward pressure on defense spending, we must continue to reduce our headquarters budgets and staffing. Components are encouraged to suggest changes in policies and workload that would help them accommodate these dollar and staff reductions.

Senior managers should ensure that cuts are made aggressively and as soon as possible, both to eliminate uncertainty for our employees and contractors and to maximize savings. Generally, cuts should be roughly proportional by year – with about one fifth of the cut in FY 2015, another fifth in FY 2016, and so on. Components are free to implement reductions more rapidly. To the extent feasible, some cuts should begin in FY 2014 in order to increase savings and reduce the cuts required in later years.

Reduction plans should be submitted along with the Program Objective Memorandum submissions, which are due on September 23.

Ashton B. Carter