

ENCLOSURE 2

**Memorandum from Ashton Carter, Deputy Secretary of Defense,
to Secretaries of the Military Departments, regarding “Guidance for Civilian
Personnel and Service Support Contract Management,”
May 23, 2012**



DEPUTY SECRETARY OF DEFENSE
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WASHINGTON, DC 20301-1010

MAY 23 2012

MEMORANDUM FOR: SEE DISTRIBUTION

SUBJECT: Guidance for Civilian Personnel and Service Support Contractor Management Targets

Even during this period of constrained defense budgets, we must ensure that we have a sufficient number of federal civilian personnel to meet the support needs of our military forces. We must also be sure that military or federal civilians are performing all inherently governmental functions, and that sufficient levels of civilians are available to perform critical oversight, management, and readiness functions of the Department. At the same time, we need to make every effort to reduce our support requirements by streamlining our operations and eliminating lower priority tasks.

In order to strike the right balance between reducing support and providing adequate numbers of civilian personnel, I am directing a continuation of management targets on federal civilians and service support contractors with a waiver process that will provide flexibility. Specifically, the US Direct Hire (USDH) civilian personnel and Service Support Contractor management targets first reflected in the Fiscal Year 2012 budget request, and continued in the Department's Fiscal Year 2013 budget, are extended through Fiscal Year 2018. These targets will apply to all civilian personnel full time equivalents (FTEs) and service support contractors (both direct funded and reimbursable) regardless of appropriation and across all functional areas and technical capabilities -- with the sole exception of the National Intelligence Program. Specific FY 2014 through FY 2018 civilian FTE targets will be issued for each Component reflecting the continuation of the targets, adjusted for previously approved exceptions. There will be one target per component for all USDH personnel. The targets for service support contractors by component will remain at their FY 2013 levels (30 percent below FY 2010 levels) through FY 2018 but will not be reduced further.

This memorandum provides guidance regarding the processes Components must use to seek relief from these management targets. DoD Components must ensure a sufficiently sized workforce -- comprised of the most appropriate and cost-efficient mix of military, civilian, and contracted support -- to meet their mission requirements. Accordingly, Components may request a waiver from approved management targets for the current or budget year to meet mission requirements. Although foreign national civilian FTEs (direct and indirect) are exempt from these management targets, components should ensure that the numbers of these personnel are consistent with applicable Status of Forces Agreements and appropriately aligned with regard to the performance of inherently governmental, closely associated or critical functions.

Waiver requests, supported by a justification package, must be signed by a Component Head or principal deputy. All waiver requests will be submitted to both USD(P&R) and USD(C). After coordination with USD(C), USD(P&R) will submit waivers to the Deputy



Secretary for approval or disapproval. Waiver requests for acquisition workforce positions must also be coordinated with USD(AT&L). The military departments shall send their waiver requests directly to USD(P&R) and USD(C); Defense Agencies and Field Activities shall submit waiver requests via their respective Principal Staff Assistant; waiver requests for elements of the Office of the Secretary of Defense shall be submitted by the Director of Administration and Management; and Combatant Commanders shall submit waiver requests through the Joint Staff via their respective Combatant Command Support Agent.

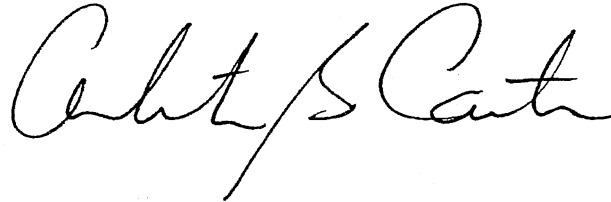
The justification package accompanying each waiver request must include: (1) a strong rationale for the need; (2) offsetting reductions in civilian FTEs or service support contractors achieved by eliminating lower-priority workloads to the extent feasible; (3) identity of a funding source if necessary; and (4) where appropriate, a cost analysis supported by the DTM 09-007 (or successor guidance). Waivers are not required if the component can offset the increase fully and not exceed its target.

Waivers are valid for two (2) years from the fiscal year of approval, and, if valid and enduring, must subsequently be submitted in accordance with the FY 2014 Program/Budget Review (PBR) guidance. Where waivers involve the realignment of contracted support to civilian FTEs (that is, in-sourcing), waivers must meet the minimum criteria set forth in title 10. In-sourcing of certain categories of functions (those that are not either inherently governmental, exempt from private sector performance, closely associated with inherently governmental, or critical functions) must demonstrate minimum cost savings and must be consistent with guidance issued by USD(P&R). Nothing in this guidance should be interpreted as preventing components from submitting waiver requests to comply with title 10 requirements to realign (in-source) workload from private sector performance, where required.

Components shall make every effort to ensure that waiver requests are informed by the Inherently Governmental and Commercial Activities Inventory and the Inventory of Contracts for Services and, to the maximum extent practical, aligned to support the Department's Strategic Workforce Plan. Components must also be mindful of the following title 10 requirements: military or government civilian personnel must perform inherently governmental work, and the Department must ensure that there are sufficient levels of such personnel to perform work that is closely associated with inherently governmental, is critical in nature, or is required to maintain internal capabilities and continuity of operations. These requirements must take precedence over cost of performance. All other work must be delivered at optimal value, cognizant of current prohibitions on converting certain work to contract performance and on the use of military manpower to perform certain functions.

Finally, while this guidance deals only with service support contractor management, Components should be aware that current law places limits on funding for all service contracts (with some exceptions). Guidance regarding these so-called "Section 808" restrictions will be issued soon. Components will be asked to continue reporting service support contractor information to monitor progress against the 30% savings target established in the FY 2012 budget.

Questions regarding this guidance should be directed to the following points of contact: for OUSD (P&R)—Ms. Amy Parker (amy.parker@osd.mil) and Mr. Thomas Hessel (thomas.hessel@osd.mil); for OUSD (Comptroller)—Ms. Bette Otts (bette.otts@osd.mil); and for CAPE—LTC Kyle Jette (kyle.jette@osd.mil).

A handwritten signature in black ink, appearing to read "Bette Otts". The signature is fluid and cursive, with the first name "Bette" and last name "Otts" clearly distinguishable.

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