



DEPUTY SECRETARY OF DEFENSE  
1010 DEFENSE PENTAGON  
WASHINGTON, DC 20301-1010

AUG 24 2015

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS  
CHAIRMAN OF THE JOINT CHIEFS OF STAFF  
UNDER SECRETARIES OF DEFENSE  
DEPUTY CHIEF MANAGEMENT OFFICER  
CHIEF OF THE NATIONAL GUARD BUREAU  
GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE  
DIRECTOR, COST ASSESSMENT AND PROGRAM EVALUATION  
INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE  
DIRECTOR, OPERATIONAL TEST AND EVALUATION  
DEPARTMENT OF DEFENSE CHIEF INFORMATION OFFICER  
ASSISTANT SECRETARY OF DEFENSE FOR LEGISLATIVE  
AFFAIRS  
ASSISTANT TO THE SECRETARY OF DEFENSE FOR PUBLIC  
AFFAIRS  
DIRECTOR, NET ASSESSMENT  
DIRECTORS OF THE DEFENSE AGENCIES  
DIRECTORS OF THE DOD FIELD ACTIVITIES

**SUBJECT: Cost Reduction Targets for Major Headquarters**

As a part of our effort to achieve efficiencies in all aspects of the Department's programs and operations, we continue to scrutinize Major Department of Defense (DoD) Headquarters Activities.

For this reason, the Deputy Chief Management Officer (DCMO) has been working with your staffs to establish a comprehensive definition of Major DoD Headquarters Activities and ensure it is uniformly applied to Headquarters elements throughout the Department. I understand that this new definition has now been agreed upon, and the framework describing the Major Headquarters is attached. Accordingly, the DCMO will update the DoD Instruction defining Major Headquarters and will work with Director, Cost Assessment and Program Evaluation (DCAPE), and Comptroller on updating databases so that we can account for resources allocated to those activities.

We anticipate Congress will require a 25 percent reduction in the funding of DoD Headquarters in lieu of the 20 percent requirement previously established by the Department. Even if Congress fails to act, the Department needs the savings that will be achieved through this reduction to fund higher priority requirements in support of the warfighter and to address underfunded strategic needs.

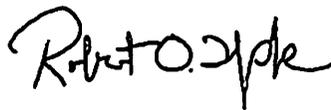


OSD01031115/CMD013566-15

Accordingly, I am directing a 25 percent reduction across all appropriations funding for Major DoD Headquarters Activities across the Military Departments, Office of the Secretary of Defense (OSD) Staff, the Joint Staff, Defense Agencies and Field Activities, and the Combatant Commands without regard to action by Congress. These reductions will cover the period from Fiscal Year (FY) 2017 to FY 2020, with a credit granted for Headquarters cost reductions taken pursuant to the 20 percent reduction previously directed by then Secretary Hagel.

OSD staff and the Defense Agencies and Field Activities, which took the majority of their previous reduction target in support contractor costs, will also have a 25 percent reduction target in funding for authorized civilian personnel as part of the overall reduction in funding (with the same credit for reductions previously taken). Relief from this target may be granted based on evidence that an office or component took additional personnel reductions prior to the imposition of the 20 percent reduction requirement. Relief may also be granted if an office or component reduced contractor costs by 1.5 times the cost of any excess retained authorized positions resulting from a reduction of less than 25 percent, or in exceptional circumstances.

The DCMO, working with DCAPE and Comptroller, will track the development and implementation of the reduction plans. I appreciate your support in this action as part of the Department's continuing work to make resources available for strategic mission priorities.



**Attachment:**  
As stated