



COMPTROLLER

UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

MAY 19 2014

MEMORANDUM FOR ASSISTANT SECRETARY OF THE ARMY FOR
FINANCIAL MANAGEMENT AND COMPTROLLER
ASSISTANT SECRETARY OF THE NAVY
(FINANCIAL MANAGEMENT AND COMPTROLLER)
ASSISTANT SECRETARY OF THE AIR FORCE FOR
FINANCIAL MANAGEMENT AND COMPTROLLER
ASSISTANT SECRETARY OF DEFENSE (HEALTH AFFAIRS)
INSPECTOR GENERAL FOR THE U.S. DEPARTMENT OF
DEFENSE
COMPTROLLERS OF THE DEFENSE AGENCIES
COMPTROLLERS OF THE DOD FIELD ACTIVITIES
BUSINESS FINANCIAL MANAGER, OPERATIONAL
TEST AND EVALUATION

SUBJECT: Guidance for Limitation on Aggregate Annual Amount Available for Contracted Services for Fiscal Year 2014

This memorandum and attachment 1 provide guidance regarding compliance with section 802 of the National Defense Authorization Act for Fiscal Year (FY) 2014, Public Law 113-66. Section 802 limits the amount of funds the Department may obligate for contract services in FY 2014. This memo extends the limits originally established in the Deputy Secretary of Defense June 3, 2012 memorandum by providing FY 2014 spending limits. Consistent with this statutory language, the Department's obligations for all contracted services shall not exceed the total amount requested for the Department for all contracted services in the President's FY 2010 budget submission excluding contracted services relating to overseas contingency operations, military construction, and research and development. Each Component must take action to ensure compliance with the limitation on the aggregate amount for contracted services in your FY 2014 enacted budget with approved adjustments as reflected in attachment 2.

Section 802 added a new requirement in paragraph (e) which states that if the components did not achieve the 10 percent reduction per year in FY 2012 and FY 2013 for staff augmentation contracts and contracts for the performance of functions closely associated with inherently governmental functions, the balance of those reductions must be implemented in FY 2014. Additional guidance will be forthcoming on this requirement as it relates to the FY 2013 Inventory of Contract Services.

Compliance with Section 802 will require close coordination among all stakeholders given the nature of how appropriated funds are allocated to fulfill requirements for contracted services, and the fact that we are well into the year of execution for FY 2014. Execution will be measured using obligations from base funds, reported in the Department's accounting systems as described in attachment 1 to ensure that there is no growth in contracted services.



Questions regarding this guidance should be directed to Mr. Dennis P. Roy
(dennis.p.roy4.civ@mail.mil) in the Operations Directorate.

A handwritten signature in black ink, appearing to read "Robert F. Hale". The signature is written in a cursive style with a large, prominent initial "R".

Robert F. Hale

Attachments:
As stated

**Guidance to Implement Section 802 of the National Defense Authorization Act for
Fiscal Year 2014, P.L. 113-66**

1. The primary means by which the Department is to meet or be below the aggregate annual limitation for contracted services is for the individual military departments and defense components to limit obligations for contracted services to the FY 2014 enacted budget amount. The following adjustments apply:
 - a. Exclude amounts allocated for overseas contingency operations, military construction, and research, development, test and evaluation.
 - b. Include all object classification code 25 categories, as recording in the Comptroller's Program Resource Collection Process (PRCP), except 25.3 (Other goods and services from Federal sources), 25.5 (R&D contracts), and 25.6 (Medical Care) as defined in DoD Financial Management Regulation 7000.14-R Volume 1: General Financial Management Information, Systems and Requirements, Appendix A,
 - c. Exclude statutory exceptions for offsetting cost increases associated with the number of civilian billets approved above the number of billets in the FY 2010 civilian personnel baseline as part of the Department's efficiencies initiatives. The civilian full time equivalents are reflected as of the FY 2014 enacted position of the FY 2015 President's Budget submission
 - d. Exclude amounts adjusted for net transfer of contract services funding from overseas contingency operations funding. The FY 2014 OCO to Base amount has been adjusted for congressionally directed Base to OCO transfers contained in the Consolidated Appropriations Act of 2014.

2. If a Military Department or Defense Agency must exceed the limitation to meet a critical mission requirement, a deviation request must be submitted to OUSD(C) Operations Directorate. It is imperative that each military department and defense agency not exceed the FY 2014 enacted amount for contract services for the Department to meet the aggregate limitation, as reflected in the attachment.

3. Compliance will be measured by actual baseline obligations reported in the FY 2014 column of the FY 2016 budget.

FY 2014 Section 802 Contract Services Limitations

(\$\$ in Thousands)

Contract Services
(includes all appropriations except MILCON and RDT&E)
Object Class 25.xxx (excluding .3, .5, and .6)

	FY 2010 Obama Budget Request (CIS (00-May-2009 Final))	FY 2013 EOY Actuals PRCP 01- 06-2014	FY 2014 Enacted (PRCP 03-10- 2014) with approved adjustments
Army			
Aircraft Procurement, Army	238,521	627,102	549,555
Army General Gift Fund (Trust)	5,487	0	0
Environmental Restoration, Army	0	0	4,155
Family Housing Construction, Army	941	0	0
Family Housing Operation and Maintenance, Army	153,150	127,423	125,366
Joint Improvised Explosive Device Defeat Fund	527,600	0	0
Military Personnel, Army	9,638	11,772	10,843
Missile Procurement, Army	44,087	78,763	75,000
National Science Center, Army	0	25	0
Operation and Maintenance, Army ¹	7,699,599	9,813,056	10,100,000
Operation and Maintenance, Army National Guard	1,363,216	1,805,410	1,712,336
Operation and Maintenance, Army Reserve	327,064	796,541	620,500
Other Procurement, Army	99,569	1,927,479	1,120,000
Procurement of Ammunition, Army	143,651	190,568	85,000
Procurement of Weapons and Tracked Combat Vehicles, Army	24,170	66,807	65,000
Restoration of the Rocky Mountain Arsenal	15,000	0	0
TOTAL	10,651,693	15,444,946	14,467,755

1/ FY 2014 Enacted does not include \$1,214 million of base funds transferred to OCO.

Air Force

Aircraft Procurement, Air Force	70,000	88,927	54,011
Family Housing Operation and Maintenance, Air Force	18,250	168,685	143,284
Military Personnel, Air Force	111,236	21,314	21,773
Missile Procurement, Air Force	13,425	167,684	133,795
Operation and Maintenance, Air Force ²	13,387,568	10,727,884	12,867,427
Operation and Maintenance, Air Force Reserve	471,247	310,365	358,325
Operation and Maintenance, Air Force, Recovery Act	219,192	0	0
Operation and Maintenance, Air National Guard	1,247,537	1,424,285	1,308,585
Other Procurement, Air Force	31,604	176,479	142,980
Procurement of Ammunition, Air Force	1,192	2,280	2,045
TOTAL	15,571,251	13,087,903	15,032,225

2/ FY 2014 Enacted does not include \$252 million of base funds transferred to OCO.

Navy

Aircraft Procurement, Navy	228,876	502,388	305,250
Family Housing Operation and Maintenance, Navy and Marine Corps	144,601	111,337	123,254
Military Personnel, Marine Corps	10,976	0	10,165
Military Personnel, Navy	33,333	1,909	1,212
National Defense Sealift Fund	115,137	21,078	18,101
Operation and Maintenance, Marine Corps ³	1,586,537	1,678,342	1,226,287
Operation and Maintenance, Marine Corps Reserve	53,319	110,989	80,291
Operation and Maintenance, Marine Corps Reserve, Recovery Act	11,972	0	0
Operation and Maintenance, Marine Corps, Recovery Act	34,161	0	0
Operation and Maintenance, Navy ⁴	8,320,282	9,858,686	9,046,424
Operation and Maintenance, Navy Reserve	357,216	284,222	330,644
Operation and Maintenance, Navy Reserve, Recovery Act	16,526	0	0
Operation and Maintenance, Navy, Recovery Act	197,119	0	0
Other Procurement, Navy	378,360	239,083	109,052
Procurement of Ammunition, Navy and Marine Corps	5,183	3,929	5,210
Procurement, Marine Corps	29,432	54,825	34,145
Reserve Personnel, Marine Corps	0	25,496	0
Shipbuilding and Conversion, Navy	417,633	383,610	335,479
Weapons Procurement, Navy	52,750	32,555	31,222
TOTAL	11,993,413	13,308,449	11,656,736

3/ FY 2014 Enacted does not include \$215 million of base funds transferred to OCO.

4/ FY 2014 Enacted does not include \$639 million of base funds transferred to OCO.

FY 2014 Section 802 Contract Services Limitations

Contract Services

(includes all appropriations except MILCON and RDT&E)

Object Class 25.xxx (excluding .3, .5, and .6)

(\$\$ in Thousands)

	FY 2010 Obama Budget Request (CIS (00-May-2009 Final))	FY 2013 EOY Actuals PRCP 01-06-2014	FY 2014 Enacted (PRCP 03- 10-2014) with approved adjustments
Defense			
Chemical Agents and Munitions Destruction, Army	1,184,373	981,146	591,138
Cooperative Threat Reduction Account	376,847	348,325	268,795
Defense Coalition Support, Defense	22,000	0	0
Defense Production Act Purchases	0	68,700	4,650
Department of Defense Acquisition Workforce Development Fund	46,000	125,341	137,717
Department of Defense Family Housing Improvement Fund	2,554	1,337	1,365
Disposal of Department of Defense Real Property	10,177	19,116	0
DoD Overseas Military Facility Investment Recovery	1,227	0	0
Drug Interdiction and Counter-drug Activities, Defense	187,342	0	271,554
Family Housing Operation and Maintenance, Defense-Wide	292	1,597	141
Lease of Department of Defense Real Property	7,707	28,958	0
Office of the Inspector General, Recovery Act	97	0	0
Office of the Inspector General	6,013	36,169	33,194
Operation and Maintenance, Defense-Wide			0
DAU	23,090	12,316	18,364
DCAA	14,298	16,043	18,807
DCMA	46,530	49,709	50,689
DFAS		0	0
DHRA	444,577	272,622	534,651
DIA	251,025	943,953	990,018
DISA	776,005	754,837	790,664
DLA	68,395	98,956	104,939
DLSA	10,708	106	698
DMACT	112,008	46,017	58,662
DODEA	502,105	226,899	296,934
DPMO	382	1,387	3,043
DSCA	45,118	42,723	42,168
DSS	129,046	63,259	64,829
DTRA	183,858	181,591	186,007
DTSA	2,408	4,664	5,185
MDA		221,609	348,643
NDU	9,479	8,131	8,971
NGA	1,674,995	1,470,635	1,283,337
NSA	2,727,944	2,271,183	2,278,185
OEA	3,619	4,282	2,542
OSD	1,031,526	986,440	770,956
SOCOM	997,433	1,550,959	1,695,358
TJS	253,405	203,341	178,441
WHS	177,601	123,405	145,045
Overseas Humanitarian, Disaster and Civic Aid	61,098	14,898	23,677
Procurement, Defense-Wide	4,303	132,488	89,924
United States Court of Appeals for the Armed Forces	3,422	2,261	457
Defense Health Program	1,261,316	2,493,191	2,664,151
TOTAL	12,660,323	13,808,594	13,963,879
Department TOTAL	50,876,680	55,649,892	55,120,595
FY 2010 PB Request Baseline	50,876,680	50,876,680	50,876,680
Adjustment for Civilian Pay Increase from FY 2010 PB		2,234,070	3,810,003
OCO to Base Transfer		4,352,887	1,542,245
FY 2010 PB Request Adjusted IAW Sec 808/802		57,463,637	56,228,928
Below Section 808/802 Annual Aggregate Limitation		-1,817,745	-1,108,333

Excludes Civil Functions, MILCON and RDT&E appropriations

Excludes Overseas Contingency Operations (Afghanistan Security Funds and Iraq Security Forces Fund)

Includes Major Category 25 - Contract Services

Excludes Minor Category: 310 - GDS/Service from other Agencies; 320 - Pay Foreign Nationals; and 330 - Buy from Revolving Funds

Excludes Minor Category: 610 - Medical Care

Excludes Minor Category: 510 - RDT&E