

DCMA Administrative Record for FY 2013 Furlough Appeals

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**UNITED STATES OF AMERICA
MERIT SYSTEMS PROTECTION BOARD**

DECLARATION OF ROBERT F. HALE

Personal Background

I, Robert F. Hale, having personal knowledge of the facts contained in this declaration and being competent to testify to them, hereby state as follows:

1. I currently serve as the Under Secretary of Defense (Comptroller)/Chief Financial Officer in the United States Department of Defense (“DoD” or “the Department”). I have held this position since February 2009 following my nomination by President Barack Obama, confirmation by the United States Senate, and appointment by President Obama.

2. Prior to my appointment, I served as the Executive Director of the American Society of Military Comptrollers (ASMC), the professional association of Defense financial managers. As Executive Director, I led the ASMC’s certification program (the Certified Defense Financial Manager program), and oversaw other training programs, the society’s professional journal, and the ASMC’s National Professional Development Institute, an annual conference attracting more than 3,500 participants. Prior to my ASMC tenure, from 1994 to 2001, I served in the Pentagon as the Assistant Secretary of the Air Force (Financial Management and Comptroller), where I was responsible for annual budgets in excess of \$70 billion, efforts to streamline Air Force financial management, and compliance with the Chief Financial Officers Act. In addition, from 1982 to 1994, I headed the National Security Division at the Congressional Budget Office, developing quantitative analyses of major defense budget issues and testifying frequently before congressional committees. During my career, I was also a senior fellow and head of the acquisition and grants management group at LMI, a consulting firm

specializing in service to the Federal government. I also spent 3 years as an active duty officer in the U.S. Navy and served as a staff analyst and study director at the Center for Naval Analysis.

3. I graduated with honors from Stanford University with a Bachelor of Science (B.S.) in mathematics and statistics. I also hold a Master's degree in operations research from Stanford and a Master of Business Administration (MBA) degree from the George Washington University. I am a Certified Defense Financial Manager (CDFM). I am a fellow of the National Academy of Public Administration and a past member of the Defense Business Board, a high-level Pentagon advisory panel. In addition, I am the recipient of the Department of Defense Exceptional Public Service Award, the Air Force Distinguished Service Award, and the National Defense Medal.

4. In my current position as Under Secretary of Defense (Comptroller), I am the principal advisor to Secretary of Defense Hagel on all budgetary and fiscal matters, including the development and execution of DoD's annual budget of more than \$500 billion, which pays for day-to-day and wartime requirements. As Chief Financial Officer, I also oversee the Department's financial policy, financial management systems, and business modernization efforts. I served in the same capacity for former Secretaries of Defense Panetta and Gates.

Overview of Sequestration and Its Impact on the Department of Defense

5. As the Department's Comptroller, I have advised both Secretary Hagel and former Secretary Panetta regarding the Department's reduced funding levels and the impact of sequestration on the Department's budget and the various options, including furloughs, for addressing such impact. I advised that an administrative furlough was a management tool that would result in a predictable, recurring amount of money being available for use by the

Department to contribute to addressing the negative fiscal impacts of sequestration, operating for a full-year under a continuing resolution, and increasing war requirements.

6. By way of background, the Budget Control Act (BCA) of 2011, which was enacted in August 2011, provided for a projected \$1.2 trillion in automatic spending cuts, if Congress failed to enact deficit reduction legislation by adopting the recommendations of the Joint Select Committee on Deficit Reduction by January 15, 2012. The cuts were to be evenly divided: (1) over a 9-year period beginning in 2013 and ending in 2021, and (2) between defense spending and discretionary domestic spending. Known as sequestration (or sequester), the above process of automatic spending cuts was intended as a means of encouraging compromise on deficit reduction efforts. When no such compromise was reached, however, the mandatory budget cuts (including \$109 billion in total cuts for fiscal year 2013) were scheduled to go into effect on January 2, 2013. Passage of the American Taxpayer Relief Act on January 2, 2013, delayed the mandatory budget cuts until March 1, 2013.

7. As of February 2013, the Department anticipated, absent another postponement or a compromise, that by the end of the following month, its share of the sequester for fiscal year 2013 would result in an approximate \$42 billion reduction in the Department's total discretionary budgetary topline (later recalculated by the Office of Management and Budget at \$37 billion) with virtually every budget account in the Department's budget – including wartime funding but excluding military personnel accounts – cut by as much as 9 percent.

8. In addition to sequestration, the Department anticipated further budgetary constraints if the funding levels for the remainder of fiscal year 2013 were to stay in effect at the then-current funding levels allowed by the continuing resolution (CR). A CR is an appropriations act that funds specified Federal agencies or the entire Federal government until a

specified date or for the remainder of the fiscal year when agreement cannot be reached on one or more of the regular appropriation acts. Typically it proportionally allocates budget authority into accounts based on amounts appropriated in the prior year appropriations acts. Thus, the lack of a regular DoD appropriations act for fiscal year 2013 created, among other things, the additional constraint of having money in the wrong appropriation accounts. Specifically, under the then-existing CR, the Department had too many dollars in the investment accounts and too few dollars in the operation and maintenance (O&M) accounts.

9. Finally, by February 2013 the Department faced costs of wartime operations in excess of those that were estimated two years earlier when budgets were prepared. At that point we estimated that we could be short as much as \$10 billion in wartime operating costs.

10. These various factors – sequestration, misallocation of funds under the CR, unexpectedly high wartime costs – all affected the DoD budget, especially the Operation and Maintenance (O&M) portion of the budget, which funds the costs for many of our civilian employees. Taken together, these factors left us facing shortfalls of \$40 billion or roughly 20 percent of O&M funding for active forces.

Initial Considerations Regarding the Furlough of Department of Defense Civilian Employees

11. In response to sequestration and other shortfalls, the DoD determined that if it had to operate under reduced funding levels for an extended period of time, it would have to consider furloughs and other actions to ensure it could execute its core mission and to bring its expenditures down to appropriated levels. As an initial overriding objective, the Department had to protect the warfighter. This objective meant, however, that there would be larger and more disproportionate cuts in the Military Departments' O&M accounts supporting the base budget for

the active forces and from which most civilian positions are funded. The need to protect warfighter funds added to the Department's O&M problems.

12. As of late February 2013, the Department had already begun taking many near-term actions in an attempt to slow spending and avoid more draconian cuts at a later time. Such actions included severe cutbacks in travel and training conferences; civilian hiring freezes; layoffs of more than 7,500 temporary and term employees; sharp cutbacks in facilities maintenance (by as much as 90 percent in the remainder of the year); cutbacks in base operations; reduction of the number of aircraft carriers, embarked air wings, and accompanying defensive and support ships deployed to the Persian Gulf; reductions in the scope of and period of performance of contracts; and delay of contracting actions until the next fiscal year. However, the Department recognized at that time that if sequestration and the CR were to last throughout fiscal year 2013, many more far-reaching changes would be required, including cutbacks and delays in virtually every investment program in the Department (some 2,500 of them) and the furlough of civilian personnel.

13. As a result, on February 20, 2013, Secretary of Defense Panetta notified DoD civilian employees and the Congress about the potential for such furloughs for up to 22 days (176 hours). As I noted that same day in a DoD Press Briefing on "Civilian Furlough Planning Efforts," although the Department would strongly prefer not to impose furloughs, the Department believed that it had no choice but to do so absent further action by Congress, given the severe budget constraints outlined above. As I then stated,

We're more than 20 percent short in O&M, with 7 months to go, much higher in some of the services, particularly the Army. Civilian personnel make up a substantial part of DoD O&M funding. We can't do reductions in force, especially at this point in the year. They'd cost us money in this year because of unused leave and severance pay, so furloughs are really the only way we have to quickly cut civilian personnel funding.

14. During the planning for possible furloughs, the Secretary determined that, as a matter of policy, there would be only limited exceptions to any furloughs that were imposed. Exceptions would include civilians directly involved in support of wartime operations, those needed for protection of life and property, and those involved in a few programs of particularly high priority (especially programs directly and significantly affecting military readiness). Remaining furloughs would be implemented in a fair and even manner across the breadth of the Department (including the Military Departments). We estimated that furloughs of 22 days would reduce DoD expenditures by \$4 to \$5 billion.

15. On March 21, 2013, Congress passed H.R. 933, the “Consolidated and Further Continuing Appropriations Act, 2013,” (hereafter referred to as “the Act”) which, in part, provided fiscal year 2013 full-year appropriations through September 30, 2013, for various Federal agencies, including the Department of Defense, and which modified some aspects of sequestration. Although it retained the overall sequestration spending cuts and their across-the-board nature, and did not provide sufficient funding to cover the OCO shortfalls, it aligned funding closer to the fiscal year 2013 budget request for DoD and provided limited transfer authority to the Department, which is an authority to move money from one account (*e.g.*, Procurement) to another (*e.g.*, O&M) in order to provide some flexibility during budget execution. In anticipation of the President’s signing Public Law No. 113-6, on March 21, 2013, the Department delayed issuance of furlough notices to allow the Department to analyze carefully the impact of the Act on the Department’s resources. After March 26, 2013, when President Obama signed H.R. 933 into law as Public Law No. 113-6, the Department no longer operated under the CR terms and conditions. This corrected approximately \$11 billion of the

shortfall in the Military Departments' base O&M accounts that resulted from operating under the CR at the fiscal year 2012 funding levels and authorized a total of \$7.5 billion in general and special transfer authority under sections 8005 and 9002, respectively.

16. However, even after enactment of this appropriations legislation, the Department still faced an O&M shortfall in excess of \$30 billion. In efforts to minimize the adverse effects of the sequester, and of the overall O&M shortfall, the Department pursued various courses of action. In addition to the short-term actions mentioned above, the Department imposed far-reaching cutbacks in training and maintenance. In April the Air Force began shutting down all flying at 12 combat-coded fighter and bomber squadrons and curtailed exercises, acts that seriously reduced military readiness. By April the Army had already cancelled seven combat training center rotations – culminating training events that are necessary to ready units for deployment – and five brigade-level exercises. The Department of the Navy also cut back steaming days and flying hours across the Navy and Marine Corps. The military services also cut back funding for weapons maintenance. In addition, the Department of the Navy delayed deployment of the USS TRUMAN carrier strike group to the Persian Gulf, curtailed the sailing of the USNS COMFORT to the United States Southern command area of responsibility, and cancelled four other ship deployments.

17. By late April these various actions had reduced the estimated O&M shortfall to about \$11 billion, mostly in our wartime budget and mostly in the Army. Faced with a limited number of options to close this gap, and with uncertainty about the Department's ability to identify and gain Congressional acceptance of further budget cuts, on May 14 the Secretary announced his intention to impose furloughs on civilian personnel rather than making even larger cuts in training and maintenance that would have further eroded military readiness. Overall, the

furloughs impacted approximately 650,000 (or about 85%) of the Department's approximately 767,000 civilian employees paid directly by DoD funds. Rather than the 22 days estimated earlier, the Secretary reviewed budget projections and decided that furloughs could be limited to a maximum of 11 days (88 hours). We estimated that furloughs of 11 days would save DoD about \$2 billion, avoiding substantial further cuts in training and maintenance. The Department began the required "impact and implementation" bargaining with unions and began the process of issuing required notifications to employees and furloughs began during the week of July 8.

Inclusion of Working Capital Fund Employees

18. On June 21, 2013, a bipartisan group of 31 Members of Congress sent a letter to the Secretary of Defense expressing "concern about the determination that civilian workers at entities funded through Defense Working Capital funds are subject to furlough." Specifically, the members inquired as to the legality of furloughing civilians in these funds in light of section 129 of title 10 of the United States Code.

19. On July 5, 2013, acting based on the Advice of the DoD Office of General Counsel, I responded on behalf of Secretary Hagel. In my letter, which is attached hereto as Attachment 1, I noted that the short-term furlough directed by the Department of Defense does not contradict any of the various prohibitions which are set forth in section 129. As I further explained, to the contrary,

Section 129 directs the Department to manage our civilian workforce based on workload and on the "funds made available to the department for such fiscal year." The \$37 billion reduction levied on the Department by sequestration is a major cause of these furloughs, and therefore our actions satisfy the requirements of section 129. Indeed, section 129 directs the Department to manage our civilian workforce based on workload and funding.

As for your cost concerns, furloughs of all DoD civilians will save about \$2 billion in fiscal year 2013, including more than \$500 million associated with

reduced personnel costs in working capital fund activities. These working capital fund personnel savings provide us the flexibility to adjust maintenance funding downward to meet higher-priority needs. The Air Force, for example, currently expects to reduce funded orders in their working capital funds by about \$700 million to meet higher-priority needs while the Army expects to reduce orders by \$500 million.

See Attachment 1.

20. Having imposed furloughs, the Department undertook extensive efforts to identify budget changes that would close the remaining gap and, if possible, reduce cutbacks in training and impose fewer furlough days. In mid-May the Department prepared and submitted two Omnibus reprogramming requests that sought permission from the congressional defense committees to move funds totaling about \$9.6 billion from lower priority budget lines to higher priority budget lines. When the congressional committees did not approve all of the Omnibus reprogramming requests, the Department submitted two additional reprogramming actions on July 22, 2013, that included about \$1 billion of replacement sources for those sources that one or more of the committees had denied or deferred. These reprogrammings moved furlough savings and funds for lower-priority activities to areas of highest budgetary need. The law limits the amount of funds that can be transferred annually under reprogrammings, and these two reprogramming actions used almost all of DoD's transfer authority for FY 2013. Second, pursuant to existing authorities, the Department transferred responsibilities for some specific programs and missions from one Department of Defense component to another and used other available means to reallocate the financial burden for supporting the warfighter. For example, on July 15, 2013, pursuant to section 165(c) of title 10 of the United States Code, the Deputy Secretary of Defense assigned to the Secretary of the Navy the responsibility for providing up to \$450 million for support to U.S. Forces in Afghanistan that previously had been the responsibility of the Army under the Logistics Civil Augmentation Program (LOGCAP). The

Navy ultimately provided \$310 million for the support to U.S. Forces in Afghanistan using the Army's LOGCAP contract. On July 15, 2013, pursuant to section 2571(b) of title 10 of the United States Code, the Deputy Secretary also directed the Director for the Defense Logistics Agency to reduce the standard prices for jet and ground fuel procured under the authority of section 2208 of title 10 of the United States Code and provided to DoD customers in connection with military operations conducted in Afghanistan, retroactive to March 1, 2013 (to coincide with the President's sequestration order). This effectively tapped funds available to the Defense Logistics Agency to support the warfighting costs that would otherwise have been borne by the military departments.

The Furlough Outcome

21. Since Congress approved most of the Department's large reprogramming requests that were submitted in mid-May and late-July, giving the Department flexibility to move funds across accounts, together with the facts that the Military Departments were aggressive in identifying ways to hold down costs, and that the Department was able to transfer some responsibilities for funding specific programs and missions using existing authorities, the Department was successful in shifting savings (including furlough savings) to meet its highest priority needs. As a result, the Department was able to close the remaining budgetary gap and abide by legally binding spending caps. DoD was also able to accomplish two high-priority goals: a reduction in furlough days, and modest improvements in training and readiness. Specifically, DoD was able to reduce furloughs from a maximum of 11 days to 6 days (48 hours) for most DoD civilian employees.

I certify under penalty of perjury that the foregoing is true and correct.

Dated: September 16, 2013



Robert F. Hale



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

JUL - 5 2013

COMPTROLLER

The Honorable Derek Kilmer
U.S. House of Representatives
Washington, DC 20515

Dear Congressman Kilmer:

Thank you for your letter of June 21, 2013 concerning the furlough of working capital fund civilians of the Department of Defense (DoD). Secretary of Defense Hagel asked me to respond on his behalf. I can say in summary that in FY 2013 DoD faced a budget cut of \$37 billion caused by sequestration, in addition to shortfalls in wartime funding. The Department does not want to furlough any of its valued civilian employees but must do so to help meet these budgetary shortfalls. Furloughs of civilians at working capital fund activities are legal and result in personnel cost savings.

Secretary Hagel regrets having to furlough any DoD civilian employees, whether they serve in the Department's working capital fund activities or elsewhere. Unfortunately, in FY 2013 DoD faces a large shortfall in our operating budgets both because of sequestration and a lack of funds to meet all our wartime operating requirements. The Department has taken many steps to close this shortfall including sharp cuts in facilities maintenance, hiring freezes, and layoffs of temporary and term employees. DoD has asked Congress to let us "reprogram" or move money from our investment accounts into operating accounts to help pay DoD's wartime bills, though our Congressional Committees have not yet approved a significant part of that request. The Department has also cut back sharply on training and maintenance, actions that have led to serious damage to our readiness. Finally, and reluctantly, DoD has imposed furloughs for up to 11 days on most of its civilian employees.

You requested the Department's views on the legality of furloughing civilians in working capital fund activities, in particular with respect to section 129 of title 10, United States Code. The Department believes short-term furloughs of working capital fund civilians -- who are indirectly funded Government employees -- are permissible under that statute. Indirectly funded Government employees may not be subjected to constraints or limitations based on the number of such personnel who may be employed on the last day of a fiscal year, and may not be managed on the basis of man years, end strength, full-time equivalent positions, or maximum number of employees. They also may not be controlled under any policy of a Military Department Secretary with respect to civilian manpower resources. A short-term furlough directed by the Secretary of Defense does not contradict these prohibitions. Further, Section 129 directs the Department to manage our civilian workforce based on workload and on the "funds made available to the department for such fiscal year". The \$37 billion reduction levied on the Department by sequestration is a major cause of these furloughs, and therefore our actions satisfy the requirements of section 129. Indeed, section 129 directs the Department to manage our civilian workforce based on workload and funding.

As for your cost concerns, furloughs for all DoD civilians will save about \$2 billion in FY 2013, including more than \$500 million associated with reduced personnel costs in working capital fund activities. These working capital fund personnel savings provide us the flexibility to adjust maintenance funding downward to meet higher-priority needs. The Air Force, for example, currently expects to reduce funded orders in their working capital funds by about \$700 million to meet higher-priority needs while the Army expects to reduce orders by \$500 million. Because Congress has not yet approved about \$2.5 billion of our reprogramming request as of the date of this letter, it is unfortunately possible that these maintenance cutbacks may have to be increased.

The Secretary and the Department appreciate and share your concerns for the efficiency of our operations, the welfare of our civilian employees, and the impact of furloughs on our defense communities. The Department is also seriously concerned with the adverse effects on readiness caused by cutbacks in training and maintenance. The best way for Congress to address all these concerns is to pass a balanced deficit reduction plan that the President can sign and then repeal sequestration.

An identical letter is being provided to the other signatories to your letter.

Sincerely,

A handwritten signature in black ink that reads "Robert F. Hale". The signature is written in a cursive style with a large initial "R".

Robert F. Hale



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Presenter: Senior Defense Officials

August 06, 2013

Background Briefing on the Status of the Defense Department's Civilian Furlough Planning Efforts in the Pentagon Briefing Room

SENIOR DEFENSE OFFICIAL: Okay. Well, today, Secretary Hagel announced – and I think you now have it – that as part of DOD's efforts to improve productivity and readiness, we'll be reducing the furlough days for DOD's civilian employees from up to 11 days to six days. And for most DOD civilian employees, that will mean furloughs will end next week.

Last May, when we reluctantly decided to impose furloughs of up to 11 days, we faced a shortfall in our operating budget at that time of about \$11 billion, principally our wartime budget. We had already imposed hiring freezes, cut facilities' maintenance, and laid off temporary employees, as well as many other actions. We had sharply cut training and maintenance, which has adversely affected military readiness.

So as of three months ago, furloughs of 11 days, which would have saved about \$2 billion, were one of the limited available options that we had to close the remaining budgetary gap without further cuts in training and maintenance. But even at the time he announced – and so Secretary Hagel reluctantly made the decision to impose them. But even as he made that announcement, the secretary said that he'd try to reduce the number of days if he could do so without further cuts in training and maintenance.

Since then, Congress has improved most of a large reprogramming that we requested to let us move money into our operating accounts. The services have identified some changes that let us reduce costs. And we've been aggressive about shifting funds into those service accounts that have the most problems.

As a result, we've been able to accomplish two goals, two key goals. We've made some modest improvements in training. The Air Force, for example, is flying again for most of its squadrons, and the Army is increasing some organizational training. And we've been able to reduce the number of furloughed days.

While this is very positive news for the department and for our valued civilian workers – and I can say personally, it's great – I feel great about it – we're still facing some major challenges. Military readiness is degraded heading into 2014. We still need several months and substantial funding to recover. And yet, 2014 is a year that's going to feature great uncertainty, as much as I can remember any time in working with the defense budget, and it may feature some additional austerity.

Faced with all of this uncertainty, we cannot be sure what will happen next year, but Secretary Hagel wants to assure our civilian employees that we'll do everything possible to avoid imposing furloughs again next year. The secretary and all of us want to thank our civilian workers for their patience and dedication during these extraordinarily tough times. Our dedicated civilian employees make a major contribution to national security. And we all look forward to one day putting this difficult period behind us.

And with that, I'll stop and we would be glad to entertain your questions.

FACILITATOR: If I could and if it doesn't upset anybody, we've got time to take everybody's questions, I think, just to make it easy, if we start with Tony and just went down the front row and then go to the second row and go down, we can get everybody's questions. If you don't have one or it's been passed, you just pass, okay?

Q: Two questions. One, roughly it's about \$1 billion in savings you found. And can you explain how you found it from the retrograde of equipment in Afghanistan? In English, explain what that means.

SENIOR DEFENSE OFFICIAL: Well, yeah, we went from \$2 billion in savings, right, Tony, to – from furloughs to about \$1 billion. I mean, there are lots of ways that we accomplished that and the training increases, but let me address the question you ask.

There's a number of pieces of equipment in Afghanistan that we identify that we're not going to have to move in fiscal '13. It doesn't mean at some future point some of them will not need to come home, but that is what led to the containers from the Army to reduce what's called second destination transportation.

Q: Roughly how much was that of the billion?

SENIOR DEFENSE OFFICIAL: That's about a billion dollars that they won't need in fiscal '13 for second destination transportation.

Q: Okay, thanks.

Q: But they will need it in fiscal '14?

SENIOR DEFENSE OFFICIAL: Possibly. I mean, it's a fluid situation. And we'll be making assessments of cost-benefit analyses of what to bring home that's possible.

Q: Sorry, that wasn't my question.

SENIOR DEFENSE OFFICIAL: Okay. That counts. (Laughter.) No.

Q: Yeah. Can you -- can you just give us sort of like a couple of the, like, higher profile or more in English-y kind of explanation of the reprogramming requests? Like can we -- that we can point to as specific things that have made this change possible?

SENIOR DEFENSE OFFICIAL: It totaled \$9.6 billion. It primarily moved money from our acquisition accounts, and there, there were about 200 programs that had varying sizes of reductions. Sometimes contracts had been delayed. Sometimes we just made a decision that was lower priority. And most of the money got moved into our operating accounts, principally the overseas contingency operation funds and principally the Army, which had the biggest shortfalls. Does that help?

Q: So -- so money was reprogrammed from other areas into -- primarily into those two accounts? And that was the savings that allowed....

SENIOR DEFENSE OFFICIAL: It was part of it. I mean, you know, we did a lot of different things. It reminds me of pouring water and milk in the glass at some time and when it overflows blaming the milk. I mean, I can't pick one thing. There were a whole series of actions we took, finding reduced costs. Reprogramming was very important. And we are also able to shift around some other funding from the Navy, some lower priority Navy programs into the Army. So it's a bunch of different things.

And it wasn't just furlough days. We brought back some training.

Q: Oh, okay.

SENIOR DEFENSE OFFICIAL: The Air Force, as I said, is flying all its combat -- its squadrons again, though it will take them months to catch up from a three-month stand-down -- or not flying, and the Army has made some small increases in training of about six brigade combat teams.

Q: It's great that you're able to do this, but there are going to be some people who say, well, you know, they cried wolf, basically. They exaggerated the extent of the problem and now they've -- you know, they've fixed it. How do you respond to that?

SENIOR DEFENSE OFFICIAL: Well, I respond by going back three months ago and saying we faced enormous uncertainty. I think as great as I can remember any time in the defense budget. And at that point, we were short \$11 billion. Most of it was OCO funding. And I got to tell you, you know, it was one of the things you wake up and night and you go, how am I going to make this work? Or how's the department going to make this work?

We didn't know. I mean, we knew -- the reprogramming was there, but it's not a guarantee. These are single committee veto items. And we didn't get all of it. We didn't know about some of the things like identifying funding we wouldn't need for transportation costs. The Air Force found some reductions in weapons system sustainment. We are able, as I mentioned, to move some lower priority Navy money to areas we needed it more.

So there were a whole bunch of things that broke in our favor, but three months ago, with \$11 billion short, I don't think we had a lot of choice, unless we were willing to cut more training and maintenance. And we felt that we had done that as much as we should.

But I hear your point. And, you know, hindsight -- there's a old saying in the budget world that time is the best budget analyst. If you wait longer, you'll know more. And we do know more than we did three months ago.

Q: Just maybe one quick sort of question on the numbers. The buying back the furlough days is going to cost about -- is it \$900 million --

SENIOR DEFENSE OFFICIAL: Yeah, about -- a little less than \$1 billion. We were going to save about \$2 billion with 11 days. It'll be a little more than \$1 billion with six.

Q: So there's that. And then how much in some of the other changes for the Air Force combat flying and the Army -- so what's -- can you give us sort of a broad total of the amount savings?

SENIOR DEFENSE OFFICIAL: You know, it's probably another half-billion or so for training, around \$400 million in the Air Force, and I don't have a precise number for the Army, but -- but probably around \$1 billion in buying back furlough days and then some -- perhaps \$500 million of added costs associated with buying back some training.

Q: So -- okay. And then overall, then, that's like \$1.5 billion or something that in recent weeks you've been able to find. And was some of that identified, would you say, as a result of, you know, all the services looking for money or everyone looking for money? And have you kind of come -- do you think you're nearing kind of the end of all those little types of savings you can find? Or is this something you can do again and again and again, as next year dawn's?

SENIOR DEFENSE OFFICIAL: So, remember, we started \$11 billion in the hole three months ago. We had to find that, plus a little more to allow us to make some of these restorals. And as I've said, it came through a variety of factors, reprogramming, identifying some costs we could either put off or, in some cases, do without, put off in the case of a second destination transportation, and some aggressive moving money around of some Marine Corps money, for example, into the Army.

All of those got us to that point. Is there more? Well, probably a little bit, but I suspect that we've largely -- you know, we've largely come to the end of the rope. I mean, sometimes toward the end of the year, there will always be some fallout, but we feel at this point we're confident we can get down to six, but six is where it's going to stop.

Q: Well, I guess, just to make my -- I want to be clear. As you look ahead to next year, I mean, with that whole \$54 billion, have you sort of done all the little whittling you can? Or can you just do it all over again?

SENIOR DEFENSE OFFICIAL: Oh, there will be -- there's always -- it probably doesn't sound good [inaudible] to say wiggling, but there are always changes that go on. And, yes, there will be again next year, especially when you're in the middle of a war. I mean, we put together the budget we're going to start executing on October 1st more than a year ago. And then there will -- there are uncertainties and there will be changes.

And, of course, looking forward to next year, we don't really have any idea right now what's going to be appropriated. I mean, if we -- if we go with the sequester-level caps, we're going to be down \$52 billion from the president's request.

Q: Two kinds of granular-level questions, first for defense official two. Does this mean that DODEA schools are not going to be furloughed?

SENIOR DEFENSE OFFICIAL: So DODEA schools have several different categories. They have 12-month employees that will be furloughed. And then had the 10-month employees, those that are the educators and the support staff. So they were to be furloughed five days at the beginning of the next school year, which would have still been in fiscal '13.

We have decided to exempt them from furlough, and so their school years will start on time, and then the teachers and the support staff that were initially going to be furloughed are now not going to be furloughed.

Q: Okay. And -- thanks. The second question, defense official one, you mentioned somehow the Navy had given some money to the Army or -- does that -- does that happen normally? And how -- I mean, it's nice of them. How did they do it?

SENIOR DEFENSE OFFICIAL: Well, in that case, they paid a bill that they had the legal authority to pay, one of the OCO bills for LOGCAP. I wouldn't

say it's routine, but these are not routine times. And we've had to look across the department and try to make some shifts in order to get through this year.

Q: How much was it?

SENIOR DEFENSE OFFICIAL: It was about \$300 million, if I recall.

Q: So they just wrote a check for the Army, so --

SENIOR DEFENSE OFFICIAL: Well, they just paid a bill that they had the legal authority to pay, or the secretary directed them to pay a bill they had legal authority to pay.

Q: Okay.

Q: My first question for senior defense official number two. Given that we're just less than two months out from fiscal '14, what contingency plans are you making in terms of civilian workforce, either furlough, reductions in force, et cetera, for fiscal '14 if sequestration does occur?

SENIOR DEFENSE OFFICIAL: Well, I -- you know, I'm going to reiterate what -- what defense official number one said, that these are hugely uncertain times. I mean, the department's not gone through this before. And I also reiterate what Secretary Hagel says, that we will try to avoid furloughs as much as we possibly can next year.

But we haven't received our budget. We don't know what we face going into '14. And we're going to have to make plans based upon that number. But right now, we're really going to work to avoid a furlough.

Q: And how about a reduction in force?

SENIOR DEFENSE OFFICIAL: I think every -- you know, everything is on the table. And that can potentially be on the table, should it be needed. And reduction in force is not something that we turn on and turn off. It can -- we've done reduction in forces within the last year, and it has nothing to do with sequestration. It has something to do with shaping the force as it is needed. So it's potentially not as widespread, but it is done as a shaping tool.

Q: And no planning underway at this point?

SENIOR DEFENSE OFFICIAL: Right now, everything is on the table.

Q: Okay. Question for senior defense official number one. Once we're past fiscal '13, is there going to be -- do you have any plan on producing any sort of -- any after-action report on how it achieved the \$37 billion cut? Because from the outside, frankly, it looks rather mysterious.

SENIOR DEFENSE OFFICIAL: Well, I mean, we will, in the sense that you'll see a budget next year that has an actual in it. And it's a good point that we maybe need to be helpful. About 20 -- I can give you some rough ideas -- about \$20 billion came out of the operations and maintenance accounts. The other \$17 billion came out of our investment accounts. We talked a lot about them, but virtually every one of our line items was cut 8 percent, and just the whole array of changes that got made to accommodate those. But I hear you -- in our spare time, we probably owe you some help to understand how we got there.

Q: So you will provide --

SENIOR DEFENSE OFFICIAL: Let me -- let me take that one. I'm concerned -- I mean, we're facing, furloughs or not, an enormous workload as we try to get a new budget for '14 potentially. I hope not, but potentially, and as well as budgets for the out-years.

Q: I guess my only question would be, so these furloughs end this week or next week? I'll have to --

SENIOR DEFENSE OFFICIAL: For most employees, they will end next week.

Q: Do you have a number?

SENIOR DEFENSE OFFICIAL: It really depends upon -- if the individual received their furlough letter on the week of 8 July, and if they participated in the furlough one day a week, that would take them six days, which would equal 48 hours, to the 17th of August. And so that's the calculation. So most of the force that was furloughed was furloughed in that manner.

Q: Okay.

Q: Senior official two, I'm sorry, can I ask about schools again?

SENIOR DEFENSE OFFICIAL: Yes.

Q: To go through -- are you saying no -- no furloughs now for any school personnel? What's the situation?

SENIOR DEFENSE OFFICIAL: So there was a group of individuals, educators and support staff that were going to be furloughed for five furlough days at the beginning of the next school year, which would start at the end of August 2013. So they were going to have five furlough days between August and September of 2013, which would be the '13-'14 school year. Those individuals will not receive any furlough days. The school year will start and end without furlough days.

Q: Okay.

SENIOR DEFENSE OFFICIAL: Well, let me say, the school year for fiscal year '13 will not have any furlough days. We are really trying not to furlough in fiscal year '14, but we haven't received a budget yet.

Q: I'll pass.

Q: First of all, I really like the milk-water thing. (Laughter.) I wish it was on the record. Anyway, my real question, I may have missed it at the top, but the \$300 million transfer or the bill that the Navy paid, are there other bills like that, that either the Navy or another service paid, say, on behalf of the Army? Or...

SENIOR DEFENSE OFFICIAL: No other services. We were able to transfer some money -- fuel funds by lowering fuel prices that would have come out of the working capital fund, but I don't believe there are any other service bills.

Q: So only that one -- \$300 million bill?

SENIOR DEFENSE OFFICIAL: It's actually the Marine Corps, but in the Department of the Navy, it's Marine Corps.

Q: Okay.

Q: For defense official number one, you talk about uncertainty in fiscal '14. How helpful would it be to know what post-2014 troop numbers are in Afghanistan for you guys?

SENIOR DEFENSE OFFICIAL: Well, I think that one -- there are bigger issues there than budget. Certainly at some point we're going to need to know that in order to do a fiscal '15 budget, but we're not a -- I think the timing of those depends more -- or is more important than we know it in order to -- to execute a responsible drawdown than it is for the budget.

Q: Question for senior defense official one. You mentioned some of the money was moved using legal authorities given to DOD to shift funds around. There's been some criticism that the Pentagon hasn't fully taken advantage of some of these -- these authorities while, on the same hand, arguing for more flexibility in spending of these funds. I guess what I wanted to ask you is, is this move sort of a precursor to using more of these authorities as -- more of these authorities even more, as the number crunch kind of continues?

SENIOR DEFENSE OFFICIAL: Well, our authorities are pretty limited, frankly, and normally we don't do shifts of that sort, because the other services planned on that funding and how to use it, but these were extraordinary times. If we face extraordinary times again next year, we'll probably look at everything we can legally do.

I realize the issue of flexibility has been raised, but I'm trying to think of specific concerns that have been raised that we weren't using flexibility that we had.

Q: Did you think that -- yeah, there were -- there were some areas, particularly in -- I think it was in O&M that -- that Congress had legislated and that DOD hadn't fully exercised.

SENIOR DEFENSE OFFICIAL: Yeah, I mean, I think we did. We got a budget from them in March, which helped a lot, because we got the money in the right pots, but it didn't add any money, but it would -- things would have been much worse without that, so that was helpful. We certainly made full use of that.

So I'm not sure -- not sure of the specifics, but, you know, we will look again next year. Let's hope next year is more stable, but if it's not, then we will look at everything we can do to try to carry out what was our goal throughout this, and that is to minimize the adverse effects on our mission. Everything we did was with that in mind, including the modest buybacks of training and the -- and the reductions in furlough days.

Q: Are there any others that are being exempted because of this change?

SENIOR DEFENSE OFFICIAL: No, just the teachers, well the teachers and support staff

Q: Right.

Q: One minor one. Has anybody --

SENIOR DEFENSE OFFICIAL: I don't know how many teachers, I can take it for the record.

SENIOR DEFENSE OFFICIAL: Let me get back to you with the number about it.

FACILITATOR: A couple more minutes.

Q: I know some people could take like a week or take all -- has anyone taken more six days?

SENIOR DEFENSE OFFICIAL: There is potential.

SENIOR DEFENSE OFFICIAL: We don't know.

SENIOR DEFENSE OFFICIAL: That I don't know.

Q: Could be?

SENIOR DEFENSE OFFICIAL: Pardon me?

Q: That could have happened, if you had the authority to...

SENIOR DEFENSE OFFICIAL: It could have happened, yes.

SENIOR DEFENSE OFFICIAL: I'm pleased to say we didn't manage this from here.

Q: No, but I would assume they would just get their money back.

SENIOR DEFENSE OFFICIAL: Well, we're working through that issue.

SENIOR DEFENSE OFFICIAL: I'm sure we'll hear about it.

Q: Sure. (Laughter.)

Q: How would you characterize the impact of the furloughs on the department? Do you see any lasting repercussions?

SENIOR DEFENSE OFFICIAL: You want to go ahead and I'll follow?

SENIOR DEFENSE OFFICIAL: I would tell you that this was one of the hardest things we ever had to do. And -- and I can't emphasize enough the uncertainty of the world that we're living in right now. And I also can't emphasize enough the quality and the professionalism and the dedication of our civilian employees. I mean, they -- they really are the glue that holds us together. I mean, they're here all the time doing their job.

So their morale has drastically been affected. And not only that, the productivity of the work that they do has been affected. All across the board -- and if you were here for the first time we had a press conference, what I said was that 80 -- about 85 percent of our civilian workforce works outside of this national capital region. So it's not just a Washington, D.C., phenomenon. This is a worldwide phenomenon, how it affects the total Department of Defense, whether it's in our depots or whether it's in shipbuilding or whether it's people that process promotions or people who work in our hospitals. It is across the board.

And it's been devastating for our civilian employees, and it's been very hard for the servicemember who relies on five days a week, of work from these people.

SENIOR DEFENSE OFFICIAL: Let me give you a couple of examples. It slowed work at depots, which is going to mean we've got maintenance that didn't get accomplished, going to get pushed off until next year. I'm worried about our contracting officials having enough time to get all those funds obligated - I think they will, and we will - we will go back to normal overtime rules after the furlough is over. It has certainly adversely affected financial management and how many people aren't getting the reports done on time. We've missed some deadlines at DFAS because we didn't have the people to do it. Our call center times are growing in DFAS. When people ask about their pay, they're having to wait longer. All of these things, I think, are tangible signs that it has reduced our productivity, I think, significantly.

FACILITATOR: Time for one more...

Q: The billion dollars - the bulk of the furlough buyback was from the Army's decision on the second destination transportation?

SENIOR DEFENSE OFFICIAL: You don't like my water and milk, do you? I mean, look at it that way, but there are a whole bunch of other things that contribute to the plus side and a bunch to the minus side, as well. It's hard to pick one and say that that's what caused it.

Q: You said a billion dollars?

SENIOR DEFENSE OFFICIAL: Yes, I mean, they're about the same size, so I suppose, but - but, Tony, we made a lot of - found a number of ways to save funds and a number of ways we wanted to spend money. And it's hard for me to pick one and match it up.

Q: That was one of the biggest categories, though, is that correct?

SENIOR DEFENSE OFFICIAL: It was a significant savings.

Q: Thank you.

SENIOR DEFENSE OFFICIAL: The reprogram was probably the biggest single thing.

FACILITATOR: Well, thank you, again, for short notice and the interest in this topic, but we have to get at least one of our officials off to a meeting right now. So thanks again. If you got additional questions, you should have the secretary's statement. You have the memo going out to the department. And we're happy to take questions in the press office.

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Secretary Of Defense Chuck Hagel's Message on Reducing Civilian Furloughs

When I announced my decision on May 14 to impose furloughs of up to 11 days on civilian employees to help close the budget gap caused by sequestration, I also said we would do everything possible to find the money to reduce furlough days for our people. With the end of the fiscal year next month, managers across the DoD are making final decisions necessary to ensure we make the \$37 billion spending cuts mandated by sequestration, while also doing everything possible to limit damage to military readiness and our workforce. We are joined in this regard by managers in non-defense agencies who are also working to accommodate sequestration cuts while minimizing mission damage. As part of that effort at the Department of Defense, I am announcing today that, thanks to the DoD's efforts to identify savings and help from Congress, we will reduce the total numbers of furlough days for DoD civilian employees from 11 to six.

When sequestration took effect on March 1, DoD faced shortfalls of more than \$30 billion in its budget for day-to-day operating costs because of sequestration and problems with wartime funding. At that point we faced the very real possibility of unpaid furloughs for civilian employees of up to 22 days.

As early as January, DoD leaders began making painful and far reaching changes to close this shortfall: civilian hiring freezes, layoffs of temporary workers, significant cuts in facilities maintenance, and more. We also sharply cut training and maintenance. The Air Force stopped flying in many squadrons, the Navy kept ships in port, and the Army cancelled training events. These actions have seriously reduced military readiness.

By early May, even after taking these steps, we still faced day-to-day budgetary shortfalls of \$11 billion. At that point I decided that cutting any deeper into training and maintenance would jeopardize our core readiness mission and national security, which is why I announced furloughs of 11 days.

Hoping to be able to reduce furloughs, we submitted a large reprogramming proposal to Congress in May, asking them to let us move funds from acquisition accounts into day-to-day operating accounts. Congress approved most of this request in late July, and we are working with them to meet remaining needs. We are also experiencing less than expected costs in some areas, such as transportation of equipment out of Afghanistan. Where necessary, we have taken aggressive action to transfer funds among services and agencies. And the furloughs have saved us money.

As a result of these management initiatives, reduced costs, and reprogramming from Congress, we have determined that we can make some improvements in training and readiness and still meet the sequestration cuts. The Air Force has begun flying again in key squadrons, the Army has increased funding for organizational training at selected units, and the Navy has restarted some maintenance and ordered deployments that otherwise would not have happened. While we are still depending on furlough savings, we will be able to make up our budgetary shortfall in this fiscal year with fewer furlough days than initially announced.

This has been one of the most volatile and uncertain budget cycles the Department of Defense has ever experienced. Our fiscal planning has been conducted under a cloud of uncertainty with the imposition of sequestration and changing rules as Congress made adjustments to our spending authorities.

As we look ahead to fiscal year 2014, less than two months away, the Department of Defense still faces major fiscal challenges. If Congress does not change the Budget Control Act, DoD will be forced to cut an additional \$52 billion in FY 2014, starting on October 1. This represents 40 percent more than this year's sequester-mandated cuts of \$37 billion. Facing this uncertainty, I cannot be sure what will happen next year, but I want to assure our civilian employees that we will do everything possible to avoid more furloughs.

I want to thank our civilian workers for their patience and dedication during these extraordinarily tough times, and for their continued service and devotion to our department and our country. I know how difficult this has been for all of you and your families. Your contribution to national security is invaluable, and I look forward to one day putting this difficult period behind us. Thank you and God Bless you and your families.

Secretary Hagel's Memorandum can be viewed at: http://www.defense.gov/home/Features/2013/docs/080613_Furlough_Reductions.pdf.

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DCMA Furlough Guidance

Welcome to the [DCMA Furlough Guidance Webpage](#).

DCMA has established this Furlough Planning web page to ensure all DCMA employees have access to information related to the 2013 Administrative Furlough. This web page is dedicated to answering your questions and addressing your concerns.

DCMA has been directed to conduct a furlough. We have provided information and links on this web page that may answer your questions as you plan for your furlough. We will continue to update this page as information is received. For any questions that cannot be answered via these sites, you are encouraged to send your questions to furlough@dcma.mil.

The Defense Department has revised from 14 to 11 the number of days civilian employees are to be furloughed this year due to the budget sequester. Employees will be discontinuously furloughed no earlier than July 8, 2013 through the end of the fiscal year.

Important New Information:

Assistant Secretary of Defense, Readiness and Force Management, F. Vollrath, provided in a memorandum dated June 28, 2013, "On furlough days, furloughed civilians are not authorized to perform official duties at their permanent or temporary duty station, at home, or at an alternate site, including communicating by BlackBerry or other mobile device. In addition, civilian personnel subject to furlough shall not be required to work beyond their regularly scheduled and compensated times on non-furlough days to make up for work lost as a result of furlough, nor shall employees in pay status perform work beyond their regularly scheduled hours to compensate for workload/productivity loss of those who are in furlough status." The memorandum is posted below under "Additional Documentation."

It is important to note that DCMA continues to maintain flexible and compressed work schedules during the 2013 furlough period, therefore furlough times may be calculated in terms of hours rather than days. In these cases, the provision above refers to furlough hours.

Director's Messages:

[Updated Furlough Message 14-May-13](#) (Secretary Hagel's message on Furloughs included)
[Director's Furlough Message 6-May-13](#)
[All-Hands Budget - Part 2 1-Mar-13](#)
[All-Hands Budget 15-Feb-13](#)

DCMA Specific Information:

DCMA employees have asked the questions provided in the attached--similar questions have been grouped together. Additional questions and answers will be posted daily. | [DCMA Frequently Asked Questions \(22-May-13\)](#)

[Process Covering Potential for Administrative Furlough for FY 2013 \(Between DCMA & AFGE\) Amendment \(30-May-13\)](#)

Employee Resources Related to Furlough: NEW!2013 Furlough Resources**Supporting Documentation:**

[USD Comptroller Memo on Budgetary Uncertainty \(23-May-13\)](#)
[SECDEF Furlough Memorandum \(14-May-13\)](#)
[SECDEF Furlough SD Employee Msg \(14-May-13\)](#)
[USD Comptroller Sequestration Implementation Guidance \(5-Mar-13\)](#)
[White House Sequestration Order \(1-Mar-13\)](#)
[OMB Memo Issuance of Sequestration Order \(1-Mar-13\)](#)
[Deputy SECDEF Memos to Governors \(1-Mar-13\)](#)
[OMB Memorandum Planning for Uncertainty with Respect to Fiscal Year 2013 Budgetary Resources \(14-Jan-13\)](#)
[Deputy SECDEF Memo Handling Budgetary Uncertainty in FY 2013 \(10-Jan-13\)](#)
[OMB Memo Agency Responsibilities for Implementation of Potential Joint Committee Sequestration \(27-Feb-13\)](#)
[Notice to Congress and DoD Employees \(20-Feb-13\)](#)
[SECDEF Memo Implications of Ongoing Fiscal Cliff \(20-Dec-12\)](#)
[Budget Control Act of 2011](#)
[American Taxpayer Relief Act of 2012](#)

[ASD Memo Total Force Management and Budgetary Uncertainty \(21-Feb-13\)](#)
[SECDEF Memo Preparations for Potential Sequestration on March 1 and Furlough Notifications \(20-Feb-13\)](#)

Additional Documents:

[Civilian Furloughs and Total Force Management \(28-Jun-13\) NEW!](#)
[Merit Systems Protection Board Appeal Form \(MSPB Form 185\)](#)
[Guidance for LWOP during Administrative Furlough](#)
[Employee Handout - Furlough 16-May-13](#)
[TSP Furlough Fact Sheet](#)
[Hagel Issues Memo Directing Preparations for Civilian Furloughs \(14-May-13\)](#)
[DoD Administrative Furlough Q&A \(2-May-13\)](#)
[EAP/Worklife4You Furlough Information](#)
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[OPM Guidance – Addendum \(Overtime and Credit Hours – Administrative Furlough, 20-Feb-13\)](#)
[OPM Guidance – Addendum 2 \(Leave Accrual and Retirement Annuity Benefits – Administrative Furlough, 26-Feb-13\)](#)
[OPM Guidance – Addendum 3 \(Travel Expenses – Administrative Furlough, 27-Feb-13\)](#)
[OPM Guidance – Addendum 4 \(Details, LWOP, Unemployment Compensation and Collective Bargaining Obligations, \(5-Mar-13\)](#)
[OPM Guidance – Addendum 5 \(Guidance on various topics, 25-Apr-13\)](#)
[OPM Guidance – Addendum 6 \(Federal Employees' Group Life Insurance Program – Administrative Furlough, 23-May-13\)](#)

OPM Guidance - Addendum 7 (Travel Time as Hours of Work, 10-Jun-13)

Additional Links:

OPM Furlough Guidance

OPM Benefits Furlough Guidance

Thrift Savings Plan (TSP)

Employee Assistance Program (EAP), 1-(800) 222-0364

Defense Civilian Personnel Advisory Services

Defense Finance and Accounting Service

Unemployment Information



2013 Furlough Resources and Information

With Department of Defense furloughs scheduled to begin on Monday, July 8, 2013, DCMA is providing resource information to help everyone navigate effectively through this difficult period.

Furlough Website and E-mail Address

Furlough Website: Employees can access extensive information about the furlough to include OPM Guidance, furlough overview, guides on budgeting, TSP Furlough Fact Sheet, overall guidance and policy, and much, much more at www.dcmsa.mil/furlough.

Furlough E-mail Address: Email furlough@dcma.mil to get answers to your questions.

EAP Services

The Employee Assistance Program (EAP) is available 24/7 to assist you as you cope with the effects of the furlough. Call 1-800-222-0364 (TTY: 1-888-262-7848) or go online at www.worklife4you.com for assistance. International callers should call 314-387-4701 and ask the operator to reverse the charges. For international TTY callers, please have the relay operator make the initial call because collect calls can only be authorized by voice. Once authorized, the TTY machine may be used. New website users should use registration code "dcma" to register.

PERSONALIZED REFERRALS: Specialists are accessible 24/7 to help you find a variety of resources including legal and financial support, alternate child and senior care options that meet your budget, community services, assistance programs (food, utilities, transportation, etc.), housing options, and much more.

ONLINE TOOLS: Access tips, checklists, articles, podcasts, webinars, calculators, and other resources on topics including guidance for hard times, budgeting, saving, credit and debt, mortgages/foreclosure, staying healthy, coping with stress, conquering substance abuse, understanding child and senior care options, and more.

FREE EDUCATIONAL GUIDES: Get helpful guides including *Building a Better Credit Report*, *Choosing and Using Credit Cards*, *Finding a Lawyer That is Right for You*, and more.

LIVE INTERACTIVE WEBINARS: Interact with the presenter to ask questions and clarify information. You can attend from anywhere—all you need is a computer and an internet connection. Please visit <https://dcma.motivation.cc> to register.

- **July 10, 2013:** “Emergency Preparedness” 12:00-1:00 p.m. EDT*
- **July 24, 2013:** “Planning, Prioritizing, & Organizing Your Time” 12:00-1:00 p.m. EDT*
- **August 7, 2013:** “Smart Shopping” 2:00-3:00 p.m. EDT*
- **August 21, 2013:** “Overcoming Debt” 12:00-1:00 p.m. EDT*

*These are live webinars, so please remember to adjust the start time for your time zone.

View past webinars, including “Budgeting Basics,” “Stress Management,” and other previously recorded webinars, at www.worklife4you.com. Just click the On Demand Library module on the right hand side of the home page to access webinars on a variety of topics.

Please note that the webinars cannot be currently accessed using DCMA computers due to issues with the webhost. The technology needed to allow access has been procured and is slated to be deployed by September 2013. Until then, they can be accessed at any time using a non-DCMA computer.

Other Resources

CFC-Supported Charities

With the furlough fast approaching, the loss of income may put some employees in a particularly tough spot economically, in the short-term. Reach out to the Combined Federal Campaign (CFC) programs to help you get through it. They have a wide-variety of programs that can assist with finding community services such as food assistance, shelter, non-emergency medical care, and prescription discounts; scholarships and loans; substance abuse assistance; adult and child care; and more. Visit www.opm.gov/combined-federal-campaign/ and click “Finding Local Campaigns” to discover resources in your area.

United Way

Over 300 United Ways and their local community partners are engaged in activities and initiatives to help build the financial stability of families in their communities. Visit their website at www.unitedway.org for information on the education, income, and health resources they offer.

DCMA Specific Frequently Asked Questions

Pay/Leave/Schedules

1. Q. Does DCMA plan to shut down operations one day a week and remain open daily with employees opting for Fridays or Mondays off?
A. Currently, there is no overall plan to shut down operations one day a week. Decisions regarding furlough days will be made to minimize adverse impact to the mission and ensure continuity of operations and may vary, but as a general rule will be scheduled for 8 hours per week.

2. Q. Can an employee elect to take the 11 furlough days consecutively?
A. Currently, the guidance from the Department of Defense requires employees to be furloughed on discontinuous (intermittent) days for no more than 16 hours per pay period.

3. Q. Will employees be removed from Alternate Work Schedules and moved to 8 hour work days during the furlough?
A. Employees will not automatically be removed from alternate work schedules; however, some work schedules may be impacted due to pressing mission needs.

4. Q. How will furlough affect employees working part time?
A. Furlough time off for part-time employees will be prorated based on the employee's work schedule. For further guidance, please reference OPM's FAQ's (Section L/Furlough Time Off).
https://swww.dcmsa.mil/furlough/files/OPM_Administrative_Furlough_Guidance.pdf

5. Q. Will the telework benefit be available for employees during the furlough?
A. Employees will not automatically be removed from telework; however some telework arrangements may be impacted due to pressing mission needs.

6. Q. Will use or lose be affected by the furlough?
A. Employees should schedule use or lose leave in accordance with established procedures to avoid forfeiture at the end of the leave year.

7. Q. How does an employee stop their contribution to the Combined Federal Campaign (CFC)?

A. The employee must contact their local Customer Service Representative or make your request via the centralized mailbox (FinancialLiaisonCenter.Inbox@dcma.mil) to place a stop on funds being deducted from their Leave and Earning Statements (LES) for the purpose of CFC.

8. Q. Can an employee request to be furloughed as a way of reducing the hours of furlough required of other employees?

A. An employee cannot request to be furloughed. A furlough is an agency adverse action that places an employee in a temporary non-duty, non-pay status because of lack of work or funds, or other non-disciplinary reasons. For full guidance please see: <http://www.opm.gov/policy-data-oversight/pay-leave/furlough-guidance/guidance-for-administrative-furloughs.pdf>

9. Q. How will an employee on FMLA utilizing sick leave for 3 months be affected by sequestration?

A. Agencies have discretion in determining whether to furlough employees who are in LWOP status, since both furloughs and LWOP are periods of non-pay status. Employees may already be scheduled for LWOP for a variety of reasons and for various lengths of time on either a continuous or discontinuous basis. Agencies are responsible for determining (1) whether employees already scheduled for LWOP during a period when administrative furloughs are being conducted will be subject to furlough and (2) the hours of furlough required of such employees. For additional guidance on this topic, please see: <https://swww.dcma.mil/furlough/files/addendum4.pdf>

10. Q. Will there be provisions for the continued incurrence of Travel Comp Time (earned) during the furlough?

A. Employee entitlements to earn compensatory time for travel will not be affected by furlough.

11. Q. Will civilian employees be able to schedule their furlough hours in blocks when they are performing reserve duty? For example, if an employee takes two weeks of leave without pay during the furlough period, will all 80 hours of LWOP is applicable to the 176 hours each employee will be required to take as furlough?

A. Employees who are in LWOP status during an administrative furlough will receive credit for their time in that status towards any remaining scheduled furlough hours.

12. Q. Can agencies furlough employees who are on approved leave without pay (LWOP) during a time when administrative furloughs are being conducted for other employees?

A. Employees who are in LWOP status during an administrative furlough will receive credit for their time in that status towards any remaining scheduled furlough hours.

- During an administrative furlough, employees issued furlough notices will be subject to scheduled furlough time until an approved period of LWOP begins.
- Once the previous furlough hours served plus LWOP hours taken during an administrative furlough equals the number of furlough hours required during the administrative furlough, no additional furlough time will be required.
- When a period of LWOP ends during the administrative furlough, the employee will be subject to the remaining balance of furlough time, if any.

13. Q. If an employee is on approved leave without pay (LWOP), but affected by the furlough, would the employee be furloughed and LWOP terminated?

A. Employees who are in LWOP status during an administrative furlough will receive credit for their time in that status towards any remaining scheduled furlough hours.

During an administrative furlough, employees issued furlough notices will be subject to scheduled furlough time until an approved period of LWOP begins.

14. Q. How will employees be compensated during the furlough if they work outside of their basic workweek?

A. Employees who are required to work hours outside of a basic workweek during which they have been furloughed are compensated with their rate of basic pay if overtime thresholds have not been met, and/or with overtime pay or compensatory time off in lieu of overtime pay, as appropriate, once the threshold have been met. Most employees are subject to a 40-hour weekly overtime threshold and an 8-hour daily overtime threshold. *For example, if an employee is ordered to work 8 additional hours outside the basic workweek, these hours are substituted for the 8 furlough hours, and in essence the employee has worked a regular 40-hour workweek.*

15. Q. Will overtime pay be calculated based on an 8 hour work day or a 40 hour work week?

A. Overtime pay provided under title 5 USC is pay for hours of work officially ordered or approved in excess of 8 hours in a day or 40 hours in an administrative workweek.

- FLSA exempt employees who work full-time, part-time, or intermittent tours of duty are eligible for title 5 overtime pay. Employees in SL and ST positions are covered by the premium pay provisions under title 5.
- For employees with rates of basic pay equal to or less than the rate of basic pay for GS-10, step 1, the overtime hourly rate is the employee's hourly rate of basic pay multiplied by 1.5. For employees with rates of basic pay greater than the basic pay for GS-10, step 1, the overtime hourly rate is the greater of: the hourly rate of basic pay for GS-10, step 1, multiplied by 1.5, or the employee's hourly rate of basic pay.

Overtime pay for nonexempt employees is computed under the Fair Labor Standards Act (FLSA). A non-exempt employee is compensated for all hours of work in excess of 8 in a day or 40 in a workweek. All overtime work that is ordered or approved or "suffered or permitted" must be compensated.

- Under the FLSA, overtime pay is determined by multiplying the employee's "straight time rate of pay" by all overtime hours worked PLUS one-half of the employee's "hourly regular rate of pay" times all overtime hours worked.
- Any applicable special rate supplement or locality payment is included in the "total remuneration" and "straight time rate of pay" when computing overtime pay under the FLSA (ex. Sunday premium pay, night pay)

17. Q. May compensatory time off be utilized during furlough?

A. Yes. Compensatory time off is merely an alternative form of payment for overtime work. As such, the value of an hour of compensatory time off is equal to the overtime hourly rate that is payable in dollars.

- Compensatory time off may be approved in lieu of overtime pay for irregular or occasional overtime work for both FLSA exempt and nonexempt employees. Compensatory time off can also be approved for a prevailing rate employee, but there is no authority to require that any prevailing rate (wage) employee be compensated for irregular or occasional overtime work by granting comp time off.
- An employee must use accrued compensatory time off by the end of the 26th pay period after the pay period during which it was earned. If the accrued comp time is not used within this timeframe, the employee is paid for the earned comp time off at the overtime rate in effect when earned.

18. Q. Where can I find help if I encounter financial difficulties as a result of furlough?
A. Furlough financial assistance is available through the Employee Assistance Program. DCMA Furlough Resources at <https://www.dcmamil/furlough>.
19. Q. If an employee has already taken LWOP for military duty in this fiscal year, is any of that applicable towards that employee's furlough requirement?
A No. During an administrative furlough, an employee may not substitute leave or other forms of paid time off for any hours or days designated as furlough time off (e.g. annual, sick, court, or military leave, etc.)
20. Q. Employee is taking two weeks of military leave during the furlough period, do they still need to count two furlough days within the period or are they exempt while charging to military leave.
A. An employee who uses paid military leave must still take furlough days. If the employee chooses instead to use LWOP for his military AT, he would receive credit for time in LWOP status towards any remaining scheduled furlough hours; in other words, all days in LWOP status would be credited towards his remaining furlough days.

TSP/High 3/VERA/VSIP

1. Q. Will an employee's High 3 be affected by Furlough/Sequestration?
A. Generally, furlough will not impact a High 3 computation. Please refer to OPM Furlough Guidance Section: Employee Assistance, Question 1 at <http://www.opm.gov/furlough>.
2. Q. What ramifications are there for items that are based on a percentage of earnings like TSP and Life insurance?
A. See TSP Fact Sheet at <https://www.tsp.gov/index.shtml>
3. Q. Will VERA/VSIP be offered this fiscal year?
A. VERA/VSIP will not be offered to DCMA employees this fiscal year as a result of budget uncertainties or furlough. These authorities are used to permanently reduce the number of personnel employed or to restructure the workforce to meet mission objectives without reducing the overall number of personnel.

Performance

1. Q. Will performance awards be affected by furlough?
A. Consistent with guidance from the Office of Management and Budget (OMB Bulletin #M-13-05), DCMA will not issue discretionary monetary awards (e.g., performance awards, special acts, QSIs, etc.) until further notice.
2. Q. Will metrics be adjusted to offset the reduced time employees have to complete their work?
A. Supervisors will guide adjustments of plans.

Keystone/Pathways/852 Funding/Training

1. Q. If Keystones are unable to get the training they need due to budgetary issues, will the employee be penalized?
A. Employees will not be penalized if required training becomes unavailable due to conditions beyond the employee's control.
2. Q. If sequestration cuts take effect for FY13 and FY14, and all travel is restricted, will employees be penalized for not completing non-CBT core DAWIA courses?
A. There is currently no restriction planned for DAWIA related training; in the event restrictions must be placed on DAWIA related training events, any modification to the 24 month requirement will be addressed by AT&L for implementation across the Department.
3. Q. How will I be furloughed if I am attending an extended training class such as the two week DAU class?

A. The Department guidance is to generally target 8 hours per week but it is recognized this may not always be feasible, achievable, or a smart business decision to keep rigidly to that guidance. I want to remind you all as you are making scheduling decisions for your folks that some degree of flexibility exists. Extended TDY or training, critical mission requirements, employee requests, etc., may occur that will necessitate that furlough hours be taken on a slightly modified basis - and hours in a week or pay period may be modified to accommodate specific situations. For example, an employee attending a two-week training course during the pay period

may not be able to have furlough hours scheduled that pay period. The 16 hours "missed" during that pay period should be redistributed immediately before and/or after the training. For long-term TDY and training, it is feasible to schedule furlough days at the TDY/training site--the employee will continue to receive per diem and lodging for the day, but no work or training would be performed and the employee would not be paid. To the extent possible, these employees should follow the furlough guidance from the school they are attending. This is something that, as a supervisor, you will need to closely monitor.

General Questions

1. Q. Am I allowed to file for unemployment compensation if we are furloughed?
A. Rules for unemployment eligibility vary by State. Please refer to OPM Furlough Guidance in Section H (Employee Assistance). <http://www.opm.gov/policy-data-oversight/pay-leave/furlough-guidance/guidance-for-administrative-furloughs.pdf>

2. Q. Will I be able to seek additional employment during a furlough to compensate for lost wages?
A. While on furlough, an individual remains an employee of the Federal Government. Therefore, executive branch-wide standards of ethical conduct and rules regarding outside employment continue to apply when an individual is furloughed (specifically, the executive branch-wide standards of ethical conduct at 5 CFR part 2635). In addition, there are specific statutes that prohibit certain outside activities, and agency-specific supplemental rules that require prior approval of, and sometimes prohibit, outside employment. Therefore, before engaging in outside employment, an employee should review these regulations and then consult his or her agency ethics official to learn if there are any agency-specific supplemental rules governing the employee.

3. Q. Who determines whether someone is deemed "mission essential"?
A. The term "Mission Essential" is not entirely relevant to a furlough action of this type. DCMA employees will be deemed "excepted" during furlough if they fall into one of two categories: foreign national employee or a civilian deployed to a combat zone. Every other civilian employee--852 funded mission essential, veterans, supervisors, or SES members, will be furloughed and treated in the exact same manner.

4. Q. Bargaining Unit employees will be given 30 days advance notice prior to furlough taking place. Will Non-Bargaining Unit employees be treated the same?

A. Yes. All employees, regardless of bargaining unit status, will receive a 30-day advance notice period.

5. Q. How will veterans be treated during a furlough?

A. Veterans will not be exempt from furlough.

6. Q. Could there be a RIF?

A. RIF actions are not anticipated this fiscal year. They could actually cost more money this year than they would save due to separation expenses and payout of accrued leave.

7. Q. Will there be a freeze on PCS?

A. There is no plan to freeze PCS at this time but approvals are decided on a case-by-case basis.

8. Q. What are the status of negotiations between DCMA and AFGE Council 170?

A. A Memorandum of Understanding between DCMA and AFGE Council 170 has been signed and can be viewed at http://www.dcmamil/furlough/files/MOU_Furlough.pdf

9. Q. If DCMA's budget is cut due to sequestration, will the Notice of Transfer of Work letter sent in early November to certain HQ and Center employee's be rescinded?

A. No, the HQ Center Realignment effort is still in process.

10. Q. Will any work-life programs be cut as a result of the sequestration or furlough; such as authorized time for physical fitness activity?

A. Generally, work-life programs, such as authorized time for physical fitness, will not be affected as a result of sequestration or furlough, unless mission requirements warrant.

11. Q. Will DCMA's OCONOS employees lose LQA on the day they are furloughed?

A. In accordance with DSSR 132.2.b, an employee would not lose LQA. DSSR 132.2.b - while the employee is in non-pay status not in excess of 30 calendar days at any one time, LQA grants will continue. For periods in non-pay status longer than 30

calendar days, payment shall be suspended as of the day the employee enters such status, and payment is not made for any part of such period.

12. Q. How does an employee stop their contribution to the Thrift Savings Plan (TSP)?

A. In order to stop or change your Thrift Savings Plan (TSP) you must do so electronically thru the Employee Benefits Information System (EBIS). This database can be found at <https://www.abc.army.mil/index.htm>. If you are having difficulty navigating the system, please call the Army Benefits Center (ABC) at (877) 276-9287. If you are having a CAC issue and are unable to access your AKO email address or you are a new DCMA employee, the ABC hotline will be able to make your election for you.

13. Q. Will OPM consider an "open season" for employees to change benefits (particularly FEHB)?

A. Although there will not be an Open Season just for the impending furlough, there are FEHB Event Codes that are applicable in a furlough situation. For example, the following FEHB events codes may be used:

1E code- Should be used in the event the employee is working on a Part-time schedule and an SF-50 is completed to change their work schedule (from part-time to full-time or vice-versa) or work hours. This event code will allow an employee to change to self-only, self-family or cancel their coverage.

1G code - Should be used for full-time employees who have insufficient pay to cover their FEHB premiums. These employees will be provided the option to cancel or change to self-only coverage within 31 days of insufficient pay notice. When full pay resumes, the employee has 60 days to elect to continue coverage.

1D code - Should be used when an employee terminated their coverage and is returning to a full pay status, the employee will have 60 days from the date of their return to full pay status to elect health coverage.

You can view other qualifying life event (QLE) codes that can be made outside of Open Season at the link below:

<http://www.opm.gov/healthcare-insurance/healthcare/reference-materials/reference/enrollment/>

Subsequently, you will be notified by your employing agency if your salary becomes insufficient to pay your FEHB premiums. When notified you will be given the option to pay directly, incur a debt, or pre-pay premiums. Consequently, if you choose to incur a debt, you must agree to pay the resulting debt in full and allow the debt to be collected from your pay once you return to a full pay status.

14. Q. What are the procedures or policies for participants in the event of a furlough schedule?

A. The same MTBP procedures/policies apply whether in regular status or furlough. Participants in the mass transit benefit program should always claim monthly benefits in amounts up to their most recently approved mass transit enrollment application (not to exceed the maximum statutory monthly limit). , they need only adjust their monthly claims according to the days they will actually be commuting (taking into account furlough days, and as always, AWS, telework, etc.). Any benefits not used by participants expire at the end of each month. Unused benefits do not roll over to the next month.

15. Q. If a new employee comes on board during the furlough period, what rules apply when placing the employee under the furlough?

A. Per OPM guidance, an agency must give a 30 day notice to employees who are being furloughed, employees must be given a 7 day response period before they can be placed on furlough. The Notice of Furlough can be given to the employee on the first day of employment and the furlough will go into effect after the requisite periods have passed.

16. Q. What PLAS code do employees use for furlough days?

A. The week of July 8, 2013 officially started the furlough period for all Department of Defense (DoD) employees. During this time, the correct PLAS code on the day of furlough will be KE.

17. Q. How many days or hours of furlough will a new employee have to serve?

A. The number of days required for furlough will be pro-rated based on the week the employee begins the furlough. Examples are provided in the scheduling guidance document posted below under DCMA Specific Information.

18.

18. Q. Does placement in furlough status cause a full-time employee to be converted to part-time or a part-time employee to be converted to a reduced part-time work schedule?

A. No. Placement in furlough status or any other kind of temporary nonpay, nonduty status does not affect the nature of an employee's official work schedule as full-time or part-time. For a full-time employee who is furloughed during a 40-hour basic workweek, the employee continues to have a full-time 40-hour basic workweek. For a part-time employee who is furloughed, the part-time tour of duty established for leave usage purposes also remains the same.

19. Q. May an employee volunteer to do his or her job on a nonpay basis during any hours or days designated as furlough time off?

A. No. Unless otherwise authorized by law, an agency may not accept the voluntary services of an employee. (See 31 U.S.C. 1342.)

20. Q. Will an employee's Federal Flexible Spending Account Program (FSAFEDS) be impacted during an administrative furlough?

A. The employee's FSAFEDS coverage continues, and allotments made by the employee continue if the employee's salary in each pay period is sufficient to cover the deduction(s). If the employee's salary is insufficient to cover his or her allotment(s), then incurred eligible health care expenses will not be reimbursed until the allotments are successfully restarted (in which case the remaining allotments would be recalculated over the remaining pay periods to match the employee's annual election amount). Incurred eligible dependent care expenses may be reimbursed up to whatever balance is in the employee's dependent care account, as long as the expenses incurred allow the employee (or employee's spouse if married) to work, look for work or attend school full-time. Once dependent care allotments are successfully restarted, remaining allotments would be recalculated over the remaining pay periods to match the employee's annual election amount.

Security Questions

1. Q. If I can't meet my financial obligations can it impact my security clearance?

A. Security clearance determinations are made based on a "whole person" principle. Decisions regarding eligibility for access to classified information take into account factors that could cause a conflict of interest and place a person in the position of having to choose between his or her commitment to the United States, including the commitment to protect classified information, and any other compelling loyalty. When a person's life history shows evidence of unreliability or untrustworthiness,

questions arise whether the person can be relied on and trusted to exercise the responsibility necessary for working in a secure environment where protecting classified information is paramount. Financial issues are one of many considerations taken into account when trying to determine whether a person is an acceptable security risk. As a category, financial problems are a leading reason a security clearance is revoked or not granted. A single financial misfortune may not in and of itself cause a loss of clearance. Rather, it would be a factor to be considered among many others:

- Are they unable or unwilling to pay their debts?
 - Is there evidence of unexplained affluence?
 - Do they file annual Federal, state, or local income tax returns as required?
 - Is the financial difficulty a result of drug use or alcohol abuse?
 - Do they have a history of gambling or other risky financial behavior?
 - Was the financial misfortune an isolated incident or part of a pattern, or cycle of debt?
 - Has the individual acted responsibly? (i.e. notified and worked with creditors)
 - Has the individual been open and honest with his or her leadership about the issue or have they tried to cover it up?
2. Q. What should I do to minimize the effects on my security clearance if and when I find myself unable to meet my financial obligations?
- A. You should immediately contact your creditors and explain the situation. You should document each interaction with the creditor to the maximum extent possible. Many creditors are willing to work with their customers in such situations. For example, if the creditor agrees to lower payments for a period of time, you should ask for that agreement in writing or email. This will allow you to provide the adjudicator with the documented evidence that you were acting responsible given the situation. Additionally, you should keep your security office informed if you are experiencing or beginning to experience difficulty meeting your financial obligations.
3. Q. What kinds of financial hardships should I report to my Security Office if they occur?

A. You should notify the DCMA Security Office at PERSONNELSECURITYMAILBOX@DCMA.MIL and your supervisor in writing if, because of furlough, you: (1) face bankruptcy, (2) are unable to pay Federal, state or other taxes required by law or ordinance, (3) require credit counseling, (4) become delinquent on alimony or child support payments, (5) have a judgment entered against you for failure to meet financial obligations, (6) have liens placed against you, (7) become delinquent on a Federal debt, (8) have possessions or property repossessed, (9) default on loans, (10) have accounts turned over to a collection agency, (11) have credit accounts suspended, charged off, or cancelled for failure to pay as agreed, (12) are evicted for non-payment, (13) have wages garnished in order to satisfy a financial obligation, or (14) become over 120 days delinquent on a debt. Providing notification demonstrates responsibility which can mitigate any security concerns about the debts themselves.

ADMINISTRATIVE FURLOUGH SCHEDULING GUIDANCE FOR NEW EMPLOYEES

New employees reporting for duty at DCMA must be given a Notice of Proposed Furlough by the new supervisor upon arrival. The employee will have seven calendar days from the date this notice is received to make a written and/or verbal reply to the deciding official. The proposal provides the employee a 30-calendar day notice period starting from the date the proposal is received. After the seven-calendar day reply period has expired, the employee must be given a Notice of Decision to Furlough prior to the expiration of the 30-calendar day notice period. If the decision is to furlough the employee, the employee will begin the furlough no sooner than 30 calendar days after the proposal notice is received. The number of days required for furlough will be pro-rated based on the week the employee begins the furlough.

Examples:

Employee A – Enters on duty with DCMA effective 17 June 2013 and receives the Notice of Proposed Furlough on the same date (30-calendar day notice period begins).

The employee's seven-calendar day reply period expires on 24 June 2013. The employee receives the Notice of Decision to Furlough on 25 June 2013.

The employee's first effective date of furlough is 18 July 2013. The employee will serve one furlough day (eight hours) on either 18 or 19 July 2013. The employee's furlough is reduced by one day (eight hours) and will serve ten days of furlough for the remaining furlough period.

The employee is identified as an exception in AutoNOA (Reason #21, Delayed issuance of furlough proposal notice). A manual furlough RPA is submitted through DCPDS with an effective date of 18 July 2013.

Employee B – Enters on duty with DCMA effective 1 July 2013 and receives the Notice of Proposed Furlough on the same date (30-calendar day notice period begins).

The employee's seven-calendar day reply period expires on 8 July. The employee receives the Notice of Decision to Furlough on 9 July 2013.

The employee's first effective date of furlough is 1 August 2013. The employee will serve one furlough day (eight hours) on either 1 or 2 August 2013. The employee's furlough is reduced by three days (24 hours) and will serve eight days of furlough for the remaining furlough period.

The employee is identified as an exception in AutoNOA (Reason #21, Delayed issuance of furlough proposal notice). A manual furlough RPA is submitted through DCPDS with an effective date of 1 August 2013.

Employee C – Enters on duty with DCMA effective 15 July 2013 and receives the Notice of Proposed Furlough on 16 July 2013 (30-calendar day notice period begins).

The employee's seven-calendar day reply period expires on 23 July 2013. The employee receives the Notice of Decision to Furlough on 29 July 2013.

The employee's first effective date of furlough is 16 August 2013. The employee will serve one furlough day (eight hours) on 16 August 2013. The employee's furlough is reduced by five days (40 hours) and will serve six days of furlough for the remaining furlough period.

A manual furlough RPA is submitted through DCPDS with an effective date of 16 August 2013.

ADMINISTRATIVE FURLOUGH SCHEDULING EXAMPLES FOR TDY/TRAINING

Employee A – Scheduled to attend a one-week training class 29 July – 2 August 2013. Employee travels on Sunday, 28 July, and either Friday, 2 August or Saturday, 3 August. The DCMA employee will adjust the one furlough day (eight hours) “missed” while in training to the week before or the week following the training.

Employee B – Scheduled to attend a two-week DAU training class 30 July – 8 August 2013. DAU scheduled furlough days are Monday, 29 July, and Friday, 9 August. The DCMA employee travels on Monday, 29 July, and Friday, 9 August. The DCMA employee will adjust the two furlough days (16 hours) “missed” while in training to the week before or the week following the training. For example, the DCMA employee will schedule two furlough days the week of 22 July and two furlough days the week of 12 August to make up the “missed” 16 hours of furlough while in training.

Employee C – Scheduled to attend a four-week DAU training class 30 July – 21 August 2013. DAU scheduled furlough days are Monday, 29 July; Friday, 9 August; and Thursday and Friday, 22 and 23 August. The DCMA employee travels on Monday, 29 July, and Thursday, 22 August. The DCMA employee is furloughed on Friday, 9 August, and Friday 23 August. The DCMA employee will adjust the two additional furlough days (16 hours) “missed” while in training to the week before or the week following the training. For example, the DCMA employee will schedule two furlough days the week of 22 July and two furlough days the week of 26 August to make up the “missed” 16 hours of furlough while in training.

Employee D – Scheduled for TDY 23-26 July 2013. The employee’s original furlough schedule included a furlough day on 22 July. The employee will travel on 22 July and reschedule the one furlough day (eight hours) to the week before or the week following the TDY.



ASSISTANT SECRETARY OF DEFENSE

4000 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-4800

READINESS AND
FORCE MANAGEMENT

JUN 28 2013

MEMORANDUM FOR: SEE DISTRIBUTION

SUBJECT: Civilian Furloughs and Total Force Management

Reference: (a) Secretary of Defense Memorandum, "Furloughs", dated 14 May 2013

The Secretary of Defense, per reference (a), directed civilian furloughs beginning July 8, 2013. Reference (a) also provided for certain exceptions to the civilian furloughs to minimize adverse effects on mission. This memorandum provides additional guidance related to the Total Force of active and reserve military, civilians, and contracted support during the time-period of civilian furloughs.

While civilian furloughs will undoubtedly disrupt the mission and have a negative impact on productivity, it has been determined that the risk associated with that workload loss, while unavoidable, is acceptable. On furlough days, furloughed civilians are not authorized to perform official duties at their permanent or temporary duty station, at home, or at an alternate site, including communicating by BlackBerry or other mobile device. In addition, civilian personnel subject to furlough shall not be required to work beyond their regularly scheduled and compensated times on non-furlough days to make up for work lost as a result of furlough, nor shall employees in pay status perform work beyond their regularly scheduled hours to compensate for the workload/productivity loss of those who are in furlough status.

Accordingly, Component heads, installation commanders, and line managers shall take steps to manage workload, but must ensure that borrowed military manpower is not used to compensate for work resulting from a civilian furlough. To do so would be inconsistent with the Secretary's intent and the Department's commitment to protect the viability of the All-Volunteer Force.

Additionally, in accordance with the Department's statutory requirements, contractors are prohibited from being assigned or permitted to perform additional work or duties to compensate for the workload/productivity loss resulting from the civilian furlough.

To protect against further harm to morale and productivity – which the Secretary of Defense warned against - compliance with the above is critical. Please ensure maximum distribution of this memorandum throughout your organization.

F. E. Vollrath



DEFENSE CONTRACT MANAGEMENT AGENCY

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FORT LEE, VA 23801-1809

INTERNAL MANAGEMENT GUIDANCE – FOR OFFICIAL USE ONLY

MEMORANDUM FOR DEPUTY DIRECTOR
CHIEF OPERATING OFFICER
REGIONAL COMMANDERS
EXECUTIVE DIRECTOR, SPECIAL PROGRAMS
EXECUTIVE DIRECTOR, INTERNATIONAL
EXECUTIVE DIRECTOR, CONTRACTS
GENERAL COUNSEL

MAY 30 2013

SUBJECT: TASKING: FY 13 Administrative Furlough Requirements for Deciding Officials
Suspense: June 5, 2013 THROUGH NO LATER THAN July 5, 2013

As indicated in the original Furlough Tasking Memorandum, an administrative furlough will be instituted for all DCMA civilian employees, except direct and in-direct hire foreign national employees; civilians deployed in combat zones and civilians deployed in Africa; and Foreign Military Sales (FMS) employees whose positions are exclusively funded from FMS Administrative and FMS Case Funds and from Foreign Military Financing Accounts. The furlough will be on discontinuous (intermittent) days for no more than 11 workdays or 88 hours. Generally, each employee will be furloughed for no more than 8 hours per week during the period between July 8, 2013 and September 30, 2013.

Proposing Officials (normally first line supervisors) were tasked with issuing the Notice of Proposed Furlough during the period May 28 through June 5, 2013. Management officials were designated to receive the employee's oral reply and will provide Deciding Officials a Memorandum for Record summarizing the employee's oral reply. The employee reply period ends during the period June 4 through June 12, 2013 (seven calendar days from the date the Notice of Proposed Furlough was received by the employee).

As Deciding Officials, you are charged with fully considering any replies (written and/or oral) and issuing the Notice of Decision to Furlough. Deciding Officials are accountable for making final decisions on furloughs for individual employees after carefully considering the employee's reply, if any, and the needs of the Agency. Deciding Officials must also ensure final decisions are made in cases where an employee does not submit a reply. Deciding Officials will have the authority to execute the full range of options with respect to providing relief in individual employee cases. This authority includes, but is not limited to, reducing the number of days/hours an individual employee is furloughed, or granting the individual employee an exception from the furlough altogether. Agency templates have been developed for the Notice of Decision to Furlough and cannot be amended or changed.

NOTE: If the decision is made to grant partial or total relief from the furlough, the Deciding Official must contact the servicing Labor and Employee Relations Specialist for assistance in preparing the Notice of Decision to Furlough.

EMPLOYEES ON TEMPORARY APPOINTMENTS AND REEMPLOYED ANNUITANTS: These employees do not have the same statutory procedural rights as permanent employees. Therefore, employees on temporary appointments and reemployed annuitants will not receive a Notice of Proposed Furlough. The Notice of Furlough will be issued by the designated Deciding Officials during the period NOT EARLIER THAN June 5 through NO LATER THAN July 5 (Previously provided as Attachment E in the original Furlough Tasking Memorandum).

As a reminder, a DCMA Memorandum of Understanding addressing the Agency's Administrative Furlough Plan has been negotiated with the American Federation of Government Employees, Council 170. Further negotiation of the Agency's Administrative Furlough Plan and supplemental guidance are not authorized at any level.

Attachment A provides a template for the Notice of Decision to Furlough where the employee made an oral and/or written reply

Attachment B provides a template for the Notice of Decision to Furlough where the employee did not make a reply

Attachment C provides procedures for issuing the Notice of Decision to Furlough

Attachment D provides a listing of Merit Systems Protection Board Regional Offices (required for insertion in the Notice of Decision to Furlough)

Attachment E provides the MSPB Appeal Form (attachment to Notice of Decision to Furlough)

Requirement(s) Summary:

The following outlines requirements and actions to be taken by Deciding Officials:

- NOT EARLIER THAN June 5 through NO LATER THAN July 5: Deciding Officials issue the Notice of Decision to Furlough (**Notice of Decision to Furlough templates and procedures are at Attachments A, B, and C**)
- Attach MSPB Appeal Form to Notice of Decision to Furlough
- Ensure a complete record of each individual action is maintained (Notice of Proposed Furlough; Written Reply (if any); Memorandum for Record of Oral Reply (if any); Supporting Documents provided by employee (if any); and Notice of Decision to Furlough)
- June 5 through NO LATER THAN July 5: Issue Notice to Furlough to temporary employees and reemployed annuitants
- July 8: First workday an employee may be furloughed

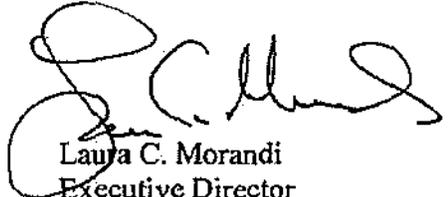
Reporting and Recordkeeping Requirements: A separate Tasking Memorandum will follow to outline specific reporting and recordkeeping requirements.

Resource Impact:

- Approximately one to four hours per employee.

Administrative Information:

- PLAS Code for this task: 223B
- This tasking memo has been coordinated with appropriate headquarters operational leadership.
- POC: The Labor and Employee Relations Specialist, Human Capital Directorate, in accordance with organizational assignments (Previously provided as Attachment I in the original Furlough Tasking Memorandum).



Laura C. Morandi
Executive Director
Human Capital

Attachments:
As stated

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COMPTROLLER

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

MAY 23 2013

MEMORANDUM FOR: SEE DISTRIBUTION

SUBJECT: Additional Guidance for Handling Budgetary Uncertainty in Fiscal Year 2013

- References:
- (a) Deputy Secretary of Defense's memorandum on "Handling Budgetary Uncertainty in Fiscal Year 2013," dated January 10, 2013
 - (b) USD(C) Memorandum "Additional Guidance on Handling Budget Uncertainty in Fiscal Year 2013," March 5, 2013 - **Rescinded**
 - (c) DoD Directive 4515.12, DoD Support for Travel of Members and Employees of Congress
 - (d) Title 10, United States Code § 1051, "Bilateral or regional cooperation programs: payment of personnel expenses"
 - (e) DoD Instruction 1015.15, Establishment, Management and Control of Non-appropriated Fund Instrumentalities and Financial Management of Supporting Resources
 - (f) Title 10, United States Code § 1491, "Funeral honors functions at funerals for veterans"
 - (g) Title 31 United States Code § 1353, "Acceptance of Travel and Related Expenses from Non-Federal Sources"

The purpose of this memorandum is to provide additional guidance to reference (a) to ensure consistency in the treatment of issues across the Department of Defense (DoD) as the Department implements sequestration and the funding provided in the Consolidated and Further Continuing Appropriations Act, 2013 (Public Law 113-6). All DoD Components need to ensure that funding for wartime operations is protected and critical priority requirements for national security are funded within the limited resources and flexibilities provided. Effective immediately, the guidance in this memorandum supersedes the guidance provided in reference (b), and subsequent clarifications, which are hereby rescinded.

Congressional Travel Support

The Department will strictly enforce DoD's policies in its support of travel by congressional delegations (CODELs) and congressional staff delegations (STAFFDELS). It is DoD policy that support for approved travel of members and employees of Congress shall be provided on an economical basis upon request from Congress, pursuant to law or where necessary to carry out DoD duties and responsibilities. Organizations shall ensure that travel of members and employees of Congress is sponsored by the DoD *only* where the purpose of the travel is of primary interest to and bears a substantial relationship to programs or activities of DoD and is not solely for the purpose of engendering goodwill or obtaining possible future benefits. Specific guidance is included in reference (c). Some specific policies worth highlighting include:

- Military airlift will not be used for CODELs if commercial airlift is reasonably available.
 - Within the Continental United States (CONUS), no CODELs may use military airlift as commercial airlift is readily available.
 - Military airlift may be authorized for CODELs Outside the CONUS if commercial airlift is limited or unsafe; every effort must be made to minimize costs.
 - Spouses may accompany members if there is an official function as long as they pay their own expenses and do not increase the number or size of aircraft required.
- Minimum number of congressional members for military airlift originating in CONUS.
 - No less than five members for large aircraft.
 - No less than three members for small aircraft.
- Tickets purchased by DoD for CODELs, STAFFDELS, and liaison escorts.
 - Must be economy class; individuals may upgrade at their own expense.
 - DoD does not pay for a member's personal staff traveling to his/her home State/District; this includes travel, lodging, meals, or escorts.
- All itineraries for CODELs/STAFFDELS must be approved by the escorting Service's 2-star Legislative Affairs Director to ensure that the itinerary is an efficient use of taxpayer funds.

Tuition Assistance

The Services are to restore funding for tuition assistance to the budgeted level for the remainder of Fiscal Year 2013, without reduction for sequestration. In addition, the Services will not implement any management controls/restrictions that did not exist prior to the tuition assistance stoppage. This will meet, and exceed, the requirement in section 8129 (Requirement to Continue Provision of Tuition Assistance for Members of the Armed Forces) of division C of Public Law 113-6 (Department of Defense Appropriations Act, 2013).

Discretionary Monetary Awards for Civilians

In the Office of Management and Budget (OMB) Bulletin #M-13-11, Ongoing Implementation of the Joint Committee Sequestration, dated April 4, 2013, the Controller provides the following guidance with regard to discretionary monetary awards:

"OMB Memorandum 13-05 [Agency Responsibilities for Implementation of Potential Joint Committee Sequestration] directs that discretionary monetary awards should not be issued while sequestration is in place, unless issuance of such awards is legally required. Discretionary monetary awards include annual performance awards, group awards, and special act cash awards, which comprise a sizeable majority of awards and incentives provided by the Federal Government to employees. Until further notice, agencies should not issue such monetary awards from sequestered accounts unless agency counsel determines

the awards are legally required. Legal requirements include compliance with provisions in collective bargaining agreements governing awards.¹

Consistent with past guidance, certain types of incentives are not considered discretionary monetary awards for the purposes of this policy. These include quality step increases (QSIs); travel incentives recognizing employee savings on official travel; foreign language awards for mission-critical language needs; recruitment, retention, and relocation incentives (3Rs); student loan repayments; and time-off awards. While these items are permitted, in light of current budgetary constraints, they should be used only on a highly limited basis and in circumstances where they are necessary and critical to maintaining the agency's mission. In addition, consistent with the policy set forth in the Guidance on Awards for Fiscal Years 2011 and 2012, jointly issued by the Office of Personnel Management (OPM) and OMB on June 10, 2011, spending for QSIs and 3Rs should not exceed the level of spending on such incentives for fiscal year 2010.

With respect to Federal political appointees, agencies should continue to follow the policy set forth in the August 3, 2010 Presidential Memorandum, Freeze on Discretionary Awards, Bonuses, and Similar Payments for Federal Political Appointees. OPM previously issued guidance on implementation of this memorandum.”

The Office of the Under Secretary of Defense for Personnel and Readiness will be issuing supplemental guidance on award limitations for DoD civilians.

Participation in International Events

The Department should limit its participation in international events except in those instances where individuals are supporting Foreign Military Sales and the funds supporting these efforts are not being sequestered because the accounts are exempt from sequestration.

Components may continue to participate in military exercises and to conduct military-to-military engagement activities, including participation by DoD personnel in bilateral or regional conferences, seminars, or similar meetings if the appropriate conference approval authority determines that the attendance of such personnel at such conference, seminar, or similar meeting is in the national security interests of the United States. In addition, Components may continue to use - in accordance with established guidance and approval procedures - the authority provided by reference (d) to pay travel and subsistence costs for defense personnel from developing countries in order for them to attend conferences, seminars, or similar meetings considered in the interest of U.S. national security. In this period of sequestered budgets, however, Component Heads should take particular care to ensure that any military-to-military engagement activities, including conferences, seminars, or similar meetings, are mission critical and that the goals of the

¹ Consistent with legal requirements, agencies may consider engaging in discussions with employees' exclusive representatives to explore revisions to such provisions in existing collective bargaining agreements, in recognition of this guidance.

activity cannot be deferred or met through other means. We also ask that you take into account factors that could result in special scrutiny of an event, including size, cost, and location. Utilization of military musical units or ceremonial units in military-to-military engagement activities will require the concurrence of the Office of the Assistant to the Secretary of Defense for Public Affairs before approval.

Demonstration Flying

All aerial demonstrations, including flyovers, jump team demonstrations, and participation in civilian air shows and military open houses were to cease as of April 1, 2013, consistent with previous direction. Flyovers in support of military funerals will be given special consideration. To ensure consistency across the Department all exceptions and waivers for demonstration flying will require the concurrence of the Office of the Assistant to the Secretary of Defense for Public Affairs before approval.

Support to Non-DoD Organizations and Special Events

All military support to non-DoD organizations and special events for outreach purposes beyond a military installation's local area is prohibited. Military support to outreach activities in the local area is permitted so long as the support is provided using only local assets and personnel, and is at no cost to the Department. This includes, but is not limited to, military equipment displays at civilian air shows, military open houses, Fleet and Service weeks, and CONUS-based ship homeport visits, and in parades and civic events. The use of non-appropriated funds (NAF) to host military installation open houses in support of authorized NAF programs is permitted in accordance with reference (e). To ensure consistency across the Department, all exceptions and waivers for support to non-DoD organizations and special events will require the concurrence of the Office of the Assistant to the Secretary of Defense for Public Affairs before approval. This section does not apply to DoD Component Recruiting Marketing activities using Recruiting assets, National Guard outreach activities funded solely by State funds, and attendance by DoD personnel at a non-DoD hosted conference.

Military Musical Unit (and Ceremonial Unit) Travel

As a matter of policy, military musical and ceremonial units will not be permitted to travel beyond their respective duty station's local area for any purpose, including support to another military installation, even if such travel could be conducted at no cost to DoD. Units may continue to perform locally both on and off military installations, including for the purpose of producing and distributing audio and video recordings, as long as those performances, productions and distributions are at no cost to the Department. To ensure consistency across the Department, all exceptions and waivers will require the concurrence of the Office of the Assistant to the Secretary of Defense for Public Affairs before approval. Presidential Wreath-Laying Ceremonies are exempt from this restriction. In addition, Military Funeral Honors Details are exempt from this restriction and will continue to be executed in accordance with Service Department policies and reference (f).

Official Speeches and Related Travel Expenses for DoD Personnel

Department of Defense personnel may not travel beyond the local area at DoD cost, including to deliver official speeches, unless the activity is deemed mission critical. Each organization in the Office of the Secretary of Defense (OSD), Service Component or Combatant Command (COCOM) is responsible for making this "mission critical" determination. Expenditure of DoD travel funds to support a mission critical official speech must be approved by the member's respective OSD organization, Service Component or COCOM leadership. The Department may continue to accept unsolicited travel benefits from non-Federal sources in accordance with reference (g). However, all expenses for non-mission critical travel must be covered by the non-Federal source, including per diem, lodging, meals, transportation and all other travel-related expenses.

Conference Attendance

As you know, the Deputy Secretary of Defense has issued guidance requiring that all conferences be mission critical. There are also certain individuals who must approve conferences, depending on their nature and size. If you have questions about this guidance, it is available for review at: <http://dcmo.defense.gov/products-and-services/conference-policies-controls/index.html>.

Even under sequestration, we do not want to prohibit conferences, including hosting of or attendance at DoD-hosted conferences or attendance at conferences hosted by non-DoD entities. However, in this period of sequestered budgets, we ask that commanders and managers take particular care to be certain that conferences are indeed mission critical and that the goals of the conference cannot be met through other means. We also ask that you take into account factors that could result in special scrutiny of conferences including size, cost, and locations that are remote from the workplace of most participants. Particular care should be exercised in assessing the need for conferences held overseas or in other locations likely to attract special attention.

If, after weighing the above considerations, travel approving officials determine that attendance at conferences hosted by non-Federal sources during sequestration is still appropriate, if asked, the host may be informed of DoD's authority to accept payments for travel, subsistence, and related expenses pursuant to reference (g). Payments for travel expenses under reference (g) may not be solicited. Apart from this statute, we do not have authority to accept reimbursements from non-Federal entities in a manner that can be used to offset DoD's costs of participation in a non-Federal source's conference. All DoD travel approving officials should ensure that DoD employees attend only those conferences that satisfy the criteria set forth in the preceding paragraph and that, wherever appropriate, all travel, subsistence and related expenses incurred by DoD are reimbursed in accordance with reference (g).



READINESS AND FORCE
MANAGEMENT

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
4000 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-4000

MAY 21 2013

MEMORANDUM FOR: SEE DISTRIBUTION

SUBJECT: Supplemental Guidance on Leave Without Pay Status for the Department of Defense Civilian Employees during an Administrative Furlough

On March 5, 2013, the Office of Personnel Management revised the Guidance for Administrative Furloughs. The revision states "Agencies have discretion in determining whether to furlough employees who are in Leave Without Pay (LWOP) status, since both furloughs and LWOP are periods of non-pay status."

This memorandum provides the Department of Defense supplemental guidance on the treatment of employees who are in LWOP status during an administrative furlough. For consistency and fairness, this guidance applies to employees in all categories of LWOP, including employees on leave under the Family and Medical Leave Act (FMLA) and Absent-Uniformed Service Leave (A-US). The guidance achieves required civilian payroll savings while maximizing productivity without creating additional financial burden for employees.

Employees who are in LWOP status during an administrative furlough will receive credit for their time in that status towards any remaining scheduled furlough hours.

- During an administrative furlough, employees issued furlough notices will be subject to scheduled furlough time until an approved period of LWOP begins.
- Once the previous furlough hours served plus LWOP hours taken during an administrative furlough equals the number of furlough hours required during the administrative furlough, no additional furlough time will be required.
- When a period of LWOP ends during the administrative furlough, the employee will be subject to the remaining balance of furlough time, if any.
- Managers and supervisors are advised to limit discretionary LWOP to the maximum extent practicable during the administrative furlough.
- LWOP taken prior to or after the administrative furlough will not be credited toward required furlough time.
- This guidance does not supersede any past practice or collective bargaining agreement. All bargaining obligations must be met prior to implementing a change in conditions of employment based on this guidance.

If you have questions about this guidance, my point of contact is Mr. Seth Shulman, Chief, Compensation Division, Defense Civilian Personnel Advisory Service. He can be reached at (571) 372-1617, or seth.shulman@cpms.osd.mil.



Paige Hinkle-Bowles
Deputy Assistant Secretary
Civilian Personnel Policy

DISTRIBUTION: ASSISTANT G-1 FOR CIVILIAN PERSONNEL POLICY
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Presenter: Senior Department of Defense Officials

May 14, 2013

Department of Defense Background Briefing on Civilian Furloughs from the Pentagon

MODERATOR: So thank you for joining us this afternoon.

As you know, the secretary has made a decision with respect to furloughs, which he announced just about an hour ago. But we thought that you may have some additional questions about how the department came to this decision and how the furloughs will be implemented.

And so, we wanted to give you an opportunity to be able to talk to some of our senior subject matter experts on this.

It is a background briefing, so we have provided the bona fides for each of our senior officials here, but I guess for question purposes, we have senior official one and senior official two, if you want to direct it to a particular individual, or you can ask for either one of them to answer it.

Obviously, by their titles there, they come -- they have different expertises within the department.

And our plan is we -- you -- I think most of you have gotten the secretary's statement on this, and probably watched what he said to the department employees. So it's our plan, really, just to get right into questions and take care of the business that you need to take care of and then get out of here.

So, with that, Lita why don't you start us off then, and we'll go to Courtney and then to Tony, and we'll see where we go from there.

Q: Senior Defense Official Number One, the secretary alluded to this briefly during this town hall, about next -- this fiscal year 14. Can you clear up a little bit about, there's a 1 percent raise for civilians, apparently, in that, but would sequestration -- how -- what does the outlook for next year look like, considering sequestration and --

SENIOR DEFENSE OFFICIAL: I wish I knew. I honestly don't. There's a wide range of possibilities. We could get a budget agreement, a broad one, in which case I think we'd have a decent shot at appropriation near the president's budget level.

Both the House and Senate budget resolutions, these things they set -- you're familiar with them -- were at the president's level for fiscal 14.

At the other extreme, I guess the process could stay broken and we could end up on a continuing resolution at the sequester levels.

As far as the pay raise, sequester, doesn't -- you can't actually effect raises per se in sequestration. So if Congress were to approve that 1 percent raise, people would get it. Whether they will or not, I don't know. We proposed a raise of 1 percent for both military and civilian in fiscal year 14, but we also proposed a 0.5 percent raise in 13 and that's not going to happen.

Q: Would you -- (inaudible) -- two things. First off, do you know the total number yet of how many civilians this will include, with all the exemptions that are now included? And then, can you give us a sense of the decision-making behind making this an across-the-board furlough for all civilians despite the fact that several of the services said that they may not have to, that they could find the money?

It seems -- I'm not -- I'm certainly not a budget expert, but it seems like it's relatively unprecedented to say, "Well, you know, Navy and Marine Corps, you don't have to do this, but we're going to make you do it anyway." And so can you tell us a little bit about the decision-making, please?

SENIOR DEFENSE OFFICIAL: Sure. There's about 800,000 paid -- civilians paid by the Department of Defense. About 120,000 will be exempt, so it's not really across the board. There are some categories of exemptions. And I should add, there are some issues yet to be resolved with regard to intelligence personnel that could increase that 120,000, but right now it's about 15 percent.

In terms of the decision, and specifically like the Navy and some agencies, in any organization this broad, this complex, you're going to have organizations with differing budgetary situations. And some may have been in a situation where they could do less furloughs.

It was our judgment that we wanted to minimize adverse effects on mission across the entire department. And so what we will do to the extent we're permitted by law is, except for those who are exempted, we will furlough the remainder of our civilians and then move money around to try to minimize adverse effects on readiness. And we will do probably some of that in this reprogramming that hasn't made it up to the Hill yet, but I hope will soon. And we may look at other options as well.

Q: I don't understand what -- when you say "minimize adverse effects on readiness," how does increasing the number of civilians to be furloughed minimize -- the impact -- (inaudible)?

SENIOR DEFENSE OFFICIAL: Well, if we -- if the Navy has the funds, say, to avoid furloughs, and now they furlough, we may be able to move some money into the other services that have more problems. And the Army and the Navy definitely need to furlough, and they're the ones that have made the big cuts in training and readiness -- the Army, Navy. The Air Force, I should say, has stopped flying in 12 squadrons. Army has canceled its combat training rotation for the most part, et cetera.

Q: -- (inaudible) -- money that would, if they were furloughing civilians in the Navy and Marine Corps, some of that money that will be saved from the furloughs will now go to the Army -- (inaudible)?

SENIOR DEFENSE OFFICIAL: Right, or we may just end up doing a little less for the Navy, and the reprogramming is probably the way we do it.

Q: Can you reconcile the figures on total number of civilians? From the podium a number of times, officials have stated that it's about 750,000 who would be eligible. You just said 800,000.

SENIOR DEFENSE OFFICIAL: The 800,000 includes foreign national employees. There are about 50,000 of them. So it depends -- foreign national employees are in the 800,000, so the 750,000 would exclude foreign national employees.

Q: But for purposes of clear reporting, it's 750,000 minus about 120,000.

SENIOR DEFENSE OFFICIAL: No, actually it's 800,000 minus 120,000 because we've exempted the foreign national employees. You're looking at me -- so if it's 750,000, it would be less 70,000, if I'm doing the math right.

So, all right?

Q: -- (inaudible) -- really a figure of 750,000 -- (inaudible).

SENIOR DEFENSE OFFICIAL: And, you know, you can define it in lots of different ways. And you could logically exclude foreign nationals. They're not U.S. citizens, obviously. But they are -- some of them are paid by the department and so we normally include them in our totals.

Q: I have a second question. The appropriations bill requests a report to Congress in section 807 -- 8007, laying out the effects of sequestration for baseline purposes, for reprogramming purposes. Where does that stand? And will that spell out for the industry who cares how their particular programs will be cut by sequestration?

SENIOR DEFENSE OFFICIAL: Yeah, it should. I mean, we need to do -- (inaudible) -- 14 -- I think I've got that right -- Senior Defense Official One isn't entirely sure of this answer so I'll get back to you if I'm wrong. But I believe that it's the baseline report that we do before. And it's almost done. You can imagine that it is a little trickier to do this year, but it is almost done.

And if I'm wrong about that, give me a chance to work through -- (inaudible) -- and I'll correct it.

Q: Thank you.

MODERATOR: Let's -- let's -- finish the first row before we move to the second row. So we'll go to Luis and then we'll go over here, and then we'll hit the second row. I think we'll get everybody that has questions.

Q: So just to clarify, every single service is now gonna have furloughs? And were the levels of civilians adjusted within each one? I mean, which one comes off getting better?

SENIOR DEFENSE OFFICIAL: Well, I don't know the answer to that, actually. Yes, they'll all have some furloughs for sure. I don't know who would have the highest percentage exemptions. It -- it -- I'm just not sure. I need to check that.

We didn't really think about it in those terms, frankly.

Q: But the Navy proposal was basically we can do without the furloughs. Now they will have to carry out these furloughs, that's right?

SENIOR DEFENSE OFFICIAL: Correct. Now we are excluding their shipyard workers. These are the people that work in public shipyards and do nuclear maintenance. And we did that for mission reasons. It's a very long planning process. And there're -- there're -- a very long period for maintenance. Very little ability to catch up, and we're dealing with submarines and carriers, which are small in number but high in value. And so on mission grounds we decided that we would exempt shipyard workers.

MODERATOR: Go over here to the right.

Q: Thanks. I want to make sure that I understand the numbers correctly. When I added up the table that's in this memo, comes out to about 68,000 workers. That includes 11,000 DODEA [Department of Defense Education Activity] employees. Are they considered exemptions or are they semi exempt, or --

(CROSSTALK)

SENIOR DEFENSE OFFICIAL: They are considered semi exempt. There was a group of DODEA employees that will be exempt, and then the teachers and the faculty will be furloughed for a total of five days at the beginning of next school year.

Our commitment to -- to our service men and women who have children in these schools is that they will get a accredited school year. Summer school will be held, and then the beginning of next school year, we will work with five furlough days.

Q: So follow-up. -- (inaudible) -- out of the 68,000 -- that was my rough calculation -- and the 50,000 foreign nationals, is that where you get the 120,000 --

(CROSSTALK)

SENIOR DEFENSE OFFICIAL: Sounds about right to me.

SENIOR DEFENSE OFFICIAL: Adds up. I haven't done that calculation either, although the nice gentleman who did all these numbers is in -- (inaudible). So he gave me the 120,000 and I think it's right.

MODERATOR: -- (inaudible) -- on the first row? If not we'll move -- let's just go from my right to left. So go ahead.

Q: Senior Defense Official Two -- I guess, either of you -- you just mentioned five furlough days, as I understand it, for teachers.

SENIOR DEFENSE OFFICIAL: For DODEA.

Q: Right.

Aside from the number of people to be furloughed, are -- is -- are the -- is the length of time of each particular furlough different or is it the same? And if it's different, what's the range of difference -- you know, one day to 14 days to -- I mean, do you know the parameters?

SENIOR DEFENSE OFFICIAL: The — the going in proposition is that the majority of our employees who will be furloughed will be furloughed up to 11 days. And that's what the secretary's letter said. DODEA is a special category because of having very specific rules for educating and making sure that they have an accredited school year.

They're, I think — I need your clarification on this. I think PFFA (Pentagon Force Protection Agency), the Pentagon police, might be furloughed a little differently —

SENIOR DEFENSE OFFICIAL: I'm not sure.

SENIOR DEFENSE OFFICIAL: Yeah. So I can get back to you on that. But the going-in proposition is 11 days.

SENIOR DEFENSE OFFICIAL: Yeah, for the great majority here at 11.

SENIOR DEFENSE OFFICIAL: Yeah, for 11.

Q: — (inaudible) — said up to 11 days. Does that mean it might be one day or two days?

SENIOR DEFENSE OFFICIAL: No, I think that — what I'm saying is that right now our employees will be furloughed for 11 days.

SENIOR DEFENSE OFFICIAL: Remember, Secretary Hagel did say that if we can and our budget permits, at the end of the year we may stop a bit early. And, therefore, the up to 11. It could be a little bit less than 11.

Q: What's DODEA?

SENIOR DEFENSE OFFICIAL: I'm sorry. The Department of Defense Education Activity.

SENIOR DEFENSE OFFICIAL: Come on, speak Pentagon. (Laughter.)

(CROSSTALK)

Q: — eight years here.

SENIOR DEFENSE OFFICIAL: Eight years. Well, I don't know.

If it makes you feel better, I forget them.

Q: Will you guys be providing any help with some of your furloughed employees, in terms of financial management, understanding how to prepare for this?

SENIOR DEFENSE OFFICIAL: We have a whole system of financial management that they — that the employees can certainly work through. And, in fact, it was just recently that we had a very large financial management fair here in the Pentagon for them.

But there are resources on how to manage your money that are provided through our department.

Q: But nothing special to this furlough situation?

SENIOR DEFENSE OFFICIAL: No, it's not — whatever we have will certainly take care of that financial management arena.

Q: I have a couple questions. One, first for second Senior Defense Official Two. What's the anticipated impact on the department's operations because of these furloughs?

SENIOR DEFENSE OFFICIAL: Well, I think that the anticipated impact is — can clearly be the morale of our employees. I will tell you that we value every single civilian employee that — that works in the Department of Defense. And 86 percent of them work outside of the National Capital Region, and they all add value to the mission that we do as a total force. And they're clearly part of that total force.

But when an individual loses 20 percent of their pay, which, that's what will happen when we furlough, that has to impact them, clearly, financially and clearly morale-wise.

I believe that they will continue to perform in an admirable manner. But I'm sure that there will be some morale impact.

SENIOR DEFENSE OFFICIAL: I'd like to add to that. I mean, these people aren't doing PowerPoint slides in the Pentagon. I mean, they're mostly outside of the Pentagon. As (inaudible) said, they fix our ships, our tanks, our planes. They staff our hospitals. They're teachers in our schools.

Eighty percent of the financial managers in the department are civilians. And it's probably similar to that for contracting.

We're going to have problems in terms of getting money obligated, in close-out, personnel staffs to handle furloughs. We're going to delay maintenance. I think we will seriously adversely affect the productivity in almost all areas — support areas of the Department of Defense.

This is a — it's not something we wanted to do.

I hope — I hope that's clear from the secretary's memo, but I'd like to underscore it.

Q: — (inaudible) — the 20 percent figure that you just cited?

SENIOR DEFENSE OFFICIAL: What?

Q: 20 percent of their pay?

SENIOR DEFENSE OFFICIAL: Well, if they're furloughed one day a week every week, that's 20 percent of their paycheck.

Q: How does that tie in with the 11 days? I'm sorry.

SENIOR DEFENSE OFFICIAL: One day a week, it will begin on July 8th. And so one day a week, they'll lose 20 percent of their pay — of their weekly pay, right.

Q: I understand that, but I thought you said 11 furlough days for the entire fiscal year.

SENIOR DEFENSE OFFICIAL: Sure. And during those -- during those weeks when they're furloughed, each week they'll lose 20 percent.

(CROSSTALK)

SENIOR DEFENSE OFFICIAL: It's not the whole year.

(CROSSTALK)

SENIOR DEFENSE OFFICIAL: Yeah, right.

(CROSSTALK)

Q: And do you anticipate any impact -- are you seeing any impact on attrition? I mean, are people retiring, voluntarily separating, at this point? Do you anticipate any?

SENIOR DEFENSE OFFICIAL: Right now, we don't see a major impact on that, of people retiring. I'm sure that people will retire, but we haven't seen a push towards that.

SENIOR DEFENSE OFFICIAL: I might give you an anecdotal. We had one individual that left my organization and said it was because of this, but I think he would have retired at some point fairly soon. So I wouldn't extrapolate; 7.8 percent unemployment, or whatever it is right now, does create an environment where there aren't a lot of jobs out there.

Q: Can you go back to what happens on the beginning of October, assuming you have a straight CR [continuing resolution] that -- then we just end sequester. What's the anticipated impact on DOD's budget? And what are you doing at this point to prepare for it? Is there a possibility furloughs could continue in FY [fiscal year] 14?

SENIOR DEFENSE OFFICIAL: Well, in terms -- it would be about a \$52 billion cut below our request if we remain at sequester levels. So it will be serious. Secretary Hagel has directed the strategic choices and management review, the SCMR as we call it, and it is looking at the kinds of choices we will have to make.

As Secretary Hagel said today, we can't rule out furloughs, but we're sure going to do our damndest to avoid them. And this time, we will have more time to prepare and we are thinking actively about how, if we have to, we would accommodate that. So, as I said, I think we'll do everything we can to avoid them.

Q: And lastly, on the shipyard exemption, I'm already hearing complaints that these are politically motivated; that members of Congress who represent those shipyards were very vocal in defense of them. How do you respond to that?

SENIOR DEFENSE OFFICIAL: Well, there will be lots of members of Congress who will oppose other ones, too. But it was based on mission grounds. I mean, we're talking about overhauls that -- that last months, sometimes more than a year. They are planned well in advance. Had we delayed them, we would have -- we have very little ability to make it up. These are highly technical. We're talking about nuclear safety. All these workers do nuclear maintenance. So that we -- we couldn't just bring in other people to make it up when we had more funds. They wouldn't have the training.

And so we were really talking about seriously adversely affecting our ability to deploy carriers and submarines. And we made a decision that that was too serious an adverse effect on mission.

(CROSSTALK)

Q: -- (inaudible) -- follow up on one of those last ones, actually. (inaudible) -- the thinking that furloughs are some potential possibility in 14. Is that a change? Because a senior defense official, who may or may not be in this room, has said before that you just would not do them in 14. You'd probably do RIFs [reductions in force] or other kinds of -- (inaudible).

SENIOR DEFENSE OFFICIAL: Well, that was probably senior defense official one, speaking with his heart, not necessarily his head. I sure hope we don't, personally, but I understand we can't know the future fully. But I'll underscore what Secretary Hagel said just a few minutes ago. We're going to do our damndest to avoid it.

Q: Then quickly on the safety of life and property exemptions, the Department of Navy has far and away the most in that category -- 7,500. Nobody else is even close. The next closest is 900 in the Air Force and there's a big gap behind them. Why are there so many in the DON [Department of Navy]?

SENIOR DEFENSE OFFICIAL: We've got a lot of -- I think there were shipyard issues. I'm trying to remember now. This is a couple months ago we did this.

I believe there were in -- in nuclear safety and ship issues, but I'd -- I think I better get back to you with a better answer because I'm not -- I'm not tracking fully. Let me get back to you.

Q: Let's go here and then we'll work the third and fourth row.

Q: I just have one question. Are there -- there are rules against civilian employees working other jobs, like, let's say they wanted to work one day a week. Aren't there -- can you describe what those rules are or --

(CROSSTALK)

Q: -- if you're still working for the government, so even though they're off that day, they're still under those rules, right? So what's the --

SENIOR DEFENSE OFFICIAL: They are still government employees. Absolutely. Even though that they are furloughed for that one day. And OPM [Office of Personnel Management] has specific rules in place, and they are the Web site about what they are.

There is -- there is a -- a waiver, if you will, for additional employment, that the employee would need to follow, should they want to -- to go through that process.

Q: -- (inaudible) --

SENIOR DEFENSE OFFICIAL: I would have get back to you. But it -- we follow -- they are not DOD [Department of Defense] rules, they are OPM rules.

MODERATOR: You guys in the back of the room. I saw a few hands. Go ahead.

Q: -- (inaudible) -- the memo, but when do the letters go out?

SENIOR DEFENSE OFFICIAL: They go out between the 28th of May and the 5th of June.

Q: And those receiving them have seven days to reply. Does that mean that they can -- they can make an argument, you know, don't -- don't furlough me, furlough somebody else? What?

SENIOR DEFENSE OFFICIAL: They can respond. First, they can respond to the designated -- their designated official in that seven days with justification of why they should be potentially in the exempt category.

The designated official will review all of that justification and make a decision.

Q: Who sends the letters? Who signs the letters? Who do they go out from?

SENIOR DEFENSE OFFICIAL: It's a designated official, which is a lower level, I'll use the term "commander." They're not all commanders.

Q: Can you just -- can you describe, what do the letters actually say?

SENIOR DEFENSE OFFICIAL: The letters are very specific. They say that you will be -- we're proposing a furlough for X amount of days, starting at X -- at a certain time, which would be on 8 July. And they're addressed to each individual employee.

So it's not a -- it's a -- it's a template letter. But each individual employee gets their own specific letter.

MODERATOR: Let's go over here and then back and then back.

Q: When it comes to the actual choosing of a day, do the employees get some say in what day they get off? And at the same time, as you -- you as an agency, I mean, can we expect that 20 percent of the 680,000 will be gone on any given day, starting July 8th?

Like how are you -- how are you managing having enough people that are on?

SENIOR DEFENSE OFFICIAL: For example, let me give you an example of commissaries. Commissaries more than likely will be closed one day a week. They will, more than likely, select one day throughout all the commissary system. And they will do that because that is -- everybody will know when that day is. They can plan their shopping around that particular day. And they could limit the deliveries on that particular day.

So that would be a reason that commissaries would close on one particular day.

The hospitals, the school systems, potentially the depots, will be judged by their personal supervisor on which day several employees could potentially be furloughed. So we won't close a hospital. We won't close the depot. We'll keep things running, but the day will be negotiated by the individual super -- or designated official.

Q: How much money do you think you're going to save if you keep all 11 days -- furlough 11 days? How much money is that?

SENIOR DEFENSE OFFICIAL: \$1.8 billion for the 11 days, with the exceptions that we're planning now.

(CROSSTALK)

SENIOR DEFENSE OFFICIAL: Yes, "billion" with a "b."

Q: Secretary Hagel left open the possibility of reducing this further. What would have to happen to make that happen this year, short of sequestration being averted?

SENIOR DEFENSE OFFICIAL: Well, first, no large, unanticipated costs would be very nice. The United States Congress approving the majority, if not all of the reprogramming that I hope we'll send to them within a few days. And then we're going to just have to put our heads together and try to scoop up every dollar we can toward the end.

I mean, it's a decentralized organization and we deal, especially with operations and maintenance dollars, and those are the major ones affected here. And so our commands pass it out to their bases. They're executing it. We're going to have to work closely with them toward the end of the year to see where they are and whether or not we can make this happen.

But I'm counting on the incentives. After all, they're the employers of many of these civilians, so I'm hoping, and I think they will work with us and we'll see what we can do.

Q: You mentioned that the requirement to have all the services implement some level of furlough is to achieve larger savings. How do you prioritize the distribution of those savings? In other words, is it readiness? How do you prioritize?

SENIOR DEFENSE OFFICIAL: Well, first I want to make clear that the overall goal is to minimize adverse effects on missions. And I state it that way because we are devastating the readiness of this military right now, but we want to minimize that.

Subject to meeting that goal, consistency and fairness was something we considered. So as those decisions were made, you know, if a service has more readiness problems than another one, we might -- we probably wouldn't take money from them. We'd just reprogram money less into their -- their particular account. And I think you'll see some of that as we send this reprogramming forward.

So the goal is to meet that mission, minimizing adverse effects, particularly readiness. We've already made the cuts we believe we can. In facilities maintenance, we've essentially stopped it except for safety of life and property. We've cut back on base operating costs. We have hiring freezes, not across the board, but many of them are in effect.

I mean, we've done a lot of those tasks. It's really now down to training and maintenance. It's actually more maintenance at the moment. We've made about as many training cuts as we can and still meet needs in Afghanistan and deployments. So we're really now down to further cuts would come out of maintenance, which buys us problems in fiscal 14. It means we won't have the weapons systems ready to deploy.

So, we'll use the criteria minimizing those aspects.

(CROSSTALK)

MODERATOR: -- (inaudible) -- want to make sure everyone that had a question, had a chance to ask them. We'll see if we've got a few more -- (inaudible).

Q: Thanks. (inaudible) -- the employees who get furloughed -- (inaudible) -- write a letter stating why they shouldn't be furloughed. Is financial hardship a reason that they might be considered?

SENIOR DEFENSE OFFICIAL: No, it's truly not, unfortunately. You know, this is a very, very tough decision, and we understand that it will create financial hardships across the board. But that is not the -- a sure reason for -- for exempting from furlough.

Q: So what would be some of the reasons that would?

SENIOR DEFENSE OFFICIAL: Boy, I really -- you know, at the top of my head -- I don't know -- (inaudible) -- if you can help me out here, but I really can't -- can't think of a -- of a reason right now.

I think the individual supervisor -- or the individual designated official would have to review what the employee submits to -- to weigh that against what he or she needs to do mission-wise in order to accomplish that mission.

SENIOR DEFENSE OFFICIAL: And I suppose there could be a circumstance that where a person had a mission-critical aspect that we just couldn't recognize from -- from here, and that -- that a local commander might take that into account.

And, indeed, if you read the memo, they have some very small authority to do some furlough exemptions on their own.

Let me just say, Senior Defense Official One would like to say, this conversation is kind of bloodless. And I understand we're trying to answer your questions. But I want to repeat what you may have heard me say before, this is one of the most distasteful tasks I've had in more than 30 years of government service.

I mean, we are -- we depend on these people to -- to do all the things I mentioned before. And many of them work for me -- not many of them, but a small numbers work for me. And I -- I just -- I find it very distasteful. I mean, I just want to -- Senior Official One would like to be on record as not being bloodless.

And now, I'll go back to being the -- (inaudible). (Laughter.)

SENIOR DEFENSE OFFICIAL: But Senior Official Two would echo what you said, that it's a -- it's a very painful process. And it -- it wasn't made lightly; it was made with a lot of pain and anguish.

MODERATOR: All right. -- (inaudible) -- Let's take a couple real quick ones, if we have --

Q: Just a quick question. You mentioned at the beginning some possible, down-the-road changes, something at DIA. Is that -- (inaudible) -- intelligence, or --

(CROSSTALK)

SENIOR DEFENSE OFFICIAL: We need to work out with the national intelligence folks exactly what furloughs the people funded by the national intelligence program, if any, have been. And they were not included in the 120,000 estimate.

Q: Right. I thought -- I guess I thought I'd seen something where those in the MIP [Military Intelligence Program] group would have furloughs and those in NIP [National Intelligence Program] would not. Is that --

(CROSSTALK)

SENIOR DEFENSE OFFICIAL: What the memo says is those in NIP, N-I-P, would be determined by the director of national intelligence. And I don't know -- I mean I think he's -- he's made pretty clear where he's heading, but I don't know if he's formally said it. And I thought, heck, ask them, so that we can adjust our numbers.

Q: Okay. So that's the part you're saying is not sure. But anyone -- are there exemptions in -- within the military?

(CROSSTALK)

SENIOR DEFENSE OFFICIAL: I don't think there are more. I mean, there may be a few of these onesies and twosies. And, you know, as they go back out and -- I don't -- but I don't think there are going to be large changes.

I mean, we want to give -- we don't want to run this with a 6,000-mile screwdriver if we can avoid it. We really want our commanders to have some latitude. But we will -- I also don't expect them to come back and say I want 5,000 more exemptions. So there better be a heck of a good reason.

(CROSSTALK)

Q: -- (inaudible) -- at one point -- (inaudible) -- a lot of the members of Congress and public are going to say, "Why the hell don't you cut out an F-35 or a littoral combat ship or ground combat vehicle, hardware instead of people?"

This is not a lot of money for this department. It's kind of staggeringly low amount. And yet it's causing all this pain -- (inaudible). And I empathize with that.

SENIOR DEFENSE OFFICIAL: Well, first, we wouldn't have the authority to do that, Tony, I mean, because this sequestration is by account. And so, I have to get it out of the O&M [Operations and Management] account.

And I could only reprogram, but I'm using every dime -- almost every dime in transfer authority I have, so I wouldn't be able to take anymore out of investment.

And, second, I mean the problem is we've already made so many cuts. We've cut out almost all facilities maintenance. We've stopped flying at 12 combat-coded squadrons. We've cut out all training rotations, except for deploying units at -- at Irwin and Polk.

We've done -- and -- and a whole lot of other extras. I read our weekly report and it just -- dozens of exercises we're stopping. We've stopped most ceremonial everything pretty much.

(CROSSTALK)

SENIOR DEFENSE OFFICIAL: So we've already done all these things. If we were gonna get that \$1.8 billion -- I know it doesn't sound like much -- in a three-month period or even the six that we have left, we would have had to go after more maintenance or further shutdowns of units. And I think Secretary Hagel decided, and I believe it was the right decision, that that isn't something we ought to do -- would go too far.

Q: (off mic) this is -- (inaudible) -- didn't have discretion to cut across from different accounts. You had to --

(CROSSTALK)

SENIOR DEFENSE OFFICIAL: Well, it certainly didn't help. I mean, I would have preferred to have more transfer authority. We asked for it, and it just didn't happen and it's not going to happen. So it certainly didn't help.

Q: The number of days -- said 11. All things being perfect toward the end of the year, whether there're any fluctuations -- (inaudible) -- can the number fluctuate above 11 or you're only talking about fluctuations below --

SENIOR DEFENSE OFFICIAL: No.

(CROSSTALK)

SENIOR DEFENSE OFFICIAL: Below.

SENIOR DEFENSE OFFICIAL: It's up to 11.

Q: So eleven is the top line --

SENIOR DEFENSE OFFICIAL: Right.

Q: Thanks.

MODERATOR: The last question today.

Q: And to follow up on Tony's question about the relatively small amount of money comparatively -- compared to the amount of the sequester, is there -- I was talking to one union official who saw this as a politically driven decision; that DOD hopes that now people on the Hill will respond by canceling the sequester or mitigating the impact. Do you help with that? And is -- was that a motive?

SENIOR DEFENSE OFFICIAL: That doesn't seem like it's gonna happen to me. I mean, I'd sure like them to, but I'm not anticipating it.

And, you know, I can tell you, it was not politically motivated. I was in on these meetings. We were saying, "All right, what are we gonna do? How much more maintenance are we gonna cut? What are we gonna cut? Are we gonna go after aviation maintenance? Are we gonna start cutting base ops by closing airfields?"

And we just felt that those steps which we would have had to take to get that \$1.8 billion, given everything else we've done, would have had serious adverse effects on our mission, and that's why we made this decision.

MODERATOR: Okay, I want to thank you all for coming today. We have taken a couple of questions. The press office will have the answers to the taken questions this afternoon. So -- (inaudible) -- right here as well as -- (inaudible) -- are tag-teaming this in the press office. So on the taken questions if you want to check back with them they'll have them for you.

Thanks very much.

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MAY 14 2013

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

SUBJECT: Furloughs

This memo directs defense managers to prepare to furlough most Department of Defense (DoD) civilians for up to 11 days. The schedule for furloughs, and some specific exceptions, are described later in this memo and in the attachment. I have made this decision very reluctantly, because I know that the furloughs will disrupt lives and impact DoD operations. I, along with the senior civilian and military leadership of the Department, have spent considerable time reviewing information related to the need for furloughs, and I would like to share with you the reasoning that led me to this difficult decision.

Major budgetary shortfalls drove the basic furlough decision. On March 1, sequestration went into effect across the federal government. DoD's budget for FY 2013 was reduced by \$37 billion, including \$20 billion in the operation and maintenance (O&M) accounts that pay many of our civilian workers. In addition, because our wartime budget is also subject to sequestration, we must utilize funds originally budgeted for other purposes in order to provide our troops at war with every resource they need. To compound our problems, when we estimated future wartime operating costs more than a year ago, we planned on fuel costs below what we are currently experiencing. Taken together, all these factors lead to a shortfall in our O&M accounts of more than \$30 billion – a level that exceeds 15 percent of our budget request, with fewer than six months left in the fiscal year in which to accommodate this dramatic reduction in available resources.

We are taking actions to reduce this shortfall. One main priority has governed our decisions: to minimize the adverse effects on our military mission, including military readiness. With this in mind, early this calendar year we cut back sharply on facilities maintenance and worked to hold down base operating costs -- decisions we knew would build a backlog of maintenance and adversely affect our bases. We are also preparing a request to Congress that would permit us to shift some funding from investment and military personnel accounts into the O&M accounts. If approved by Congress, this initiative -- known as a reprogramming -- would help close the gap.

But these actions are not enough. We have begun making sharp cuts in the training and maintenance of our operating forces -- cutbacks that are seriously harming military readiness. The Army, for example, has terminated most remaining FY 2013 training rotations at its combat training centers. The Air Force has or soon will stop all flying at about one-third of its combat-coded squadrons in the active forces. The Navy and Marine Corps are cutting back on training and on deployments -- including a decision not to send a second carrier strike group to the Gulf. These are only a few of the many cutbacks we have made in training and maintenance. These actions reduce our ability to handle future military contingency needs, both this year and in subsequent years.

Even after taking all these actions, we are still short of needed operating funds for FY 2013, and we cannot rule out unexpected increases in costs during the next few months. So we confront a difficult set of trade offs. We can make even larger cutbacks in training and maintenance, further reducing readiness to handle contingency operations and putting into even greater jeopardy our military readiness in future fiscal years. Alternatively, we can furlough civilian personnel to help close the gap and, knowing that morale, productivity and readiness would be affected. This is an unpleasant set of choices, but this is the situation we face.

Before making a decision, I sought advice and inputs from senior leaders in the military departments and agencies as well as advice from my senior civilian and military staff. I asked them to keep in mind our fundamental criterion to minimize adverse mission effects and, subject to that criterion, to ensure reasonable consistency and fairness across the Department for any furloughs that we impose.

Based on all these inputs, I have decided to direct furloughs of up to 11 days for most of the Department's civilian personnel. Furloughs for up to 11 days represent about half of the 22 days that can legally be imposed in a year and also about half the number we had originally planned. This halving of previous furlough plans reflects vigorous efforts to meet our budgetary shortfalls through actions other than furloughs as well as Congressional passage of an appropriations bill in late March that reduced the shortfalls in our operating budget and expectations of Congressional action on our reprogramming request.

Furloughs will be imposed in every military department as well as almost every agency and in our working capital funds. All of our civilian employees are important, and I would prefer not to furlough any of them. However, there will only be limited exceptions driven by law and by the need to minimize harm to mission execution. We will except civilians deployed to combat zones and civilians necessary to protect life and property (but only to the extent needed to provide that protection). A few categories of workers will be excepted for specific mission reasons while some categories of workers will be excepted because furloughing them would not

free up money for critical DoD mission needs. The attachment provides details regarding approved exceptions. Fewer than one fifth of all civilians paid with appropriated funds will be excepted from furloughs.

The planning and implementation of furloughs will be carried out based on the schedule below:

- May 28 - June 5: Furlough proposal notices will be served to individual employees subject to furloughs.
- June 4 - June 12: Individual employee reply periods end 7 calendar days from when the proposal was received, unless Component procedures allow for a different reply period.
- June 5 - July 5: Furlough decision letters will be served to individual employees subject to furloughs, depending on when the proposal was received and prior to the first day of furlough.
- July 8: Furlough period begins no earlier than this date.

We will begin furloughs on July 8 at the rate of 1 furlough day per week for most personnel. For now, we plan to continue furloughs through the end of FY 2013. That schedule would lead to 11 furlough days – one fifth of the week for about one quarter of the year. Moreover, I am directing all components to monitor funding closely for the remainder of FY 2013. If our budgetary situation permits us to end furloughs early, I would strongly prefer to do so. That is a decision I will make later in the year.

Consistent with this memo and with applicable laws and rules, commanders and managers will have the authority to develop the specifics of furlough procedures in order to minimize adverse mission effects and also limit the harm to morale and productivity. Further bargaining with unions may also be required. The Under Secretary for Personnel and Readiness has already issued guidance as appropriate regarding personnel and union issues related to furloughs and will issue additional guidance as needed. Overall coordination of sequester and furlough policies will be the responsibility of the Under Secretary of Defense (Comptroller).

Each of the Department's civilian employees makes an important contribution to the readiness of our Department to meet the nation's national security needs. I understand that the decision to impose furloughs imposes financial burdens on our valued employees, harms overall morale, and corrodes the long-term ability of the Department to carry out the national defense mission. I deeply regret this decision. I will continue to urge that our nation's leaders reach an agreement to reduce the deficit and de-trigger sequestration. If no agreement is reached, I will continue to look for ways to limit the adverse effects of sequestration and associated budgetary shortfalls both on the men and women of the Department of Defense, and on our national defense.

Attachment:
As stated.

*DAVID
HABEL*

Department of Defense Furlough Exceptions

This attachment provides Components with final dispositions on categorical exceptions to the Department of Defense (DoD) plan to furlough civilian employees for a maximum of 88 hours or 11 discontinuous workdays because of the current financial crisis caused by a sequestration for Fiscal Year (FY) 2013, increased costs for ongoing Overseas Contingency Operations, and other emerging requirements. In order to minimize adverse effects on mission, employees in the following categories are excepted from furlough for the reasons noted:

- a) In order to avoid harm to war efforts, all employees deployed (in a Temporary Duty status) or temporarily assigned (to include Temporary Change of Station) to a combat zone (as defined in notes below) are excepted from furlough.
- b) In order to avoid harm to mission, those employees necessary to protect safety of life and property are excepted to the extent necessary to protect life and property. This includes selected medical personnel. Later portions of this attachment provide details.
- c) Employees in Navy shipyards will be excepted from furlough because it would be particularly difficult to make up delays in maintenance work on nuclear vessels and these vessels are critical to mission success. All other depot employees, whether mission-funded or working capital fund employees, will be subject to furlough.
- d) Furloughs for employees funded with National Intelligence Program (NIP) funds will be determined by the Director of National Intelligence. Employees funded with Military Intelligence Program (MIP) funds will be subject to furlough.
- e) Because there would be no savings, Foreign Military Sales (FMS) employees whose positions are exclusively funded from FMS Administrative and FMS case funds (case number may be required to validate funding source) and from Foreign Military Financing accounts are excepted from furlough. Furloughing employees in this category would not reduce the expenditure of DoD budgetary resources and so would not assist in meeting sequestration reductions. The FMS case-funded positions funded in whole or part by DoD appropriations (to include "pseudo-FMS" cases) are subject to furlough.
- f) By law, all individuals appointed by the President, with Senate confirmation, who are not covered by the leave system in title 5, U.S. Code, chapter 63, or an equivalent formal leave system, are excepted from furlough.
- g) All employees funded by non-appropriated funds (NAF)¹ (regardless of source of NAF funding) are excepted from furlough. Furloughing employees in this category would not reduce the DoD budget and so would not assist in meeting sequestration reductions.
- h) All Outside Contiguous United States foreign national employees, many of whom are subject to Status of Forces Agreements, are excepted from furlough because their situation vary greatly by country/region and because, in some cases, they are paid by host governments.

¹ NAF employees are not covered by the requirements and procedures applicable to furloughs of appropriated fund employees under FY13 sequestration. However, NAF employees may be furloughed under DoD NAF and Component policies and procedures for business-based reasons.

- i) Any employees who are not paid directly by accounts included in the Department of Defense-Military (subfunction 051) budget are excepted from furlough. For example, this would include employees funded by the Arlington National Cemetery (705 function) and DoD Civil Works (various non-051 functions) programs. These exceptions have been identified by the Components. Furloughing these employees would not reduce the expenditure of DoD budgetary resources and so would not assist in meeting sequestration reductions.

The following portion of this document provides the definitive list of additional approved exceptions beyond those listed in the preceding paragraph. The exceptions approved for the safety of life and protection of property category are granted with the understanding that these are the minimum exceptions needed to maintain operations and provide security on a 24/7 basis and that furloughing these employees would result in the Department incurring additional costs for premium pay. Similarly, the exceptions for the medical category are approved with the understanding these exceptions preserve the minimum level of personnel needed to maintain quality of care in 24/7 emergency rooms and other critical care areas such as behavioral health, wounded warrior support, and disability evaluation. Furloughing these employees would result in unacceptable care being provided, and the Department would incur increased costs for premium pay or TRICARE. The exception for Child Development Centers is granted with the understanding that this is the minimum level needed to maintain accreditation and maintain quality care for children in military families. Some Department of Defense Education Activity employees, while not excepted from furlough, may only be furloughed when they are in a pay status. Therefore, they will only be subject to furlough for up to five days at the beginning of the 2013 school year.

Recognizing that circumstances can change in this dynamic environment, the Secretaries of the Military Departments, and the Principal Staff Assistants for the Defense Agencies and Field Activities, may approve up to 50 additional individual, mission-based, exceptions as needed to ensure safe and efficient operations of their respective Departments. Any such exception must be reported to the Acting Under Secretary of Defense (USD) for Personnel and Readiness and the USD Comptroller. There are no other approved exceptions provided based on the Components' submissions. Furlough proposal notices should be issued to all impacted employees beginning May 28, 2013.

Relative to the review and decision on individual employee requests for exception, per guidance issued via the Principal Deputy Assistant Secretary of Defense, Readiness and Force Management, memorandum, dated March 13, 2013, activities should designate the Deciding Official. The designated Deciding Official will be no lower than a local Installation Commander, senior civilian or equivalent who would be in the best position to determine the fair and equitable application of the furlough. Deciding Official responsibilities may not be further delegated. Deciding Officials are charged with, and are accountable for, making final decisions on furloughs for individual employees after carefully considering the employee's reply, if any, and the needs of the Department. Deciding Officials must also ensure they make final decisions in cases where an employee does not submit a reply. Deciding Officials will have the authority to execute the full range of options with respect to providing relief in individual employee cases. This authority includes, but is not limited to, reducing the number of days/hours an individual employee is furloughed, or granting the individual employee an exception from the furlough altogether.

DCMA Administrative Record for FY 2013 Furlough Appeals

Component	Safety of Life & Property	Medical Personnel	Others	Comments
DoN	7,543	1,418	<p>212 CIVPERS at Sea</p> <p>4,712 CIVMARS</p> <p>514 Appropriated Fund (APF) Child Development Centers (CDCs)</p> <p>15</p> <p>28,000</p> <p>1,657</p>	<p>CIVPERS deployed at sea are subject to furlough upon return from deployment</p> <p>CIVMARS are subject to furlough upon return from deployment</p> <p>Maintain safety standards and quality of care</p> <p>Support to classified programs</p> <p>Shipyards Workers, General</p> <p>Shipyards Workers, Nuclear and Naval Reactors Staff</p>
USA	263	Up to 6,600	<p>555 APF CDC Employees</p> <p>75</p> <p>17</p> <p>257</p>	<p>Maintain safety standards and quality of care</p> <p>ARNG Dual Status Technicians for Alerts, Firefighting, Personnel Recovery and other missions</p> <p>Support to classified programs</p> <p>Non-immigrant employees requiring H-1B visas at Defense Language Institute</p>

DCMA Administrative Record for FY 2013 Furlough Appeals

Component	Safety of Life & Property	Medical Personnel	Others	Comments
USAF	933	410	62 1,123 30 Students 94 Multi-IOC 24/7 Plant Operators 2 3 1,634 APF CDCs	Support to classified programs ANG Dual Status Technicians for Alerts, Firefighting, Personnel Recovery and other missions Intel School & FLETC Heating/Waste Water Plant minimum safe manning Contingency Planners Special Law Enforcement Pay Maintain safety standards and quality of care
DLA	363			
DA&M	623			546 are from the Pentagon Force Protection Agency; the remaining 77 are Washington Headquarters Services for Pentagon safety and emergency communications. Most will be furloughed fewer than 11 days due to the need to maintain operations and security 24/7.
US Court of Appeals for Armed Services			59	The Chief Judge will decide how many days to furlough employees, if at all.
JTFCAPMED		368		165 @ Walter Reed 203 @ Fort Belvoir

Component	Safety of Life & Property	Medical Personnel	Others	Comments
USUHS	22		5	Animal Husbandry Technicians Non-immigrant employees requiring H-1B visas
Office of the Military Commissions -- Defense Legal Services Agency			9	Civilian Trial Practitioners
Department of Defense Education Activity (DoDEA)			10,950	9-month DoDEA employees, which includes teachers, educational aids, and support staff may only be furloughed for up to 5 days at the beginning of the 2013 school year.
DCAA			1	Non-immigrant employees requiring H-1B visa

Notes:

1. Safety of life and property exceptions are based on need for 24/7 coverage in most instances. It is expected all Components will furlough for less than 88 hours in these areas where feasible.
2. Individuals for whom law enforcement premium pay would result in no loss of pay if furloughed will be excepted from the furlough.
3. 20 CFR 655.731 requires that the employer of a H-1B non-immigrant who is not performing work and is placed in a nonproductive status due to a decision by the employer (e.g., placed in a non-pay/non-duty status due to administrative furlough) pay the salaried employee the full pro-rata amount due, or to pay the hourly-wage employee for a full-time week (40 hours or such other number of hours as the employer can demonstrate to be full-time employment for hourly employees, or the full amount of the weekly salary for salaried employees) at the required wage for the occupation.

1. References.

- a) Title 26, U.S. Code, Section 112, Certain combat zone compensation of members of the Armed Forces
- b) Executive Order 12744, January 21, 1991
- c) Executive Order 13119, April 13, 1999
- d) Executive Order 13239, December 12, 2001
- e) Public Law 104-117, To provide that members of the Armed Forces performing services for peacekeeping efforts in Bosnia and Herzegovina, Croatia, and Macedonia shall be entitled to tax benefits in the same manner as if such services were performed in a combat zone.

2. The following locations are designated as "Combat Zones" by law, Presidential Executive Order or by DoD certification that members of the Armed Forces serving in such locations are serving in direct support of military operations in a combat zone:

Countries:

Afghanistan (EO 13239)	United Arab Emirates (EO 12744)
Albania (EO 13119)	Uzbekistan (DoD certification)
Bahrain (EO 12744)	Yemen (DoD certification)
Bosnia (PL 104-117)	Croatia (PL 104-117)
Djibouti (DoD certification)	Herzegovina (PL 104-117)
Iraq (EO 12744)	Jordan (DoD certification)
Kuwait (EO 12744)	Kyrgyzstan (DoD certification)
Macedonia (PL 104-1170)	Montenegro (EO 13119)
Oman (EO 12744)	Pakistan (DoD certification)
Philippines (Only troops with orders referencing Operation Enduring Freedom) (DoD certification)	Qatar (EO 12744)
Saudi Arabia (EO 12744)	Serbia (includes Kosovo) (EO 13119)
Somalia (DoD certification)	Tajikistan (DoD certification)

Sea Areas:

Adriatic Sea (EO 13119)	That portion of the Arabian Sea that lies north of 10 degrees north latitude, and west of 68 degrees east longitude (EO 12744)
Gulf of Aden (EO 12744)	Gulf of Oman (EO 12744)
Ionian Sea north of the 39 th Parallel (EO 13119)	Persian Gulf (EO 12744)
Red Sea (EO 12744)	

3. Adherence to the following principles ensures consistency in applying the "deployed to combat zone" exemption to civilian employees in the context of the administrative furlough:

- a) "Deployed civilian" is defined as a civilian employee who is deployed (in temporary duty (TDY) status) or temporarily assigned (to include temporary change of station (TCS)) to a "combat zone" as set forth above.
- b) "Combat zone" is defined as those locations listed as combat zones in Executive Orders 12744, 13119 or 13239 and locations where military are eligible for combat zone tax benefits under law or because DoD has certified that they are providing direct support to military operations.
- c) A "deployed civilian's" period of deployment includes time spent in attendance at mandatory pre-deployment training as well as in completing mandatory post-deployment requirements.
- d) A civilian employee who was deployed to a combat zone but redeploys mid-way through the furlough period will receive a notice of proposed furlough upon return to their parent organization and prior to any furlough. Further, the number of hours for which the employee will be furloughed will be pro-rated.

EMBARGOED FROM PUBLIC/PRESS RELEASE
UNTIL 1430 HRS, 14 MAY 2013

MESSAGE FROM SECRETARY HAGEL ON FURLOUGHS
TUESDAY, MAY 14, 2013

To all Department of Defense personnel:

As you are fully aware, the Department of Defense is facing a historic shortfall in our budget for the current fiscal year. This is the result of current law that went into effect March 1. It imposes deep across-the-board cuts on DoD and other federal agencies. Combined with higher than expected wartime operating costs, we are now short more than \$30 billion in our operation and maintenance (O&M) accounts – which are the funds that we use to pay most civilian employees, maintain our military readiness, and respond to global contingencies.

The Department has been doing everything possible to reduce this shortfall while ensuring we can defend the nation, sustain wartime operations, and preserve DoD's most critical asset – our world-class civilian and military personnel. To that end, we have cut back sharply on facilities maintenance, worked to shift funds from investment to O&M accounts, and reduced many other important but non-essential programs.

Still, these steps have not been enough to close the shortfall. Each of the military services has begun to significantly reduce training and maintenance of non-deployed operating forces – steps that will adversely impact military readiness. And even these reductions are not enough. Since deeper cuts to training and maintenance could leave our nation and our military exposed in the event of an unforeseen crisis, we have been forced to consider placing the majority of our civilian employees on administrative furlough.

After extensive review of all options with the DoD's senior military and civilian leadership on how we address this budget crisis, today I am announcing that I have decided to direct furloughs of up to 11 days for most of the Department's civilian personnel. I have made this decision very reluctantly, because I know that the furloughs will disrupt lives and impact DoD operations. I recognize the significant hardship this places on you and your families.

After required notifications, we will begin the furlough period on July 8 at the rate of one furlough day per week for most personnel. We plan to continue these furloughs through the end of the current fiscal year. If our budgetary situation permits us to end furloughs early, I would strongly prefer to do so. That is a decision I will make later in the year.

Furloughs for 11 days represent about half of the number we had originally planned, reflecting the Department's vigorous efforts to meet our budgetary shortfalls through actions other than furlough. There will be exceptions driven by law and by the need to minimize harm to the execution of our core missions. For example, all employees deployed or temporarily assigned to a combat zone will be excepted from furloughs.

Your managers have been given authority to develop specific furlough procedures to minimize adverse mission effects and also limit the harm to morale and productivity. They will be in touch with you to provide guidance and answers.

The President and I are deeply appreciative of your patience, your hard work, and your dedication and contributions to the critical mission of helping protect America's national security. I am counting on all of you to stay focused on this vital mission in the days ahead. As I said the day I assumed the responsibilities of Secretary of Defense, I'm proud to be part of your team and I'm proud to serve with you.

###

**DCMA Administrative Record for FY 2013 Furlough Appeals
DIRECTOR'S FURLOUGH MESSAGE (14-MAY-2013)**

All,

As many of you may have already heard, the Department issued formal guidance today for us to move forward with plans to furlough civilian employees for as many as 11 days beginning in July. For most of our employees, that will equate to 8 hours per week for the last 11 weeks of the fiscal year. The SECDEF also stated today that, if the Department is successful in further cost cutting efforts, the 11 days may be reduced to a lower number when it is clear that the Department as a whole will be able to come in within current fiscal guidance. While the exact number of furlough days may be less, we should all be planning for the 11 days at this point. Formal notification letters will likely be sent to each of you within the next two weeks.

I know this will present serious personal challenges for many of us and critical workload challenges for all of us. For our part, DCMA will move forward with the plans and processes we have in place and we will carefully monitor our implementation of these reductions to ensure we minimize impacts to customers. We will continue to work closely with our union partners to work any issues as they arise.

I will continue to provide updates as our plans unfold. As I've said before in earlier emails, please do your best to look out for your fellow employees and be sensitive to the issues we all will be facing. Now more than ever, it's important for us to "look out for our wingmen". I know I can continue to count on all of you to keep up the remarkable work that you do each and every day to look out for the interests of our war fighters and the taxpayers.

Charlie E. Williams Jr.

Director

Defense Contract Management Agency

-----Original Message-----

From: Director, DCMA

Sent: Monday, May 06, 2013 1:38 PM

To: DCMA All Personnel

Cc: Ft. Lee – 10500; Ft. Lee - Rivers Bend; Ft. Lee – DSCR

Subject: Updated Furlough Information

All,

I know we are all keenly interested in the status of furlough actions across the Department and the impacts they may have on each of us personally. I promised to keep you informed of any changes or updates as they occur. Unfortunately (or maybe fortunately), there just isn't much to update you on at this point - and that's probably a good thing. Guidance from the Department is still to hold off on issuing formal furlough notifications to the workforce while they carefully work through the financial impacts that recent budget authorities/flexibilities from the Congress have provided. While the DoD is clearly not out of the financial woods yet and may still need to furlough before the end of the fiscal year, I can only view it as a good sign that they have directed us to delay formal notifications.

We may know more in the next few weeks and, if so, I will update you all as soon as possible. But realistically, it is completely possible that we may go through the remainder of the year without a definitive answer on furloughs until the year is over. The Department will continue to look for belt tightening opportunities to solve current budget issues while further minimizing or eliminating the need for furlough actions. To the extent the Department is successful in finding other offsets, I'm fairly certain that furlough decisions will continue to be delayed.

As for how DCMA is holding up through the current problematic budget times, I can only say how proud I am of our workforce, our leaders, and our financial management community for identifying ways to reduce, holding ourselves accountable, and generating savings for the Department to stay within our very restrictive top-line budget. It certainly has not been easy and tough choices continue to be made on a daily basis, but we are staying within our new budget guidelines and doing our part as good financial stewards. But what has been most impressive to me, is the way this Agency has pulled together in these tough times to ensure that our customer's most critical needs have been met and our service levels have remained so high. Thanks so much for your service, stewardship, and selfless commitment to the critical mission of DCMA.

Charlie E. Williams Jr.

Director

Defense Contract Management Agency



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

April 4, 2013

M-13-11

MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: Danny Werfel
Controller

A handwritten signature in black ink, appearing to read "D. Werfel", written over the printed name and title.

SUBJECT: Ongoing Implementation of the Joint Committee Sequestration

Section 251A of the Balanced Budget and Emergency Deficit Control Act (BBEDCA), as amended, on March 1, 2013, required the President to issue a sequestration order canceling \$85 billion in budgetary resources across the Federal Government for the remainder of fiscal year (FY) 2013. This action was required due to the failure of the Joint Select Committee on Deficit Reduction to propose, and the Congress to enact, legislation to reduce the deficit by \$1.2 trillion.

The Administration continues to urge Congress to take action to eliminate the Joint Committee sequestration and restore cancelled budgetary resources as part of a balanced agreement on deficit reduction. However, until Congress takes such action, executive departments and agencies (agencies) must continue to implement the reductions required by sequestration.

This memorandum provides further guidance on specific issues regarding the management and implementation of sequestration that the Office of Management and Budget (OMB) preliminarily addressed in prior memoranda. OMB previously issued guidance on the appropriate implementation of sequestration in Memorandum 13-03, *Planning for Uncertainty with Respect to Fiscal Year 2013 Budgetary Resources*; Memorandum 13-05, *Agency Responsibilities for Implementation of Potential Joint Committee Sequestration*; and Memorandum 13-06, *Issuance of the Sequestration Order Pursuant To Section 251A of the Balanced Budget and Emergency Deficit Control Act of 1985, as Amended*.

Appropriate Use of Existing Reprogramming and Transfer Authority

Sequestration provides an agency with little discretion in deciding where and how to reduce spending. All non-exempt budget accounts in a given spending category must be reduced by a uniform percentage, and the same percentage reduction must be applied to all programs, projects, and activities (PPAs) within a budget account. However, depending on an agency's account structure and any existing flexibilities provided by law, some agencies may have a limited ability to realign funds to protect mission priorities. As directed by Memorandum 13-03, in allocating reduced budgetary resources due to sequestration, agencies should generally "use

any available flexibility to reduce operational risks and minimize impacts on the agency's core mission in service of the American people." Agencies should also "take into account funding flexibilities, including the availability of reprogramming and transfer authority."

Consistent with this guidance, agencies with reprogramming or transfer authority should continue to examine whether the use of these authorities would allow the agency to minimize the negative impact of sequestration on core mission priorities. In doing so, agencies must consider the long-term mission, goals, and operations of the agency and not just short-term needs. For example, agencies should avoid taking steps that would unduly compromise the ability to perform needed deferred maintenance on facilities, invest in critical operational functions and support, conduct program integrity and fraud mitigation activities, and pursue information technology or other infrastructure investments that are essential to support the long-term execution of the agency's mission. Similarly, while agencies with carryover balances or reserve funds should consider appropriate use of these funds to maintain core mission functions in the short term, it is important not to use these funds in a manner that would leave the agency vulnerable to future risks due to a potential lack of available funds in future years.

Agencies should consult with their OMB Resource Management Office (RMO) to assess options for utilizing existing authorities and ensure that any proposed actions appropriately balance short-term and long-term mission priorities. Agencies must also consult closely with their OMB RMO on any proposed actions that would reduce carryover balances or reserve funds below historical levels.

Funding for Agency Inspectors General

Funds for agency Inspectors General (IGs) from non-exempt accounts are subject to sequestration under the March 1, 2013 sequestration order. The head of each agency has the final responsibility for implementing the reductions required by sequestration. Upon making such determinations, IGs have the final responsibility for determining how their authorized budgets will be allocated.

To the extent an agency has discretion in implementing reductions to IG funding due to sequestration, agency heads should be mindful of the independence of the Office of Inspector General and should consult with the IG on a pre-decisional basis on matters that may impact IG funding. In particular, agencies must remain cognizant of the provisions in section 6 of the Inspector General Act of 1978, as amended, which outline the need for IGs to maintain the appropriate resources and services necessary to perform their statutory duties and describe the manner in which IG budgets are requested.

In cases where IG funds are not intermingled with other agency funds and exist as their own PPA, the IG should be provided full discretion to determine how to implement the reductions required by sequestration. In cases where IG funds are intermingled with other agency funds within a PPA, while the specific amount of reductions will vary by agency and account, a benchmark that should be considered by the head of the agency—in consultation with the IG—is to apply a percentage reduction to IG funds that is same as the average percentage reduction for all other funds within the PPA. Upon determining the amount of the reduction for

IG funds in such cases, the agency head should then defer as appropriate to the IG in determining how the IG manages the reductions.

Agencies should consult with their OMB RMO throughout this process as well.

Discretionary Monetary Awards

OMB Memorandum 13-05 directs that discretionary monetary awards should not be issued while sequestration is in place, unless issuance of such awards is legally required. Discretionary monetary awards include annual performance awards, group awards, and special act cash awards, which comprise a sizeable majority of awards and incentives provided by the Federal Government to employees. Until further notice, agencies should not issue such monetary awards from sequestered accounts unless agency counsel determines the awards are legally required. Legal requirements include compliance with provisions in collective bargaining agreements governing awards.¹

Consistent with past guidance, certain types of incentives are not considered discretionary monetary awards for the purposes of this policy. These include quality step increases (QSIs); travel incentives recognizing employee savings on official travel; foreign language awards for mission-critical language needs; recruitment, retention, and relocation incentives (3Rs); student loan repayments; and time-off awards. While these items are permitted, in light of current budgetary constraints, they should be used only on a highly limited basis and in circumstances where they are necessary and critical to maintaining the agency's mission. In addition, consistent with the policy set forth in the *Guidance on Awards for Fiscal Years 2011 and 2012*, jointly issued by the Office of Personnel Management (OPM) and OMB on June 10, 2011, spending for QSIs and 3Rs should not exceed the level of spending on such incentives for fiscal year 2010.

With respect to Federal political appointees, agencies should continue to follow the policy set forth in the August 3, 2010 Presidential Memorandum, *Freeze on Discretionary Awards, Bonuses, and Similar Payments for Federal Political Appointees*. OPM previously issued guidance on implementation of this memorandum.

Reducing Burden for State, Local, and Tribal Governments

To the extent agencies provide grants or other forms of financial assistance to States, localities, or tribal governments, agencies should consider if there are ways to help such entities mitigate the effects of funding reductions due to sequestration through reducing administrative burdens or other standard administrative processes, consistent with applicable legal requirements associated with the funds provided. In doing so, agencies should consult closely with their State, local, and tribal partners to determine whether such steps enable public funds to be used in a more cost-effective manner.

¹ Consistent with legal requirements, agencies may consider engaging in discussions with employees' exclusive representatives to explore revisions to such provisions in existing collective bargaining agreements, in recognition of this guidance.

-----Original Message-----

From: Director, DCMA

Sent: Thursday, March 21, 2013 1:06 PM

To: DCMA All Personnel

Cc: Ft. Lee - 10500; Ft. Lee - Rivers Bend

Subject: Updated Furlough Information

All,

We have received notice, that should it be necessary, the release of furlough notices will not occur before 5 April 2013. The purpose of the delay is to ensure the Department has time to fully assess the impacts of the pending Continuing Resolution legislation on the Department's resources. As usual, we will continue to keep you informed as things change during these difficult and dynamic times.

Charlie E. Williams Jr.

Director

Defense Contract Management Agency



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Pentagon Delays Sending Furlough Notices to Civilian Workforce

American Forces Press Service

WASHINGTON, March 21, 2013 – Pentagon officials have put off sending furlough notices to civilian employees until they've had a chance to analyze how pending legislation that would fund the federal government for the rest of the fiscal year will affect the Defense Department.

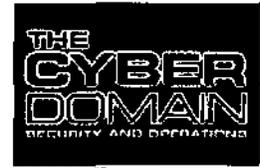
Officials now estimate that furlough notices will go out on or about April 5, Navy Cmdr. Leslie Hull-Ryde, a Pentagon spokeswoman, said.

"The legislation could have some impact on the overall number of furlough days, but no decisions have been reached, especially since the legislation hasn't been signed into law," Hull-Ryde said. "The number of furlough days at this point remains at 22."

Pentagon Press Secretary George Little said the delay makes sense. "We believe the delay is a responsible step to take in order to assure our civilian employees that we do not take lightly the prospect of furloughs and the resulting decrease in employee pay," he said.

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