



16 JAN 2013

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: Risk Mitigation in the Face of Fiscal Uncertainty

1. The Army faces significant budgetary uncertainty in the coming months and must take immediate steps to reduce expenditures. We expect commanders and supervisors at all levels to implement both the guidance contained in this memorandum and the detailed instructions to follow. The fiscal situation and outlook are serious. Our funding is in doubt as we support forward-deployed troops, those training to deploy and Wounded Warriors. The uncertain Fiscal Year (FY) 2013 funding caused by the combined effects of a possible yearlong Continuing Resolution (CR) and sequestration, along with the need to protect wartime operations, may result in particularly severe reductions to Operation and Maintenance spending.

2. Due to this risk, the Deputy Secretary of Defense has issued guidance authorizing each Service to take immediate steps to reduce expenditures and conduct detailed planning in the event the budgetary cuts and shortfalls occur. At this point, the steps should focus on actions that are reversible if the budgetary situation improves and should minimize harm to readiness.

3. This memorandum provides our command intent and will be followed by more detailed guidance issued by the Assistant Secretary of the Army (Financial Management & Comptroller) [ASA (FM&C)] and the Assistant Secretary of the Army (Manpower & Reserve Affairs) [ASA (M&RA)].

4. **Near-Term.** Given the magnitude of our budgetary uncertainty, the Army must act now to reduce our expenditure rate and mitigate budget execution risks in order to avoid even more serious future fiscal shortfalls. As noted, any actions must be reversible and minimize harmful impacts on Army readiness, particularly for personnel and units preparing to deploy. Funding related to wartime operations and Wounded Warrior programs will be protected. Thus, we direct the following actions to slow spending across the Total Force and all appropriations. Commanders are permitted to request authority not to take these steps if they conclude that mission-critical activities would be harmed or that actions are not reversible. If commanders elect to take this option, they should report their rationale in their response to the guidance to be published by the ASA(FM&C).

a. Implement an Army-wide civilian hiring freeze effective immediately. The ASA (M&RA) will issue guidance that will provide commanders limited discretion to make exceptions for humanitarian and mission-critical purposes.

SUBJECT: Risk Mitigation in the Face of Fiscal Uncertainty

b. Terminate temporary employees consistent with mission requirements. Additionally, employees on term appointments shall not be extended unless a specific exception is approved for either mission-critical activities or when appropriate due to personnel timing.

c. Seek to reduce base operating funding to achieve at least a 30% reduction of FY 13 Base Operations Support (BOS) spending levels compared to FY 12 levels. To do so, commanders shall implement across-the-board efficiencies and reduce appropriated fund support for community and recreational activities, reduce levels of installation service delivery and reduce new and current contracts to minimum levels without incurring penalties. Commanders will reduce utilities consumption to the maximum extent possible. Commanders who believe that this action would harm mission-critical activities should indicate their reasoning and propose alternate courses of action. To assist in implementing this initiative, the ASA(M&RA) will issue further guidance on the use of Soldiers to perform installation functions.

d. Curtail temporary duties and professional training that are not mission-critical, such as attendance at or hosting of conferences, staff assistance visits and training seminars. Exceptions may be made for mission-critical activities, including those required to maintain profession licensure or equivalent certifications, and preparation for assumption of command.

e. Likewise, conference approval authorities shall further significantly curtail participation in conferences with exceptions only for mission-critical activities executable within the fiscal guidance published by the ASA (FM&C). This applies to all conferences whether or not previously approved.

f. Curtail training, including training events, not related to maintaining readiness for Operation Enduring Freedom, the Korean forward-deployed units, Homeland Defense and the Division Ready Brigade. Additional exceptions may be made for other mission-critical activities. Risk shall be taken in all areas of training that are not related to these protected missions. To the extent that an action reducing unit readiness is irreversible, it must be delayed until detailed planning is complete and further guidance is provided.

g. Review contracts and studies for possible cost savings and curtail or cancel ongoing and scheduled studies that are not congressionally directed or mission-critical.

h. Limit administrative expenses and supply purchases to essential FY 13 consumption only, and stop minor purchases that are not mission-critical, such as furniture, information technology refresh and unit equipment. Ceremony expenses shall be similarly limited.

SUBJECT: Risk Mitigation in the Face of Fiscal Uncertainty

i. Cease facilities sustainment activities that are not directly connected to matters of life, health or safety. Additionally, cease all Restoration & Modernization projects, including Facilities Reduction Program and projects required to facilitate stationing decisions. Exceptions may be granted on a case-by-case basis, or where business decisions dictate, by the Assistant Chief of Staff for Installation Management.

j. Army Materiel Command shall plan to cancel 3rd and 4th quarter depot maintenance and reset orders and contracts that do not directly support units deployed to a theater or entering the Army Force Generation-available pool. While plans shall be made, specific action shall not be taken until 15 February 2013.

k. Maintain the limited "stop ship" policy. Additionally, Deputy Chief of Staff, G-4, shall develop a plan to stop Army-wide Second Destination Transportation shipments, to include new procurement, equipment redistribution, war reserves, war reserve ammunition, over-ocean civilian household goods and privately owned vehicles moves, and over-ocean transit of morale, welfare and recreation support. Exceptions may be granted for mission-critical activities.

l. The Assistant Secretary of the Army (Acquisition Logistics Technology) [ASA(ALT)] shall coordinate with commands, Program Executive Officers and industry to gather data, assess impacts and develop plans regarding acquisition programs, science and technology activities, and contracts.

m. The ASA(ALT) shall immediately institute procedures to submit all Research, Development, Test and Evaluation and production contract awards or modifications that exceed \$500 million to the Under Secretary of Defense (Acquisition Technology and Logistics) [USD(AT&L)] for approval prior to award.

n. The ASA(ALT) shall initiate an assessment of Science and Technology accounts for the impacts of the budgetary uncertainty on meeting Departmental research priorities and provide the results to USD(AT&L) and the Assistant Secretary of Defense (Research & Engineering).

o. Accelerate Joint Reconciliation Program reviews of existing obligations to ensure only valid obligations are recorded in all prior year accounts by 31 January 2013.

5. **Intensified Planning for Budgetary Uncertainty.** While we are hopeful the current budgetary uncertainty will be resolved in a manner that avoids significant reductions to the Army's budget, we must begin to slow spending now and plan for the worst. The near-term steps listed above will only achieve a small portion

SUBJECT: Risk Mitigation in the Face of Fiscal Uncertainty

of the savings required should sequestration and a yearlong continuing resolution occur. The ASA(FM&C) will lead a fiscal planning effort that all Army organizations will support. In order to develop the Army's fiscal plan, the ASA(FM&C) will issue a separate planning directive not later than 16 January 2013 and will need timely and accurate responses from all Army activities.

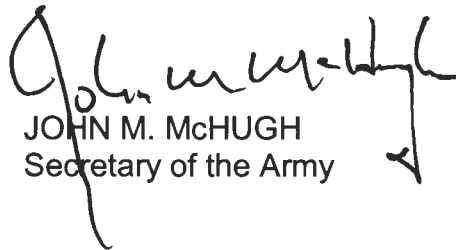
6. Additionally, we will consider the possibility of civilian furloughs in FY13. More details related to the potential of furloughs will be included in the ASA (FM&C)'s fiscal guidance. Furloughs, however, are a tool of last resort. Therefore, no action should be taken with regard to furloughs without the express approval of the Secretary of the Army.

7. We appreciate your patience as we work through these difficult budgetary times and will continue to do our best to resolve these uncertainties in a manner that permits us to support our current defense strategy and maintain a strong defense.

8. If you have questions about the implementation of actions directed by this memorandum, you should address them to the appropriate aforementioned Army Staff proponents.



RAYMOND T. ODIERNO
General, United States Army
Chief of Staff of the Army



JOHN M. McHUGH
Secretary of the Army

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SUBJECT: Risk Mitigation in the Face of Fiscal Uncertainty

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