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Congress of the United States
House of Representatives
Committee on Appropriations
Washington, DC 20515-6015

September 11, 2013

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TELEPHONE:
(202) 225-2771

The Honorable Chuck Hagel
Secretary of Defense
The Pentagon
Washington, D.C. 20301

Dear Secretary Hagel:

We commend your leadership of the Department's efforts to reduce costs in management headquarters spending. There is no question that such spending must be reduced in order for the Department to meet its serious budgetary challenges. At the same time, the "2013 Office of the Secretary of Defense (OSD) Organizational Review" must take into account all parts of the headquarters workforce, be consistent with workforce management law and policy, and based on accurate information, and result in genuine efficiencies.

We have concerns about Former Secretary Donley's Review to determine the best method to reduce the Office of the Secretary's staff by 20 percent to include the following:

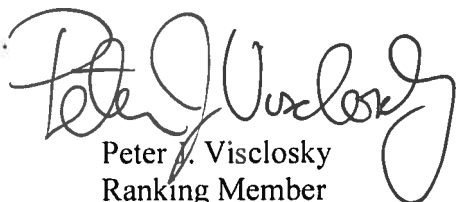
- 10 USC 129 forbids the application of arbitrary constraints on the size of the civilian workforce. 10 USC 2461 forbids giving to contractors work last performed by civilian personnel in the absence of a formal cost comparison. Consistent with statutory requirements, the Department has issued its own guidance on total force management (DoD Directive 1100.4), workforce mix (DoD Instruction 1100.22), and manpower costs (DoD Instruction 7041.04). We recommend that rather than imposing an arbitrary 20 percent cut on civilian positions and military billets in the management headquarters workforce, a review of continued relevancy of functions and costs should be performed instead.
- Cuts imposed to achieve arbitrary goals, as opposed to cuts based on careful analysis, often result in one-size-fits-all reductions that are imposed on all

functions, the both good and bad. We recommend that the Review consider recommendations to eliminate certain functions and certain contracts entirely, rather than across the board cuts to all functions.

- According to the Deputy Secretary's July 31 memorandum, the Review is intended to achieve a 20 percent cut in "total headquarters budgets", which is said to include "government civilian personnel who work at headquarters and associated costs including contract services..." However, the Deputy Secretary's memo establishes goals of 20 percent cuts for civilian personnel and military personnel, but no comparable goal for contractor personnel. We believe that the total workforce should be considered, to include the size and cost of contractor workforce.
- The size and cost of military and civilian personnel in the management headquarters workforce are known. The Department's budget materials do not make clear the number and cost of contractor employees who are included in the management headquarters workforce. Further, we hope that the Review considers the contractor personnel who actually support the Office of the Secretary of Defense but are, for technical purposes included, in the Defense Agencies and Field Activities.
- Both the Congress and the Administration have recently identified instances in which contractor personnel are inappropriately performing functions that are inherently governmental and critical. We recommend that the Review consider instances in which contractor personnel in the management headquarters workforce should be reduced because they are illegally performing inherently governmental functions.

In order for the Review's recommendations to generate support, both in the Department and in Congress, it is imperative that the Review subject all three workforces to scrutiny, be based on accurate information, and comply with legal and administrative requirements for workforce management. We look forward to the results of your review. The point of contact is Mrs. Ann Reese and she can be reached at (202) 225-2847.

Sincerely,



Peter J. Visclosky
Ranking Member
Subcommittee on Defense



C.W. Bill Young
Chairman
Subcommittee on Defense