For the Secretary of Defense

Fully Burdened and Lifecycle Costs of the Workforce

DBB FY18-01

Recommendations to assist the Department of Defense to more accurately determine the fully burdened and lifecycle costs of military and civilian employees and to find meaningful ways of optimizing the workforce
PREFACE

This study, *Fully Burdened and Lifecycle Costs of the Workforce*, is a product of the Defense Business Board (DBB or "Board"). Recommendations provided herein by the DBB are offered as advice to the Department of Defense (DoD) and do not represent DoD policy.

The DBB was established by the Secretary of Defense in 2002 to provide the Secretary and Deputy Secretary of Defense with independent advice and recommendations on how “best business practices” from the private sector’s corporate management perspective might be applied to overall management of DoD. The DBB’s members, appointed by the Secretary of Defense, are senior corporate leaders and managers with demonstrated executive-level management and governance expertise. They possess a proven record of sound judgment in leading or governing large, complex organizations and are experienced in creating reliable and actionable solutions to complex management issues guided by proven best business practices. All DBB members volunteer their time to this mission.

Authorized by the Federal Advisory Committee Act of 1972 (5 U.S.C., Appendix, as amended), and governed by the Government in the Sunshine Act of 1976 (5 U.S.C. § 552b, as amended), 41 CFR 102-3.140, and other appropriate federal and DoD regulations, the DBB is a federal advisory committee whose members volunteer their time to examine issues and develop recommendations and effective solutions aimed at improving DoD management and business processes.
TASK

In April 2017, the Deputy Secretary of Defense directed the DBB to form a task group to study how the DoD assesses and uses fully burdened and lifecycle costs for its employees. After conducting an initial evaluation of the available materials and interviewing government and business executives, the task group recommended the Deputy Secretary further refine the scope of the study to address two core issues affecting Department labor costs. First, the manner in which the Department assesses fully burdened and lifecycle costs for military and civilian employees. And second, the degree to which the Department leverages labor cost data to drive its labor decisions.

The Terms of Reference (as amended) at TAB A guided the full scope of research and interviews for this study.

The Hon. Dov Zakheim served as the Chair of the task group. Other members included Messrs. Denis Bovin, Jack Zoeller and DBB consultant, Mr. Neil Albert. Lt Col Jason Knight, USAF served as the task group’s DBB staff representative.

PROCESS

The task group study involved three distinct phases:

Phase 1 - Investigate

This phase focused research on all applicable and relevant materials, both inside and outside the Department, that relate to fully burdened and lifecycle labor costing. Additionally, the task group and DBB staff conducted interviews with Department and Service leadership, Action Officers (AOs), and relevant business leaders to determine and assess the following:

a) The current listing of comprehensive cost elements used by DoD and services to determine fully burdened labor costs;

b) How costing data is currently used by Department decision makers to make labor choices throughout the Department and Services;

c) Impediments, limitations, constraints and restraints associated with leveraging labor costs to make decisions that drive Department labor efficiencies; and,

d) Business and industry best practices and lessons learned to be applied towards achieving a more accurate and effective labor costing process inside the Department.
Phase 2 - Evaluate & Synthesize

This phase involved analysis and synthesis of the results of the research and interviews. The task group derived root-causes of the problem(s) and correlated systemic strategic-level problems in order to derive specific, actionable, and effective recommendations. Moreover, by comparing the problem set against known best business practices, the task group was able to identify proven solutions that if implemented would assist the Department in achieving the strategic goal of a lean and more lethal fighting force at the best value to the taxpayer.

Phase 3 - Codify/Present Findings

The task group’s findings and recommendations were presented to the full DBB membership for deliberation and vote at a public meeting on December 6, 2017. At the meeting, the Board voted to approve all recommendations, to include the recommended strategic approach and implementation plan.

TAB B is the briefing presented to and approved by the DBB. TAB C includes any public comments received while TAB D includes any DoD component feedback received. TAB E is the spreadsheet reflecting the “DoD Lifecycle Costs Elements” used by the Office of the Director of Cost Assessment and Program Evaluation and the Military Services in determining lifecycle costs of their military and civilian personnel. TAB F contains appendices to the study.

BACKGROUND

Personnel expenditures are the most significant overhead expense in the DoD. Figure 1 (on page 4) reflects the estimated full cost for Department labor (military, civilian, and service contractor) comprising over 59% of the FY16 DoD budget ($349B of $585.3B).

Over the years, the Department has struggled with a complex array of categories, sub-categories, pay bands, benefits, allowances, etc. for its workforce. Determining the fully burdened and life cycle cost of each category is a critical factor in any manpower management decision to reduce overhead.
Figure 1: FY16 DoD Budget Estimate

**OBSERVATIONS AND FINDINGS**

The task force concluded that the Department's current methods and processes are an impediment to achieving its goal of building a leaner and more lethal force based on its evaluation of all relevant data pertaining to labor costing and labor/force mix decision-making. In particular, the Department suffers from bureaucratic atrophy in labor recruiting and retention practices. Generally accepted labor and hiring practices, processes, and norms currently used throughout the Department act as disincentives towards achieving labor efficiencies. More specifically, a culture imbued with a focus on filling Full Time Equivalents (FTE) vice managing labor costs to the budget results in unnecessarily overspending on labor requirements.

Accordingly, the Department requires a paradigm shift in labor management to build and sustain a lean and more lethal force. The Department’s organizational problems stem from five overarching impediments:

1. **Inconsistency.** DoD policy for determining manpower requirements is not consistently applied across the Department. The task group received varying responses to its requests to each of the services for costing data, to include the fundamental standards used to derive the cost estimates (TAB E). The variety of responses results from the use of disparate costing processes throughout the
Department. While providing varying cost estimates might not prove significant at the individual organizational level, at the Departmental level the variance in costing processes raises significant questions regarding the accuracy of overarching programmatic labor costing methods, the effects on decision making throughout the Department, and the degree to which the systems and software tools apply meaningful standards to derive costing outputs. In sum, current processes inside the Department and within the Services are inconsistent in method, application, and taxonomy and therefore raise questions relative to whether the resulting labor decisions adequately deliver optimized labor-to-cost value for the US Government (USG). As it applies to the DoD, labor optimization can be characterized as the Department’s ability to consistently and adequately hire and retain the best talent at the lowest cost possible to the USG. Indeed, numerous senior corporate executives stressed the importance of establishing a common framework and a standard taxonomy for cost elements to secure effective, relevant, and useful labor costing data as a means to achieve labor optimization.

2. **No Incentives to Save.** Budget considerations should remain at the forefront of all force and labor mix decisions in order to achieve true force optimization in this time of continued budgetary uncertainty and potential for long-term budget austerity. Cost savings as a cultural practice is not incentivized when determining force and labor mix throughout the Department. As a result, DoD component organizations add compounding costs to an already unsustainable labor workforce bill to the USG. Labor decisions appear to be made with minimal consideration for lifecycle costs. There are additional costs to the USG that should be factored in any labor costing method to ensure all levels of management remain cognizant of the true accounting for the fully burdened and the lifecycle costs of employees, as outlined in the task group’s proposed cost elements spreadsheet (TAB E). Those additional costs include those that are paid for by non-DoD agencies, such as the Department of Veterans Affairs and the Treasury, for benefits such as post-retirement health benefits, certain education benefits and post-retirement life insurance benefits to name a few. Current labor decision processes implemented inside the Department do not consistently factor these fully burdened costs as a key variable in manning or force mix decision making.

3. **No Standard Business Case Analysis Framework.** No established policy or directive currently exists that clearly outlines a business case analysis or process for determining an optimized labor/workforce. Managers at all levels are not required to consistently determine and assess opportunity cost and mission risk when making organizational labor decisions. It is not clear that labor and force-mix decisions are being managed effectively without this framework in terms of achieving optimization within each organization and on behalf of the USG.
Recent efforts by the Office of the Under Secretary of Defense for Personnel and Readiness (OUSD/P&R) are noteworthy first steps towards achieving labor optimization. In particular, OUSD/P&R’s workforce rationalization plan offers a promising and principled strategic guideline for establishing sound business practices. Some highlights from this initiative include focusing on optimizing labor by ensuring only those demands for members of the all-volunteer force that are military essential should be afforded military authorization; demands that clearly are inherently governmental in nature, but not military essential, shall be performed only by government civilian employees; and demands that could be appropriately performed by either government or industry will be allocated primarily based on cost, justified by a rigorous economic analysis (i.e., a standardized business case analysis framework).

4. **Misperceptions in current labor force.** Uniformed military personnel are viewed at all echelons of the Department as “free labor.” This view was identified in every interview and throughout discussions with leaders inside the Department. The belief was that military personnel can be assigned to an organization with no direct effect on that organization’s budget or number of authorized FTE positions. Military personnel can also be employed more flexibly than government civilians since they are not governed by overtime requirements or other standard civilian labor restrictions. Conversely, the perception exists throughout the Department that the civilian workforce remains an at-risk labor pool that affords less control for managers. This perception derives from concerns regarding the risk of budget cuts and the potential that civilian positions could be eliminated with minimal input and/or control by organizational managers.

5. **Cultural Barriers.** Organizational, legal and cultural barriers exist that negatively impact managers throughout the organization. These barriers block managers from hiring the best candidate civilian workers into needed positions. Accordingly, these barriers have resulted in significant problems in terms of talent recruitment, retention, attrition and labor and force mix decision-making. Managers throughout all levels of the organization are incentivized to find ways to fill positions that in most cases do not align with optimizing labor for the organization. The incentive for the manager is to fill the gap as soon as possible to ensure civilian personnel funding is spent.

**BUSINESS BEST PRACTICES**

The task group interviewed multiple government and civilian corporate leaders to identify internal processes that have been implemented to achieve labor force efficiencies (see Figure 2 on page 7).
The task group also looked at key lessons learned and best practices that had been leveraged to achieve effective labor costing and force-mix decisions (see Figure 3 on page 8). Medium to large-scale corporations that successfully navigated significant mergers and acquisitions offered the most relevant insights into solving the issues outlined in this study’s findings.
Figure 3 highlights the recommended strategic approach that consolidates many of the important elements that each corporate officer highlighted as crucial towards achieving successful integration and labor optimization. Corporate officers highlighted the following strategic imperatives to achieve successful integration:

1) Sustained leadership is needed to drive change and maintain a continuous improvement culture. It should be emphasized that integration is a long-term effort, requiring sustained action and support from executive leadership.

2) Buy-in from all affected organizations is crucial to successfully execute an effective personnel plan.

3) Consistent strategic messaging from executive leadership is required to maintain buy-in and to promulgate current and accurate information.

4) Establishing clear success metrics is key to ensure all remain focused on executing effectively.

5) It is important to manage execution by establishing process milestones. Executive leaders should hold program owners accountable to achieving established milestone requirements and dates.
6) Executive leaders should reward organizations that achieve cost savings via sound labor management practices.

7) Executive leaders should establish clear and precise strategic objectives to achieve the desired end-state. Strategic objectives should be aligned to the organization’s strategic goals in order to maximize labor value across the Department.

8) Policy should drive common costing methods and processes across the organization.

   a) A common costing elements taxonomy and a standardized set of labor costing practices are essential to achieve successful integration.

   b) Where practical, consolidating software/technology in order to integrate and standardize baseline labor cost estimates is essential (i.e., use best in class options to consolidate and improve costing processes).

RECOMMENDATIONS

The Board recommends the DoD immediately implement the following six recommendations and proposed implementation plan in order to achieve the strategic goal of a lean and more lethal force:

1) Appoint an Executive Agent (EA) with the appropriate level of authorities and budget control to oversee the fully burdened and lifecycle cost process for the entire Department. Responsibilities should include the requisite authority to direct action across the Department and in each of the Services that allows action towards achieving the desired end-state of building a standard and consistent labor costing process that achieves labor optimization.

2) Consolidate all labor costing policy, directives, and instructions into a single labor policy applicable to the entire Department. Consistent with recommendation #1 above, this policy should align within the strategic framework outlined by the EA to achieve the desired end-state for the Department.

3) Leverage the cost element spreadsheet (TAB E). The EA should work quickly to establish a standardized labor costing taxonomy and methodology to determine the fully burdened and lifecycle costs for employees, thereby ensuring costing data outputs from every organization remain consistent and accurate.

4) Where appropriate, Department leaders should strive to eliminate barriers that impede sound labor decisions. These barriers and impediments span from the legal and institutional impediments, to the cultural and organizational
behavioral impediments. It is a strategic imperative for Department leaders to eliminate these self-inflicted road-blocks.

5) The Department should hold management at all levels accountable for:

   a) Consistently using fully burdened and lifecycle costs as a key element when making personnel organizational changes, or when establishing new manning requirements.

   b) Making labor and force-mix decisions with labor cost-savings and labor optimization as a priority metric.

   c) Rewarding organizations that find labor cost efficiencies with minimal risk to mission accomplishment (i.e., achieving optimization and maximizing labor value).

6) The Department should examine ways to improve the hiring process for civilian employees. Many of the concerns relative to recruiting and retaining civilian talent result from the barriers and impediments discussed under recommendation #4. The Board recommends the Department execute a pilot program to validate the effectiveness of proposed fully burdened and lifecycle cost policy changes, with a specific focus on the following actions:

   a) Validate that labor and force-mix policy initiatives actually lead to Department cost savings and labor optimization.

   b) Focus on stabilizing and normalizing the workforce management process at the organizational level (i.e., normalize recruiting, retention, attrition rates).

   c) Capture organic best practices and lessons learned that can be applied Department-wide.
Implementation Roadmap & Milestones

**Phase 1: Initiation & Consolidation**
- Appoint EA with:
  - Cross-Department/Services authorities
  - ID supporting/supported organizations
  - Funding & Programmatic Authorities

**Phase 2: Implementation & Assessment**
- New Labor Costing Baseline
- Civilian Personnel Pilot Program

**Phase 3: Normalization**
- Executive Oversight Committee/Board

**Phase 4: Institutionalization**
- End-State: Optimized labor force

**Implementation Roadmap & Milestones**

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**Phase 4: Institutionalization**
- End-State: Optimized labor force

**Development of:**
- Strategic Objectives
- Future/end-state
- Key policy changes
- Key stake-holders group
- Key Performance Indicators (KPIs)
- Assessment battle rhythm
- Implementation Milestones
- Pilot program particulars

**Identify & Consolidate:**
- All Policy/Instructive/Documents
- Best in class" Costing software/technology & contracts
- Targeted organization for Pilot Program

**Promulgate:**
- Updated & consolidated Department Policy/guidance
- Comprehensive labor cost elements
- Implementation Milestones

**Phase 3: Normalization**
- Executive Oversight to ensure:
  - Compliance & Accountability
    - Validate policy is being executed across the Department
    - Audit labor/force-mix actions
  - Currency & Relevancy
    - Amending/updating Policy as required
    - Adjusting/refining process where practical
    - Promulgating lessons learned/best practices
  - Coordinated force/labor-mix actions
    - Find cross-Department/services solutions
    - Determine & correct programmatic issues affecting effective implementation

**Phase 4: Institutionalization**
- Consistency with:
  - Labor costing across the Department
  - Force & Labor Decisions
  - Improved:
    - Labor/workforce value options
    - Reduced labor costs to meet Manning requirements

**END-STATE:**
- Optimized labor force

**Figure 4: Implementation Plan**

Approved by the Defense Business Board on 6 December 2017

DEFENSE BUSINESS BOARD
The proposed implementation plan shown in Figure 4 is recommended to successfully accomplish these recommendations:

1) Identify and appoint a Department EA to oversee policy changes with responsibility to:
   a) Ensure changes are inculcated within the Department and across the services, and span across administrations.
   b) Develop, implement, and manage a consolidated Department-wide policy targeted towards standardizing manpower costing methodologies (incorporating all appropriate fully burdened cost elements).
   c) Establish a common and standardized taxonomy and define all fully burdened cost elements to be used as part of military and civilian costing throughout the Department.
   d) Consolidate services and OSD costing tools (software and contracts) to enforce standardization and compliance within policy standards.
   e) Establish Objectives and Metrics; provide sufficient Department-wide authority to manage the process.

2) Develop a Department-wide policy or DoD Instruction/Directive that baselines a business analysis process for organizational-level force/labor mix decision making, that includes, at a minimum:
   a) Use of the standardized fully burdened cost estimates to determine the manning costs associated with new or changed organizations.
   b) An outline of the key elements of building adequate courses of action for critical analysis and force/labor mix determinations: manning cost, manpower requirements (estimated man-years/work-output), opportunity cost for positions to be realigned within a respective organization, and mission/operational risk.

3) Modify Department practices relative to labor/manpower resource management at the executive level to accomplish the following:
   a) Eliminate the practice of managing labor by billet/Full Time Equivalent (FTE) and focus on managing by budget (cost).
   b) Delegate labor budget control to the lower levels and cultivate a cost-savings ethos.
c) Incentivize and reward all echelons of command/management for executing below their budgets (saving money) and eliminate the spend-or-lose culture.

d) Delegate hiring authority for civilian personnel to the lowest management levels possible within DoD and remove impediments resulting from rules generated by the Office of Personnel Management that impede hiring the best qualified personnel.

4) Implement a civilian personnel (labor force) pilot program in the Department to test results of implementing recommendations that focuses on the following key outcomes:

a) Improve civilian hiring at a targeted organization. Select a target organization that has historic issues with recruiting and retaining civilian personnel and needs relief from the current barriers and impediments negatively affecting its ability to optimize its workforce.

b) Allow field managers’ direct hiring authority and budgetary control (i.e., allow the field commanders the authority to determine the best labor fit for the work to be performed). A potential critical limiting factor affecting successful pilot program implementation is the need to remove OPM oversight (barriers/impediments) of the targeted organization and to provide sufficient authorities down to the field manager level to ensure a successful pilot test case and evaluation.

c) Capture, monitor, and report start and end point metrics as appropriate (labor costing/is/retention/recruiting) as a means to find best practices and lessons learned to be applied across the Department, where appropriate. The overall intent of the pilot program is to find meaningful improvements to help achieve Department-wide labor optimization, and to find and eliminate those barriers and impediments towards achieving the goals of the Department.

The Board believes these recommendations represent a small but significant step toward cultural transformation in the Department of Defense.

Respectfully submitted,

Dov S. Zakheim
Task Force Chairman
Defense Business Board

TAB A

TERMS OF REFERENCE
MEMORANDUM FOR CHAIRMAN, DEFENSE BUSINESS BOARD


The attached Deputy Secretary of Defense memorandum dated April 17, 2017, “Terms of Reference – Fully Burdened and Life Cycle Cost of the Workforce,” established a task group under the Defense Business Board (“the Board”) to provide advice and recommendations on how to determine the fully burdened and life cycle cost of the workforce. It is now prudent to provide clarity on this subject.

In order to develop best business practice recommendations and to ensure the Pentagon spends resources responsibly, I am re-scoping the focus of this study to:

- Identify private sector best practices to assist the DoD to more accurately determine the fully burdened and lifecycle cost of military personnel and civilian employees.

- Recommend courses of action to leverage fully burdened and lifecycle cost estimates of the workforce and incentivize cost-savings in the Department.

- Review any other such other matters that the Board, in consultation with the Deputy Chief Management Officer, determines relevant in this topic area.

Task group findings, observations, and recommendations will be presented to the full Board for thorough open discussion and deliberation in a noticed public meeting. The Board will provide its final findings and recommendations to the Secretary of Defense no later than April 16, 2018.

Attachment:
As stated
MEMORANDUM FOR CHAIRMAN, DEFENSE BUSINESS BOARD

SUBJECT: Terms of Reference – Fully Burdened and Life Cycle Cost of the Workforce

Personnel expenditures are the most significant overhead expense in the DoD. Over the years, the Department has struggled with a complex array of categories, sub-categories, pay bands, benefits, allowances, etc. Determining DoD’s fully burdened and life cycle cost of each category of its personnel is a critical factor in any manpower management decision to reduce overhead.

In order to develop best business practice recommendations and to ensure the Pentagon spends resources responsibly, I am establishing a task group under the Defense Business Board ("the Board") to provide advice and recommendations to DoD on how to determine the fully burdened and life cycle cost of the workforce. The study should:

- Identify and examine how the private sector determines the fully burdened and life cycle cost of employees and how those metrics can be replicated within, or leveraged by, the DoD.

- Recommend courses of action to determine the fully burdened and life cycle cost of each DoD employee category.

- Review any other such matters as the Board, with authorization by the Deputy Chief Management Officer, determines relevant in this topic area.

Task group findings, observations, and recommendations will be presented to the full Board for thorough, open discussion and deliberation in a noticed, public meeting. The Board will provide its final findings and recommendations, in the form of a Power Point presentation, to the Secretary of Defense no later than twelve months after the signing of this terms of reference.

In conducting its work, the Board has my full support in all requests for data or information that may be relevant to its fact finding and research under this Terms of Reference. As such, the Office of the Secretary of Defense and Component Heads are requested to cooperate and promptly facilitate requests by Board staff regarding access to relevant personnel and information deemed necessary, as directed by paragraphs 5.1.8. and 5.3.4. of DoD Instruction 5105.04, “Department of Defense Federal Advisory Committee Management Program,” and in conformance with applicable security classifications.
As a task group of the Board, this subcommittee shall not work independently of the Board's charter and shall only report its recommendations to the full Board for public deliberation and majority approval pursuant to the Federal Advisory Committee Act of 1972, as amended, the Government in the Sunshine Act of 1976, as amended, and other applicable federal statutes and regulations. The task group does not have the authority to make decisions or recommendations on behalf of the Board, nor may it report directly to any federal representative. The members of the task group and the Board are subject to 18 U.S. Code §208, governing conflicts of interest.
Defense Business Board

TAB B

PUBLIC MEETING BRIEFING

PROVIDED TO THE DEFENSE BUSINESS BOARD
Fully Burdened and Life Cycle Costs of the Workforce

December 6, 2017

Hon. Dov Zakheim
Mr. Denis Bovin
Mr. Jack Zoeller

Consultant: Mr. Neil Albert
Service Representative: Lt Col Jason “3Dog” Knight, USAF

Approved by the Defense Business Board on 6 December 2017
Overview

- Task Group Focus
- Problem
- Findings
- Business Insights
- Recommendations

CURRENT DEFENSE LABOR PRACTICES PREVENT THE DEPARTMENT FROM RESTORING MILITARY READINESS AND BUILDING A “MORE LETHAL FORCE”
Task Group Focus

Terms of Reference

Personnel expenditures are the most significant overhead expense in the DoD. Over the years, the Department has struggled with a complex array of categories, sub-categories, pay bands, benefits, allowances, etc. Determining DOD’s fully burdened and lifecycle cost is a critical factor in any manpower management decision.

Tasks

- Identify private sector best practices to assist the DoD to more accurately determine the fully burdened and lifecycle cost of military personnel and civilian employees
- Recommend courses of action to leverage fully burdened and lifecycle cost estimates of the workforce and incentivize cost-savings in the Department

Scope to date

- The task group studied how the DoD:
  - Calculates fully burdened labor cost for military and civilian employees
  - Uses labor cost estimates in organizational decision making
PROBLEM

OVER 59% OF FY16 DoD BUDGET DEVOTED TO FUNDING LABOR
DoD Budget Breakout

DoD Top-Line
FY01 = $316B
FY10 = $691B
FY16 = $585.3B

Weapon Systems Procurement, Family Housing, Military Construction, etc.

Contracted Services
FY16 = $141.7B

CIVPERS
FY16 = $71.5B

MILPERS
FY16 = $136.7B

Other
FY16 = $53.3B
FY16 = $182.1B

Source: ASD/M&RA (Total Force Manpower & Resources Directorate)
Problem #1: Optimizing the DoD Labor Mix

- June 2017 IDA DoD labor study:
  - Majority of DoD’s $585.3B FY16 budget spent on the 3.7M workforce personnel

Source: Institute for Defense Analysis (IDA) Study, Total Force/Labor Mix, Opportunities for Efficiencies, June 6, 2017 (pgs 1-2)
Problem #2: Effective Labor Decisions

- Despite DoD guidance, the default personnel policy is often to use military personnel or simply continue status quo.

- While policy mandates when to use labor mix (manpower type), policy is not always followed throughout the Department.

Source: Institute for Defense Analysis (IDA) Study, Total Force/Labor Mix, Opportunities for Efficiencies, June 6, 2017 (pgs 1-2)
BUILDING & SUSTAINING A “MORE LETHAL FORCE” REQUIRES A PARADIGM SHIFT IN LABOR MANAGEMENT
Task Group Findings

- Policy for determining manpower requirements is not consistently applied

- Disparate lifecycle cost processes/methods/taxonomies produce different results

- Cost savings is not incentivized when determining labor mix
  - Labor decisions made with minimal consideration for lifecycle costs
  - Organizations manage labor to Full Time Equivalent (FTE) without full consideration of the budget
  - Disincentives make it difficult to save money
  - Military personnel seen as free labor
Task Group Findings (Cont’d)

- No standardized business process analysis for organizational force/labor mix decision making

- Civilian workforce seen as at-risk positions; if budget cuts imposed, billets will be lost and not refilled

- OPM barriers and impediments to hiring civilian workers undermine labor optimization (achieving best value)
THE EXPERIENCE OF MEDIUM TO LARGE-SCALE COMPANIES THAT HAVE SUCCESSFULLY NAVIGATED SIGNIFICANT MERGERS AND ACQUISITIONS OFFERED THE MOST RELEVANT INSIGHTS TO THIS STUDY
Business Best Practices

- Sustained leadership focus necessary to drive change and maintain continuous improvement culture

- Establish clear and precise success metrics to achieve the desired state

- Hold executives accountable

- Manage strategic integration like a project/program
  - Establish milestones
  - Hold project owners accountable to achieve milestone requirements, deadlines, etc.
Incentivize organizations to achieve cost savings via sound labor management practices

Policy must drive common taxonomy, costing methods, and processes to achieve consistency

Maintain consistent strategic messaging and achieve buy-in by all affected organizations is crucial to success
RECOMMENDATIONS
Recommendation #1: Appoint Executive Agent

1. Identify and appoint an Executive Agent responsible for applying Department-wide policy changes that:

   - Establish a common/standardized taxonomy and define all fully burdened cost elements to be used as part of military and civilian costing

   - Establish objectives/metrics and provide sufficient Department-wide authority to manage the process

   - Ensure all Department and Services labor costing software tools are consistently applied
Recommendation #2: Consolidate Policy/Guidance

2. Establish at the organizational level an enhanced business analysis framework for force/labor mix decision-making, by:

- Updating Department-wide policy or DoD Instruction/Directive

- Using at a minimum the following key elements:
  - Position inherently military or inherently governmental
  - Manning cost
  - Manpower requirements (estimated man-years/work-output)
  - Opportunity costs of realigning positions within an organization
  - Risk to mission
Recommendation #3: Adjust Business Practices

3. Cultivate cost efficiencies by adjusting labor/manpower business practices at the executive level

- Eliminate solely managing by billet/FTE and include budget (cost)
- Delegate civilian hiring authority to the DoD
4. Consider implementing a pilot program to test results of these recommendations to validate:

- Outputs of business enhancements
- Determine manageability and compliance of the updated policy
Final Thoughts

- Additional insight might be gained by identifying how DoD calculates and applies:
  - Lifecycle costs
  - Service contractor costs

- Could offer a clearer understanding and approach as to how the DoD can better leverage the workforce and incentivize cost savings
TAB C
PUBLIC COMMENTS
SUBMITTED TO THE DEFENSE BUSINESS BOARD
PUBLIC COMMENTS

As of the date of this study being published, the Defense Business Board received a letter from American Federation of Government Employees (AFGE) dated 8 January 2018 as public comments to the study. It is included in its entirety.
Defense Business Board
1155 Defense Pentagon
Room 5B1088A
Washington, DC  20301-1155

Dear Defense Business Board:

On behalf of the American Federation of Government Employees, AFL-CIO, which represents more than 700,000 federal employees who serve the American people in 70 different agencies, including approximately 300,000 in the Department of Defense (DoD), we appreciate your support of a strong national defense and your recognition of the importance of a highly skilled civilian workforce supporting our uniformed warfighters deployed around the world.

We applaud your intent of ensuring that all workforces are managed based on consideration of the fully burdened costs of each, and your recognition that constraining the civilian workforce based on Full Time Equivalents (FTE) caps is a bad business practice that is counter-productive to managing the workforces based on costs.

In fact, the current practice of managing the civilian workforce to FTE caps drives up per capita costs because it incentivizes cutting DoD’s lowest cost workforce—which is its civilian workforce.1 We agree with your finding that the “civilian workforce [is] seen as at-risk positions; if budget cuts are imposed, billets will be lost and not refilled.”

We also strongly concur with your finding that “policy mandates when to use labor mix (manpower type) policy are not always followed throughout the Department” leading to circumstances where “[m]ilitary personnel [are seen] as free labor.” This increased reliance on “borrowed military manpower” is a direct consequence of the lazy and counterproductive practice of managing the civilian workforce to FTE caps and the imposition of arbitrary hiring freezes. Uniformed senior leadership recently testified to Congress how last year’s hiring freeze resulted in use of increased borrowed military manpower, which in turn contributed to readiness shortfalls, reduced flying hours and uniformed pilot retention, and recruiting problems. Former Army Chief of Staff General Edward Meyer called borrowed military manpower one of the leading indicators of the “hollow force” in the 1990s.2

1 See GAO-16-172: “Civilian FTES, by themselves, however, may not be reliable measures of the cost of the civilian workforce. . . Because DoD’s focus has been on making and reporting FTE reductions, DoD and Congress lack information on the extent to which the reductions will achieve savings . . .”

2 See, e.g., Vice Chiefs of Staff and Assistant Commandant testimony before both the House Armed Services Committee on February 7, 2017 and the Senate Armed Services Committee, Readiness Subcommittee on February 8, 2017; and the testimony provided by the Army Deputy Chiefs of Staff before the House Armed Services Committee, Subcommittee on Readiness on March 8, 2017. For another example, the Washington Post (May 16, 2015) cited a GAO report in which Army drone pilots were not getting needed training because of the time they spent on guard duty, janitorial services and cutting grass, GAO-16-461, “Unmanned Aerial Systems, Actions Needed to Improve DoD Pilot Training.”
We also agree with you that “additional insight might be gained by identifying how DoD calculates and applies “service contractor costs.” We suggest that including service contractors’ fully burdened costs is absolutely crucial to ensuring your recommendation in number 3 is actually implemented -- to “eliminate solely managing [the civilian workforce] by billet/FTE and include budget (cost).”

Your recommendation to “eliminate solely managing [civilians] by FTE” is inextricably linked to starting to implement the FY 2018 National Defense Authorization Act direction to actually start having a bona fide “services contract” budget, as currently exists for weapon systems, the civilian workforce and military force structure.3

Indeed, the GAO found that DoD never implemented the statutory direction to cut contracted services4 because of DoD’s focus on solely reducing civilian FTE. The GAO further found that the current DoD “services contract” budgets “provide limited visibility to Congress on planned spending, and the primary exhibit for contracted services does not meet statutory reporting requirements”.5 Unfortunately, last year’s NDAA did not direct full implementation of the GAO recommendation that contract services have the same visibility over the Future Year Defense Program (FYDP) as applies to weapon systems, civilian employees and military force structure. Until that GAO recommendation is fully implemented, the cultural impediments to ending the poor practice of “managing civilian to FTE caps” is likely to continue. Your recommendation number 3 cannot be implemented without full visibility of contractor costs during the Planning, Programming, Budgeting, and Execution System (PPBES). The recommendation to end managing civilian FTE to caps logically must be implemented in tandem with full implementation of the GAO recommendation for full transparency of contract services costs throughout the PPBES.

This means that your other recommendations to “appoint an executive agent” (recommendation number 1) and to consider implementing your recommendations as a “pilot program” (recommendation number 2) could weaken the prospects of ever implementing recommendation number 3 of adjusting business practices by eliminating managing civilians to FTE caps and start managing the workforces based on fully burdened costs. The cited GAO reports document in great detail how the Department currently has the ability to change its business practices and just needs the direction and will to do so. It bears repeating the title of one of the GAO studies: “Improved Use of Available Data Needed to Better Manage and Forecast Service Contract Requirements.” The issue is not as mysterious and difficult as some would make it out to be. Because of its limited scope, merely establishing a pilot program would undermine the incentives in the PPBE process which govern the Department-wide resourcing process.

3 See HASC Chairman’s Press Release for FY2018 NDAA: “The first of the major reform elements is to add oversight to service contracts. In fiscal year 2015, the Pentagon spent $274 billion through contracts, including big-ticket weapon systems like the Ford Class aircraft carrier and the F-35 fighter jet. But, 53 percent ($144 billion) of this sum was actually spent on services – everything from lawn mowing on military bases to maintaining equipment to hiring specialized experts and administrative support. Unfortunately, DoD- and Congress- have limited insight into how and where this money is spent. The bill requires more specificity in funding requests for services contacts. .”


There already is a proponent office for the PPBE and costing processes, the Director of Cost and Program Evaluation (CAPE), a Senate-confirmed position. Unfortunately, CAPE continues to undermine your objective of ensuring cost-based decisions for the military, civilian, and contractor workforces because of its longstanding business practice of solely “managing” the civilian workforce by FTE constraints and not proactively implementing the complementary GAO recommendation for full visibility of contract services costs over the FYDP.

When military and civilian force structure were cut, and Congress directed corresponding contractor reductions, the DoD response (based on CAPE’s practices) was simply to reduce the military force structure and civilian FTEs, responding back to GAO that DoD did not know how to cut contracts or to generate the requested savings, because their current processes only involved managing and reducing civilian FTEs.

Whenever new military or civilian positions are added, their “requirements” are formally validated within the Military Departments based on rigorous workload analysis processes that never applied to contracted requirements -- except when the work is being considered for insourcing. These wasteful practices will continue as long as CAPE is allowed to shed its responsibilities to evaluate programs based on costs that include all the workforces involved in a program (military, civilian employee, and contractor). Responsibility for the programming of contracted services should not be diverted to acquisition employees who are solely focused on the mechanics of awarding contracts. They are not involved in strategic planning, programming, and budgeting of the requirements performed by contractors.

Our remaining comments on your briefing and related presentation and discussion are less overarching and are primarily technical in nature:

(1) The civilian workforce is needed for more than simply inherently governmental functions. Title 10 appropriately recognizes “closely associated with inherently governmental” and “critical functions” as ones mandating civilian performance to reduce operational and fiduciary risks. It is incorrect to characterize anything that is not “inherently governmental” as a so-called “commercial” function. The DoD Inspector General, GAO, and the Commission on War Time Contracting all highlighted the limitations of viewing matters from an inherently governmental perspective.

(2) An oral comment was made during your December 6, 2017 public meeting that contractor costs were fully accounted for with invoiced amounts which include all their overhead costs. This was in response to your briefing that seemed to focus mainly on the overhead costs for hiring civilians, perhaps as an illustration. We disagree. The acquisition workforce that awards and administers contracts, along with contracting officer representatives outside the acquisition workforce, are all part of the overhead associated with contractors and these are not included in the invoiced amounts for contracts. Government furnished facilities are also part of the costs of using contractors, particularly in circumstances where the provision of government office space to contractors requires procuring additional office space for military or civilian employees.

We commend your emphasis on removing impediments to performing appropriate cost analyses to inform military and civilian employee workforce decisions coupled with your recommendation to

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6 See GAO-17-128.
eliminate sole reliance on FTE caps for the civilian workforce and your recognition of the need for contractor cost visibility as well. These issues are all connected and are not something that should be limited to a pilot or arguing over Congressional direction for better transparency concerning contract service costs. Our comments are intended to ensure your recommendations and intent for cost-based workforce decisions are fully actionable and implemented because failure to do so will wastefully drain billions of dollars from the readiness resources available to DoD.

If you have any questions, please feel free to contact John Anderson, Legislative Representative, at john.anderson@afge.org or 202-639-6485; Mia Dell, Legislative Representative, at mia.dell@afge.org or 202-639-4003; or Sheila McCready, Defense Industrial Base Consultant, at mcceres@afge.org or 703-725-1683.

Sincerely,

J. David Cox, Sr.
National President
TAB D

DoD COMPONENT RESPONSES

PROVIDED TO THE DEFENSE BUSINESS BOARD
RECLAMAS

As of the date of this study being published no Department of Defense component responses were received by the Defense Business Board for inclusion.
Defense Business Board

TAB E

“DOD LIFECYCLE COSTS ELEMENTS” SPREADSHEET
<table>
<thead>
<tr>
<th>COST ITEMS</th>
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<th>OSD CAPE FCOM (MIL, CIV, Contractor)</th>
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<th>MARINES IBM Cognos TM1 (MILPERS)/PBIS (CIVPAY)</th>
<th>US Air Force Cost of an Airman Tool (MILPERS)/FMBOPO (CIVPAY)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Basic Pay</td>
<td>1. The one primary, or principal, form of pay to which all members of the armed forces are entitled. 2. Ref: 37 U.S.C. §§203, 204, and 1009. See 37 U.S.C. §907 *(ppgs 13-148)</td>
<td>YES</td>
<td>MI: YES</td>
<td>MI: YES</td>
<td>MI: YES</td>
<td>MI: YES</td>
</tr>
<tr>
<td>2 Basic Allowance for Housing</td>
<td>1. Cash allowance to military personnel not provided with government quarters adequate for themselves and their dependents to enable such personnel to obtain civilian housing as a substitute. 2. 37 U.S.C. §§403 and 405(b) *(ppgs 149-186)</td>
<td>YES</td>
<td>MI: YES</td>
<td>MI: NO</td>
<td>MI: NO</td>
<td>MI: NO</td>
</tr>
<tr>
<td>3 Basic Allowance for Subsistence</td>
<td>2. To provide a cash allowance to members of the armed forces to defray a portion of the cost of subsistence, such allowance being payable to all enlisted and officer personnel, with variations to account for the unavailability of adequate messing facilities at some duty stations. 2. 37 U.S.C. §402. *(ppgs 187-195)</td>
<td>YES</td>
<td>MI: NO</td>
<td>MI: NO</td>
<td>MI: NO</td>
<td>MI: NO</td>
</tr>
<tr>
<td>4 Federal Income Tax Advantage</td>
<td>1. The federal income tax advantage attributed to members of the armed forces derives from the non-taxable status of the basic allowance for subsistence (BAS) and basic and overseas housing allowances (BAH and OHA, respectively), and Congress's determination that those allowances be treated as part of regular military compensation, along with basic pay. 2. Jones v. United States, 60 Ct.CI. 552 (1925); Section 134 of the Internal Revenue Code of 1986, 26 U.S.C. §134; 37 U.S.C. §101(25) *(ppgs 197-208)</td>
<td>YES</td>
<td>MI: NO</td>
<td>MI: NO</td>
<td>MI: NO</td>
<td>MI: NO</td>
</tr>
<tr>
<td>5 Pay and Allowance Continuation (PAC)</td>
<td>1. To provide continuity of pay and allowances to hospitalized service members during their time spent rehabilitating from wounds, injuries, or illness incurred in a combat operation, combat zone, or hostile-fire event. 2. 37 U.S.C. § 328, 10 U.S.C. §101d(7), 37 U.S.C. §101(22) *(ppgs 209)</td>
<td>NO</td>
<td>MI: YES</td>
<td>MI: NO</td>
<td>MI: NO</td>
<td>MI: YES</td>
</tr>
<tr>
<td>6 Compensation for Non-Regular Service: Reserve Components Pay</td>
<td>1. Members of the reserve components of the Army, Navy, Air Force, Marine Corps, and Coast Guard, including members of the Army National Guard and the Air National Guard, all receive compensation for the performance of inactive-duty training. 2. 37 U.S.C. §206(a) *(ppgs 211-212)</td>
<td>NO</td>
<td>MI: YES</td>
<td>MI: NO</td>
<td>MI: NO</td>
<td>MI: YES</td>
</tr>
<tr>
<td>7 Compensation for Inactive-Duty Training</td>
<td>1. To provide a special pay as an incentive for qualified personnel to enter and remain in the reserve components of the military services of the United States and to encourage them to maintain and improve their military skills through regular training or distributed learning activities in order to provide a pool of skilled, trained, and readily available manpower to augment active-duty forces in times of national emergency. 2. 37 U.S.C. §206 *(ppgs 213-223)</td>
<td>NO</td>
<td>MI: YES</td>
<td>MI: NO</td>
<td>MI: NO</td>
<td>MI: YES</td>
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<tr>
<td>1 Hostile Fire Pay (Hostile Fire and Imminent Danger)</td>
<td>1. To provide an additional payment to personnel subject to hostile fire or to explosion of hostile mines; to personnel on duty in an area in which they were in imminent danger of being exposed to hostile fire or explosion of a hostile mine and while there, other members were subject to hostile fire or explosion of hostile mines; to personnel killed, injured, or wounded by hostile fire, explosion of a hostile mine, or any other hostile action; and to personnel on duty in foreign areas in which they are subject to the threat of physical harm or imminent danger because of civil insurrection, civil war, terrorism, or wartime conditions. 2. 37 U.S.C. §310. <em>(pgs 229-239)</em></td>
<td>NO</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>2 Demolition Duty Pay</td>
<td>1. To provide an additional pay to increase the ability of the uniformed services to attract and retain personnel for duty involving the demolition or neutralization of explosives, and to compensate for the more than normally dangerous character of such duty. 2. 37 U.S.C. §301(a)(4) and (c)(1). <em>(pgs 241-249)</em></td>
<td>NO</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>YES</td>
</tr>
<tr>
<td>3 Flight Pay (Crew Member)</td>
<td>1. To provide an additional pay to help the uniformed services induce officers and enlisted personnel to enter upon and remain in flying duty and to compensate for the more than normally dangerous character of such duty. 2. 37 U.S.C. §301(a)(1) and (b). <em>(pgs 255-269)</em></td>
<td>NO</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>YES</td>
</tr>
<tr>
<td>4 Flight Pay (Non-Crew Member)</td>
<td>1. To provide an additional pay to help the uniformed services induce personnel to enter into and remain in flying duty assignments, and to compensate for the more than normally dangerous character of such duty. 2. 37 U.S.C. §301(a)(2) and (c)(1). <em>(pgs 271-280)</em></td>
<td>NO</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>YES</td>
</tr>
<tr>
<td>5 Aviation Career Incentive Pay (ACIP) and Aviation Career Continuation Pay (AOCIP)</td>
<td>1. To provide additional pay for aviation service in order to increase the ability of the uniformed services to attract and retain officer volunteers in a military aviation career. 2. 37 U.S.C. §§301a and 301b. <em>(pgs 281-304)</em></td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>6 Hazardous Duty Incentive Pay for Air Weapons Controller Crew Members (AWACS Flight Pay)</td>
<td>1. To provide an additional incentive for military personnel to undertake service as air weapons controllers on airborne warning and control system aircraft, and to compensate such personnel for the more than normally dangerous character of such duty. 2. 37 U.S.C. §301(a)(11) and (c)(2). <em>(pgs 305-311)</em></td>
<td>NO</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>YES</td>
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<tr>
<td>7 Parachute Duty Pay</td>
<td>1. To provide an additional pay to increase the ability of the uniformed services to attract and retain volunteers for parachute duty, and to compensate for the more than normally dangerous character of such duty. 2. 37 U.S.C. §301(a)(3) and (c)(1). *(pgs 313-323)</td>
<td>NO Mil: YES</td>
<td>Civ: NO</td>
<td>Mil: YES</td>
<td>Civ: NO</td>
<td>Mil: YES</td>
</tr>
<tr>
<td>8 Glider Duty Pay</td>
<td>1. To induce armed forces personnel to volunteer for and remain in glider flying duties, and to compensate for the more than normally dangerous character of such duties. 2. Formerly, 37 U.S.C. §301(a)(3) and (c)(1). The legislative authority for this hazardous duty incentive pay was repealed by the Department of Defense Authorization Act, 1985, Pub. L. No. 98-525, §624(a)(1), 98 Stat. 2492, 2542 (1984) *(pgs 325-329)</td>
<td>NO Mil: YES</td>
<td>Civ: NO</td>
<td>Mil: YES</td>
<td>Civ: NO</td>
<td>Mil: YES</td>
</tr>
<tr>
<td>9 Flight Deck Duty Pay</td>
<td>1. To provide an additional pay to increase the Navy's ability to attract and retain personnel for duty involving the launching of aircraft from and their recovery on aircraft carriers and other ships on which aircraft are launched, and to compensate for the more than normally dangerous character of such duty. 2. 37 U.S.C. §301(a)(8) and (c)(1). *(pgs 331-339)</td>
<td>NO Mil: YES</td>
<td>Civ: NO</td>
<td>Mil: YES</td>
<td>Civ: NO</td>
<td>Mil: YES</td>
</tr>
<tr>
<td>10 Toxic Fuels and Propellants and Chemical Munitions Exposure Pay</td>
<td>1. To provide an additional incentive for uniformed services personnel to engage in various activities in which they may be exposed to toxic fuels or propellants, or to chemical munitions, and to compensate such personnel for the more than normally dangerous character of such duty. 2. 37 U.S.C. §301(a)(10) and (c)(1). *(pgs 341-349)</td>
<td>NO Mil: YES</td>
<td>Civ: NO</td>
<td>Mil: YES</td>
<td>Civ: NO</td>
<td>Mil: YES</td>
</tr>
<tr>
<td>11 Submarine Duty Incentive Pay</td>
<td>1. To provide an additional pay to increase the Navy's ability to attract and retain volunteers for submarine duty, and to compensate for the more than normally dangerous character of such duty. 2. 37 U.S.C. §301c. *(pgs 351-368)</td>
<td>NO Mil: NO</td>
<td>Civ: NO</td>
<td>Mil: NO</td>
<td>Civ: NO</td>
<td>Mil: NO</td>
</tr>
<tr>
<td>12 Operational Submersible Duty Pay</td>
<td>1. To provide an additional pay to increase the Navy's ability to attract and retain volunteers for duty in deep submergence vessels and deep submergence rescue vessels, and to compensate for the more than normally dangerous character of such duty. 2. 37 U.S.C. §301c. *(pgs 369-371)</td>
<td>NO Mil: NO</td>
<td>Civ: NO</td>
<td>Mil: YES</td>
<td>Civ: NO</td>
<td>Mil: YES</td>
</tr>
<tr>
<td>13 Diving Duty Pay</td>
<td>1. To provide additional pay to increase the ability of the uniformed services to attract and retain volunteers for diving duty, and to compensate for the more than normally dangerous character of such duty. 2. 37 U.S.C. §304. *(pgs 373-379)</td>
<td>NO Mil: NO</td>
<td>Civ: NO</td>
<td>Mil: YES</td>
<td>Civ: YES</td>
<td>Mil: YES</td>
</tr>
<tr>
<td>14 Special Pay for Career Sea Duty</td>
<td>1. To provide a special payment to personnel serving on sea duty in recognition of the greater than-normal rigors of service attending such duty, and to efficiently target manpower dollars to improve the retention of personnel in sea-service skills. 2. 37 U.S.C. §305a. *(pgs 381-388)</td>
<td>NO Mil: NO</td>
<td>Civ: NO</td>
<td>Mil: NO</td>
<td>Civ: NO</td>
<td>Mil: NO</td>
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Sources:  
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<tbody>
<tr>
<td>15 Special Continuation, Accession, and Annual Incentive Pays for Nuclear-Qualified Officers</td>
<td>1. To encourage voluntary accessions into the nuclear-power officer community and to provide an inducement for nuclear-trained and nuclear-qualified Navy officers to continue on active duty upon completion of obligated service. 2. 37 U.S.C. §§312, 312b, and 312c; cf. 37 U.S.C. §312a for nuclear-trained and -qualified enlisted members. <em>(pgs 399-405)</em></td>
<td>NO</td>
<td>Mil: YES</td>
<td>Mil: YES</td>
<td>Mil: YES</td>
<td>Mil: YES</td>
</tr>
<tr>
<td>16 Experimental Stress Duty Pays</td>
<td>1. To provide additional pay to increase the ability of the uniformed services to induce personnel to enter into and remain in duties involving an unusually high level of physiological or other stress. 2. 37 U.S.C. §301(a)(5), 60, and (7), and (c)(1). <em>(pgs 407-414)</em></td>
<td>NO</td>
<td>Mil: YES</td>
<td>Mil: YES</td>
<td>Mil: YES</td>
<td>Mil: YES</td>
</tr>
<tr>
<td>17 Personal Exposure Pay (Toxic Pesticides and Dangerous Organisms)</td>
<td>1. To provide an additional incentive for uniformed services personnel to engage in various activities in which they may be exposed to toxic pesticides or to live dangerous viruses and bacteria, and to compensate such personnel for the more than normally dangerous character of such duty. 2. 37 U.S.C. §301(a)(9) and (c)(1). <em>(pgs 415-422)</em></td>
<td>NO</td>
<td>Mil: YES</td>
<td>Mil: YES</td>
<td>Mil: YES</td>
<td>Mil: YES</td>
</tr>
<tr>
<td>18 Leprosy Duty Pay</td>
<td>1. To provide an additional pay to induce uniformed services personnel to volunteer for duty involving contact with persons having leprosy. 2. Formerly, 37 U.S.C. §301(a)(5) and (c)(1). The legislative authority for this hazardous duty incentive pay was repealed by the Department of Defense Authorization Act, 1985, Pub. L. No. 98-525, §624(a)(1), 98 Stat. 2492, 2542 (1984). <em>(pgs 423-427)</em></td>
<td>NO</td>
<td>Mil: NO</td>
<td>Mil: NO</td>
<td>Mil: NO</td>
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</thead>
<tbody>
<tr>
<td>4 Special Pay for Optometrists</td>
<td>1. To provide an additional pay to enable the armed forces to attract and retain a sufficient number of optometrists to meet health-care needs of the services. 2. 37 U.S.C. §§302a and 303a. <em>(pgs 471-474)</em></td>
<td>YES</td>
<td>MIL: YES</td>
<td>CIV: YES</td>
<td>MIL: NO</td>
<td>CIV: NO</td>
</tr>
<tr>
<td>5 Special Pay for Psychologists, Pharmacists, and Other Non-physician Health Care Providers</td>
<td>1. To provide a special incentive for highly qualified psychologists, pharmacists, and other non-physician health care providers to enter and remain in military service, in part to overcome a perceived shortage of personnel with such qualifications in the armed forces and in part to relieve demands for even more hard-to-recruit-and-retain medical specialists, including psychiatrists, among others. 2. 37 U.S.C. §§302c., §302i, and §302j <em>(pgs 475-479)</em></td>
<td>YES</td>
<td>MIL: YES</td>
<td>CIV: YES</td>
<td>MIL: NO</td>
<td>CIV: YES</td>
</tr>
<tr>
<td>6 Special Pay for Nurse Anesthetists and Other Nurses and Accession Bonus for Registered Nurses</td>
<td>1. To provide a special incentive for nurses to enter and remain in military service to ensure adequate numbers of experienced nurses to meet military medical-care needs in both peacetime and wartime settings. 2. 37 U.S.C. §§302d and 302e; cf. 37 U.S.C. §302d(d). <em>(pgs 481-487)</em></td>
<td>YES</td>
<td>MIL: YES</td>
<td>CIV: YES</td>
<td>MIL: NO</td>
<td>CIV: YES</td>
</tr>
<tr>
<td>7 Engineering and Scientific Career Continuation Pay</td>
<td>1. To provide an additional incentive for officers of the uniformed services with certain specially needed engineering and scientific skills to remain on active duty following completion of their initial active-service obligations. 2. 37 U.S.C. §315. <em>(pgs 489-492)</em></td>
<td>NO</td>
<td>MIL: YES</td>
<td>CIV: NO</td>
<td>MIL: NO</td>
<td>CIV: NO</td>
</tr>
<tr>
<td>8 Enlistment Bonus</td>
<td>1. To provide a monetary incentive to induce persons to enlist for and serve in military skill specialties experiencing critical personnel shortages. 2. 37 U.S.C. §309. <em>(pgs 493-500)</em></td>
<td>NO</td>
<td>MIL: YES</td>
<td>CIV: NO</td>
<td>MIL: YES</td>
<td>CIV: NO</td>
</tr>
<tr>
<td>9 Selective Reenlistment Bonus (SRB)</td>
<td>1. To provide a monetary incentive to encourage the reenlistment of sufficient numbers of qualified enlisted uniformed services personnel in critical skill specialties with high training costs or demonstrated retention shortfalls. 2. 37 U.S.C. §308. <em>(pgs 501-514)</em></td>
<td>NO</td>
<td>MIL: YES</td>
<td>CIV: NO</td>
<td>MIL: YES</td>
<td>CIV: NO</td>
</tr>
<tr>
<td>10 Critical Skills Retention Bonus</td>
<td>1. To provide an incentive for qualified enlisted and officer personnel with skills designated as critical to remain on active duty, extending the availability of those skills for application in key positions. 2. 37 U.S.C. §323. <em>(pgs 513-515)</em></td>
<td>NO</td>
<td>MIL: YES</td>
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</thead>
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<tr>
<td>11 MOS Conversion Bonus</td>
<td>1. To provide an incentive for the transition of enlisted members from well-supplied military occupational specialties into military occupational specialties experiencing a shortage of qualified personnel. 2. 37 U.S.C. §326. *(pg 517)</td>
<td>NO</td>
<td>Mil: YES</td>
<td>Mil: NO</td>
<td>Mil: NO</td>
<td>Mil: YES</td>
</tr>
<tr>
<td>12 Reserve Affiliation, Enlistment and Reenlistment Bonuses, Special Unit Pay, and Educational Assistance</td>
<td>1. To provide an incentive to induce persons not in the armed forces or persons formerly in the armed forces to join reserve components of the armed forces and to encourage persons already in reserve components to remain in such components. 2. 37 U.S.C. §§308b, 308c, 308d, 308e, 308g, 308h, and 308i and 10 U.S.C. §§16131–16137. *(pgs 519-536)</td>
<td>NO</td>
<td>Mil: YES</td>
<td>Mil: YES</td>
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<tr>
<td>13 Special Duty Assignment Pay and Proficiency Pay</td>
<td>1. To provide an additional monthly payment both as a retention incentive to enlisted personnel required to perform extremely demanding duties or duties demanding an unusual degree of responsibility and as an inducement to persuade qualified personnel to volunteer for such duties. 2. 37 U.S.C. §307. *(pgs 537-541)</td>
<td>NO</td>
<td>Mil: YES</td>
<td>Mil: YES</td>
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<td>14 Assignment Incentive Pay</td>
<td>1. To provide an additional monetary incentive in the assignment process to encourage members to volunteer for difficult-to-fill or less desirable assignments, assignment locations, or certain assignment periods. 2. 37 U.S.C. 307a. *(pg 545)</td>
<td>NO</td>
<td>Mil: YES</td>
<td>Mil: YES</td>
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<tr>
<td>15 Hardship Duty Pay</td>
<td>1. To provide additional pay to personnel for performing duty designated by the Secretary of Defense as hardship duty, regardless if outside the United States, in recognition of the greater-than-normal rigors of such designated duty. 2. 37 U.S.C. §305. *(pgs 545-550)</td>
<td>Mil: NO</td>
<td>Mil: YES</td>
<td>Mil: YES</td>
<td>Mil: YES</td>
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<td>17 Foreign Language Proficiency Pay</td>
<td>1. To provide a special incentive for members of the armed forces to become proficient, or to increase their proficiency, in foreign languages in order to enhance the foreign-language capabilities of the armed forces generally. 2. 37 U.S.C. §316a. Also see 37 U.S.C. §316a. *(pgs 555-558)</td>
<td>NO</td>
<td>Mil: YES</td>
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<td>Mil: YES</td>
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</tbody>
</table>

**Sources:**
DODI 7041.04, July 3, 2012*
### Reserve Officers Pay for Administrative Duty
1. To authorize commanding officers of reserve organizations to receive pay for the performance of certain administrative functions required of them in connection with reserve service.

### High-Deployment Allowance
1. To ensure that members who are deployed away from permanent duty stations for more than a stipulated number of days per year receive an allowance in recompense for the burden of such deployment.

### Enlistment Referral Bonus
1. To provide a bonus to eligible individuals who refer to a military recruiter a person who has not previously served in an armed force and who, after such referral, enlists in the regular component of the Army, in the Army National Guard, or in the Army Reserve, or who takes an oath of enlistment that leads to appointment as a commissioned officer, or accepts appointment as a commissioned officer, in an armed force in a designated health profession.
2. 10 U.S.C. §3252 and §1030.

### Incentive Bonus for Transfer Between Armed Forces
1. To facilitate the transfer of experienced service members from one branch of the armed forces to another.

### Retirement and Retainer Pays
1. To establish a system of non-disability retirement and authorize the payment of retired pay for service in the armed forces of the United States in order to ensure that (1) the choice of career service in the armed forces is competitive with reasonably available alternatives, (2) promotion opportunities are kept open for young and able members, (3) some measure of economic security is made available to members after retirement from career military service, and (4) a pool of experienced personnel subject to recall to active duty during time of war or national emergency exists.
2. Authority for non-disability retirement and retired and retainer pay is set out in various provisions of Title 10, United States Code.

Sources:
DODI 7041.04, July 3, 2012

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<th>USAF Cost of an Airman Tool (MILPERS)/FMBOP (CIVPAY)</th>
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</table>
| 18 Reserve Officers Pay for Administrative Duty | 1. To authorize commanding officers of reserve organizations to receive pay for the performance of certain administrative functions required of them in connection with reserve service. 
| 19 High-Deployment Allowance         | 1. To ensure that members who are deployed away from permanent duty stations for more than a stipulated number of days per year receive an allowance in recompense for the burden of such deployment. 
| 20 Enlistment Referral Bonus        | 1. To provide a bonus to eligible individuals who refer to a military recruiter a person who has not previously served in an armed force and who, after such referral, enlists in the regular component of the Army, in the Army National Guard, or in the Army Reserve, or who takes an oath of enlistment that leads to appointment as a commissioned officer, or accepts appointment as a commissioned officer, in an armed force in a designated health profession. 
| 21 Incentive Bonus for Transfer Between Armed Forces | 1. To facilitate the transfer of experienced service members from one branch of the armed forces to another. 
2. 37 U.S.C. § 327. *(pgs 569) | NO                                    | MIL: YES                            | MIL: NO                             | MIL: NO                           | MIL: YES                                      |
| 1 Retirement and Retainer Pays      | 1. To establish a system of non-disability retirement and authorize the payment of retired pay for service in the armed forces of the United States in order to ensure that (1) the choice of career service in the armed forces is competitive with reasonably available alternatives, (2) promotion opportunities are kept open for young and able members, (3) some measure of economic security is made available to members after retirement from career military service, and (4) a pool of experienced personnel subject to recall to active duty during time of war or national emergency exists. 
2. Authority for non-disability retirement and retired and retainer pay is set out in various provisions of Title 10, United States Code. *(pgs 577-600) | MIL: Retired Pay Accrual               | MIL: YES                            | MIL: YES                            | MIL: YES                           | MIL: YES                                      |

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### Definitions & Legislative Authority

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</thead>
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<tr>
<td>3 Retired Pay for Non-Regular Service (Reserve Retirement) 1. To establish a system of non-disability retirement and authorize the payment of retired pay for service in the reserve components of the armed forces in order to provide an incentive for qualified personnel to retain membership and continue training in such components and thereby to provide a pool of skilled, trained, and readily available manpower to augment active-duty forces in times of national emergency. 2. Chapter 1223, Title 10, United States Code, 10 U.S.C. §§12731–12739. <em>(pgs 601-609)</em></td>
<td>No</td>
<td>MIL: YES</td>
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<tr>
<td>4 Disability Retired Pay 1. To authorize a continuing payment to members separated from active service in the uniformed services of the United States because of physical disability, both in order to assure such members that, if they are ever disabled in the service of their country, they will not be left to cope with the effects of such disabilities on their own and in recognition of the need to provide some measure of economic security for personnel whose duties necessarily expose them to the hazards of wartime and career military service. 2. Chapter 61, Title 10, United States Code, 10 U.S.C. §§1201–1221. <em>(pgs 611-625)</em></td>
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<td>5 Adjustments to Retired and Retainer Pay 1. To provide a mechanism for adjusting the entitlements to retired and retainer pay of members of the uniformed services to offset or compensate for the effects of inflation in order to protect the initial value of that pay and to ensure that persons who make a career of the uniformed services and become entitled to retired or retainer pay do not have the purchasing power of that pay eroded by inflation. 2. 10 U.S.C. §1401a. <em>(pgs 627-635)</em></td>
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<td>MIL: YES</td>
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<td>6 Imputed Contribution for Retirement Benefits 1. The standard reasons favoring explicit contributions by individual employees to retirement funds may be summarized as: a. Lower direct costs to the employer. b. The possibility of higher employee retirement benefits. c. Greater understanding and appreciation of the retirement plan by the employee. d. The belief that contributions give an employee a “contractual right” to a pension. 2. None. The “retirement system” for members of the armed forces is “noncontributory.” <em>(pgs 641-647)</em></td>
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<td>non-disability Separation Pay</td>
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<td>Disability Severance Pay</td>
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<td>Temporary Voluntary Separation Incentives</td>
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<td>Retired Members Medical Care</td>
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Sources:
*Military Compensation Background Papers, Seventh Edition, Nov 2011*

**Columns**
- Mil: Military
- Civ: Civilian
## Definitions & Legislative Authority

**14. Service members' Group Life Insurance / Veterans' Group Life Insurance**
1. To make life insurance available to members of the uniformed services at a reasonable cost.
   *(pgs 681-685)*

**15. Death Gratuity**
1. To provide an immediate cash payment to assist survivors of deceased members of the armed forces to meet their financial needs during the period immediately following a member's death and before other survivor benefits, if any, become available.
   *(pgs 687-692)*

**16. Dependency and Indemnity Compensation (DIC)**
1. To authorize a payment to the surviving dependents of a deceased military member partially in order to replace family income lost due to the member's death and partially to serve as reparation for the death.
   *(pgs 693-700)*

**17. Injury Compensation Claims**
1. The Federal Employees' Compensation Act (FECA) provides compensation benefits to civilian employees of the United States for disability due to personal injury or disease sustained while in the performance of duty. The FECA also provides for payment of benefits to dependents if a work-related injury or disease causes an employee's death.
2. 5 U.S.C. 8101 et seq.

**18. Childcare Subsidy**
1. In accordance with regulations promulgated by the Office of Personnel Management, an Executive agency which provides or proposes to provide child care services for Federal employees may use appropriated funds (otherwise available to such agency for salaries and expenses) to provide child care, in a Federal or leased facility, or through contract, for civilian employees of such agency.
### DoD Lifecycle Cost Elements Spreadsheet

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<td>4</td>
<td>Department of Defense Education Activity (DoDEA) and Family Assistance</td>
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<td>YES</td>
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<td>YES</td>
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<td>Child Education (Impact Aid)</td>
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<td>Treasury Contribution for concurrent receipts</td>
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<td>YES</td>
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<td>Treasury Contribution for Medicare Eligible Retiree Health Care Fund (MERHCF)</td>
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**Sources:**
*Military Compensation Background Papers, Seventh Edition, Nov 2011*
DODI 7041.01, July 3, 2013
**DoD LIFECYCLE COST ELEMENTS SPREADSHEET**

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<tr>
<td>10 Annual Leave/Accrued Leave Payments/Leave Lost</td>
<td>1. To authorize members of the uniformed services to take a specified number of days of leave of absence, or vacation, for rest and relaxation away from their respective duty stations; to allow the accumulation for later use of earned leave that cannot be currently used because of military, or other, exigencies; and to authorize cash payments as reimbursement for accrued leave remaining unused at the expiration of a member’s term of service. 2. Annual Leave—10 U.S.C. §§701–704. Accrued Leave Payments—37 U.S.C. §501. *(pgs 703-708)</td>
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<tr>
<td>11 Voluntary Education and Training</td>
<td>1. (1) To aid in the recruitment and retention of members of the armed forces and to upgrade the skills of such members; and (2) to provide financial assistance to military personnel to enable them to develop educationally and professionally while in service and to encourage them to continue their education after leaving service. 2. 10 U.S.C. §§2005 and 2007; 38 U.S.C. §§3001–3036 and 3451–3485. *(pgs 709-713)</td>
<td>NO</td>
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<td>12 Mortgage Insurance Premiums</td>
<td>1. To authorize the Department of Defense to pay FHA mortgage premiums that individual service members would otherwise have to pay in order to make more uniform the federal housing assistance programs for such personnel and for veterans. 2. 12 U.S.C. §1715m (Section 222 of the National Housing Act, ch. 847, Pub. L. No. 79-479, 48 Stat. 1246 (1934), as added by the Housing Act of 1954, ch. 649, Pub. L. No. 83-560, Title I, §124, 68 Stat. 950, 603–5 (1954)). *(pgs 713-714)</td>
<td>NO</td>
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<tr>
<td>13 Medical Care (Service Members and Dependents) - Active Duty</td>
<td>1. To make medical care available to members of the uniformed services and their dependents in order to help ensure the availability of physically acceptable and experienced personnel in time of national emergency; to provide incentives for armed forces personnel to undertake military service and remain in that service for a full career; and to provide military physicians and dentists exposure to the total spectrum of demographically diverse morbidity necessary to support professional training programs and ensure professional satisfaction for a medical service career. 2. Chapter 55 of Title 10, United States Code, 10 U.S.C. §§1071–1110. *(pgs 715-721)</td>
<td>MIL: Health Care (AD and FM) annual rate of $10,857 included for FY2017</td>
<td>MIL: YES</td>
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Sources:  
DOD/7041.04, July 3, 2012

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<td>Cost of an Airman Tool (MILPERS)/FMBOP(CIVPAY)</td>
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</tr>
<tr>
<td></td>
<td>1. To require employees and employers—in the present case, members of the uniformed services and the federal government, respectively—to jointly finance a Federal Old-Age, Survivors, Disability, and Health Insurance (OASDHI) program in order to provide pre- and post-retirement income and security to covered employees and their families. 2. Sections 3101, 3111, and 3121 of the Internal Revenue Code of 1986, 26 U.S.C. §§3101, 3111, and 3121, respectively. *(pgs 712-734)</td>
<td>Civ: NO</td>
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<td>16</td>
<td>Survivor Benefit Plan (SBP)</td>
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<td>Mili: YES</td>
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<td>1. To establish a program to ensure that the surviving dependents of military personnel who die in retirement or after becoming eligible for retirement will continue to have a reasonable level of income. 2. 10 U.S.C. §§1447–1460b. *(pgs 735-750)</td>
<td>Civ: NO</td>
<td>Mili: YES</td>
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<tr>
<td></td>
<td>1. To allow items of convenience and necessity—especially items of subsistence—to be made available for purchase by military personnel at convenient locations and reasonable prices. Historically, the existence of commissaries has been viewed as a supplemental institutional benefit for, and by, members of the armed forces. Reservists and National Guard members and their families were granted unlimited commissary privileges in 2003. The Defense Commissary Agency’s (DeCA) includes three activities: Commissary Resale Stocks, Commissary Operations, and Surcharge Collections Trust Revolving Fund. Resale Stocks and Operation are managed in the DeCA working capital fund (WCF) while the Surcharge Collections account is managed through a separate trust revolving fund. 2. 10 USC Ch. 147, 10 U.S.C. §§2484, 2486, and 2685. See 10 U.S.C. §1063 (members of the reserve component), 4621 (Army), 7601 (Coast Guard), 7606 (Navy and Marine Corps), and 9621 (Air Force). Ref: <a href="http://uscode.house.gov/view.xhtml?path=/prelim@title10/subtitleA/part4/chapter147&amp;edition=prelim">http://uscode.house.gov/view.xhtml?path=/prelim@title10/subtitleA/part4/chapter147&amp;edition=prelim</a> *(pgs 751-754)</td>
<td>Mili: Discount Groceries annual amount of $356 included</td>
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<td>18</td>
<td>Military Exchanges</td>
<td>NO</td>
<td>Mili: NO</td>
<td>Mili: NO</td>
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<td>1. The armed forces exchange programs are vital to mission accomplishment and form an integral part of the non-pay compensation system for active-duty personnel. 1 As a military resale and category C revenue-producing morale, welfare, and reaction (MWR) activity, the armed services exchanges have the dual mission of providing authorized patrons with articles of merchandise and services and generating nonappropriated fund (NAF) earnings. 2. 10 U.S.C. 2481 *(pgs 755-756)</td>
<td>Mili: NO</td>
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Sources:
DODI 7041.04, July 3, 2013
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<th>ARMY AMCOST (MILPERS)/CMICS (CIVPAY)</th>
<th>NAVY METEOR (MILPERS)/PBIS (CIVPAY)</th>
<th>MARINES IBM COGNOS TM1 (MILPERS)/PBIS (CIVPAY)</th>
<th>USAF Cost of an Airman Tool (MILPERS)/FMBOF (CIVPAY)</th>
</tr>
</thead>
<tbody>
<tr>
<td>20</td>
<td>Post-retirement Health Benefit (Government’s share FEHBP)</td>
<td>1. The FEHB Program is the largest employer-sponsored group health insurance program in the world, covering almost 9 million people including employees, annuitants, and their family members, as well as some former spouses and former employees. The FEHB Program offers fee-for-service plans, Health Maintenance Organizations (HMOs), and plans offering a Point of Service (POS) product that applies to: a. Permanent Federal employee with a regularly scheduled tour of duty; b. Temporary employee with an appointment for longer than one year; or c. Temporary employee with an appointment limited to one year or less, and you have completed one year of current continuous employment (excluding any break in service of 5 days or less). 2. Public Law 86-382, enacted September 28, 1959, created the FEHB Program; the current law governing the Program is chapter 89 of title 5, United States Code. The 1959 Act became effective generally on the first day of the first pay period that began on or after July 1, 1960. It authorized the Civil Service Commission (now the Office of Personnel Management) to write any regulations necessary to carry out the Act. These regulations are in part 890 of title 5, Code of Federal Regulations. Ref: <a href="https://www.opm.gov/retirement-services/publications-forms/pamphlets/ri75-13.pdf">https://www.opm.gov/retirement-services/publications-forms/pamphlets/ri75-13.pdf</a></td>
<td>YES</td>
<td>MIL: NO</td>
<td>MIL: NO</td>
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<tr>
<td>22</td>
<td>Guard/Reserve Technician Military Leave</td>
<td>1. A Federal Employee is entitled to time off at full pay for certain types of active or inactive duty in the National Guard or as a Reserve of the Armed Forces. Any full-time Federal civilian employee whose appointment is not limited to 1 year is entitled to military leave. Military leave under 5 U.S.C. 6323(a) is prorated for part-time career employees and employees on an uncommon tour of duty. 2. 5 U.S.C. 6323(a), 5 U.S.C. 6323(b), 5 U.S.C. 6323(c), 5 U.S.C. 6323(d) Ref: <a href="https://www.opm.gov/policy-data-overview/pay-leave/pay-administration/fact-sheets/military-leave/">https://www.opm.gov/policy-data-overview/pay-leave/pay-administration/fact-sheets/military-leave/</a></td>
<td>NO</td>
<td>MIL: NO</td>
<td>MIL: NO</td>
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**MANPOWER-RELATED COST ITEMS**

1. Professional Education and Training
   1. To educate and train military personnel in skills required by and for the primary benefit of the various military services and to prepare such personnel for the increasingly greater responsibilities they will be called upon to assume as they progress in their military careers. 2. 10 U.S.C. §135(a)(5)(C) and 37 U.S.C. §203(c)(1) and 209. Also miscellaneous provisions of Title 10, United States Code. *(pgs 761-766)*

2. Veterans’ Educational Assistance (GI Bill)
   1. As set out in 38 U.S.C. §3451, in creating the Veterans’ Educational Assistance Program, Congress intended to (1) enhance and make more attractive service in the armed forces, (2) extend the benefits of higher education to qualified and deserving young people who might not otherwise be able to afford it, (3) provide vocational readjustment and restore lost educational opportunities to those service members whose careers had been interrupted or impeded by active duty after January 31, 1955, and (4) aid such persons in attaining the vocational and educational status they might normally have aspired to and attained had they not served their country. All of the educational assistance programs covered by this chapter share these purposes. 2. Chapters 30, 32, 33, 34, and 35, Title 38, United States Code (38 U.S.C. §§3001–3036, 3201–3245, 3301–3324, 3451–3493, and 3500–3556, respectively), Chapter 107, Title 10, United States Code (10 U.S.C. §§2141–2149), and Chapters 1606 and 1607, Title 10, United States Code (10 U.S.C. §§16131–16137, and 15161–16166). *(pgs 761-776)*
<table>
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<th>ARMY</th>
<th>NAVY</th>
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<th>USAF</th>
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<tr>
<td>GI Bill (Home Loan Assistance)</td>
<td>1. To assist veterans and their families in obtaining and financing adequate housing by providing loan guarantees as an equivalent to down payments and ensuring that guaranteed loans are made available at reasonable rates of interest. 2. Chapter 37, Title 38, United States Code (38 U.S.C. §§3701–3736). *(pgs 777-780)</td>
<td>No</td>
<td>MIl: NO</td>
<td>Civ: NO</td>
<td>MIl: NO</td>
<td>Civ: NO</td>
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<tr>
<td>Homeowners Assistance Program (HAP)</td>
<td>1. The Homeowners Assistance Program (HAP) is designed to assist eligible military and federal civilian employee homeowners to help offset real-estate losses suffered by such individuals as a result of the closure of Department of Defense or Coast Guard bases or installations or other reduction actions. 2. Section 1013 of the Demonstration Cities and Metropolitan Development Act of 1966, Pub. L. No. 89-754, §1013, 80 Stat. 1255, 1290–1292 (1966), as amended, classified to 42 U.S.C. §3374. *(pgs 781-782)</td>
<td>No</td>
<td>MIl: NO</td>
<td>Civ: NO</td>
<td>MIl: NO</td>
<td>Civ: NO</td>
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<tr>
<td>Travel and Transportation Allowances</td>
<td>1. Travel and transportation allowances for members of the armed forces fall into three main categories: (1) member travel, (2) dependent travel, and (3) transportation of household goods. Such allowances are provided either in cash or in kind. The authorization of these allowances for military personnel who perform ordered travel on government business is at bottom premised on the notion that, where travel is performed on government orders for the convenience of the government, the government should bear the reasonable and necessary expense of such travel and transportation and defray the incidental costs members may incur to subsist themselves while in a travel status. For these purposes, the cost of subsistence includes the costs of food, lodging, and various related expenses. A wide variety of allowances is authorized in this connection, a brief description of some of the more prominent of which follows. 2. 37 U.S.C. §§404–412. *(pgs 791-800)</td>
<td>No</td>
<td>MIl: YES</td>
<td>Civ: NO</td>
<td>MIl: YES</td>
<td>Civ: NO</td>
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<tr>
<td>Clothing Issues and Replacement Allowances</td>
<td>1. To provide clothing, or the commuted value thereof, to enlisted members of the armed forces adequate to enable them to satisfactorily perform their duties, and to reimburse officers for their purchase of required uniforms and equipment. 2. 37 U.S.C. §§415–419. *(pgs 801-810)</td>
<td>No</td>
<td>MIl: YES</td>
<td>Civ: YES</td>
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<td>Overseas Station Allowances</td>
<td>1. To help defray the additional costs for food, lodging, and related incidental expenses incurred by members of the uniformed services and their dependents as a result of assignment to permanent duty outside the United States. 2. 37 U.S.C. §405. *(pgs 811-819)</td>
<td>YES</td>
<td>MIl: YES</td>
<td>Civ: YES</td>
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Sources:  
DODI 7041.04, July 3, 2012
DoD LIFECYCLE COST ELEMENTS SPREADSHEET

9 Cost of Living Allowance for the Continental United States (CONUS COLA)
1. To partially offset differentially higher non-housing living costs experienced by members of the uniformed services in different parts of the United States.
*(pgs 821-823)

10 Family Separation Allowance (FSA)
1. To partially reimburse, on average, members of the uniformed services involuntarily separated from their dependents for the reasonable amount of extra expenses that result from such separation, and to reimburse members who must maintain a home in the United States for their dependents and another home overseas for themselves for the average expenses of maintaining the overseas home.
*(pgs 823-828)

11 Dislocation and Departure Allowances
1. To partially reimburse members of the uniformed services for the average expenses they incur in relocating their households incident to a permanent change of station (dislocation allowance) or as a result of unexpectedly having to evacuate their dependents from an overseas area to a safe haven or designated place (departure allowance).
*(pgs 829-832)

12 Separation Travel and Transportation Allowances
1. To defray the expenses incurred, upon separation, by service members returning to their homes or the places from which they originally entered military service from civilian life.
2. 37 U.S.C. §404(a)(3), (c)(1)(C), and (f) and §406(a) and (g), Chapters 4, 7 and 8, Joint Federal Travel Regulations (JFTR).
*(pgs 833-837)

13 Personal Money Allowance / Special Position Allowance
1. To partially reimburse the Chairman and Vice Chairman of the Joint Chiefs of Staff, the chiefs of staff of the various armed forces,1 officers in pay grades O-9 and O-10, and Navy officers occupying five specified positions, for various expenses they may reasonably be expected to incur in entertaining and extending hospitality to visiting officers and dignitaries of the United States and foreign countries.
2. 37 U.S.C. §413.
*(pgs 839-843)

14 Reimbursement for Recruiting Expenses
1. To reimburse members of the armed forces assigned to recruiting duties for the actual and necessary out-of-pocket expenses they experience in performing those duties.
*(pgs 845-846)

15 Permanent Change of Station
1. To cover costs associated with relocating a military member and dependents to/from assigned duty station.

16 Mass Transit Subsidy
1. It is DoD policy that:
   a. The Department of Defense shall provide mass transportation benefits (MTBs) to offset commuting costs to its active duty military members and employees, including nonappropriated fund (NAF) employees, to the extent authorized by law and regulation, to reduce pollution and traffic congestion, preserve the environment, and expand transportation alternatives inside the National Capital Region (NCR) and outside the NCR (ONCR).
   2. Do Directive 5124.02 (Reference [a]) for the administration and management of the MTB as directed by section 7005 of title 5, United States Code (U.S.C.), and Executive Order 13150 (References [b] and [c]) Reference: DODI 1000.27

Sources:
DODI 7041.04, July 3, 2013

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APPENDIX A

References

1. Air Force Instruction (AFI) 65-503, Cost Factors


5. DoDD 1100.4, Guidance for Manpower Management, February 12, 2005

6. DoDI 1100.22, Policy and Procedures for Determining Workforce Mix, April 12, 2010


12. OPNAV Instruction 5200.35, OPNAV Performance/Pricing Models Policy and Procedures, 26 Oct 06

13. OSD/CAPE, Full Cost of Manpower (FCoM): https://fcom.cape.osd.mil


17. Institute for Defense Analysis (IDA) Study, Total Force Mix, Opportunities for Efficiencies, June 6, 2017

During the research and interview process, it was determined that companies that have led organizational change during a significant merger/acquisition provided the closest example of leading strategic change with a focus on integrating disparate costing methodologies and cultures to achieve normalized or harmonized labor costing for the corporation. Accordingly, a targeted selection of interviews were conducted to assess corporate executive strategies employed during mergers/acquisitions and the following questions were provided to help guide the interview:

1. What have been the strategic challenges the executive leadership team managed during significant mergers/acquisitions (cultural barriers, integrating/normalizing the workforce, etc.) and how did the executive leadership team approach solving them?

2. What strategy did the executive leadership employ to standardized fully burdened labor costing by all acquired departments (i.e., integrate methods/practices, ensure compliance in costing labor force)?

3. What (if any) limitations affected integration, and how long did it take to normalize the merger of the workforce?

4. What are the key best practices and lessons learned gained by the executive team before, during and after acquisition
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