



PERSONNEL AND  
READINESS

**UNDER SECRETARY OF DEFENSE**  
4000 DEFENSE PENTAGON  
WASHINGTON, D.C. 20301-4000

**JAN 12 2022**

**MEMORANDUM FOR SENIOR PENTAGON LEADERSHIP  
DEFENSE AGENCY AND DOD FIELD ACTIVITY DIRECTORS**

**SUBJECT: Department of Defense Awards Spending Guidance for Non-Senior Executive Service/Senior Level/Scientific and Professional Employees for Fiscal Year 2022**

DoD Component and Defense Agency and DoD Field Activity (herein referred to as "Components") budget requests must maintain awards spending, as a percent of non-Senior Executive Service (SES)/Senior Level (SL)/Scientific and Professional (ST) salary spending, from Fiscal Year (FY) 2021 to FY 2022. Consistent with section 32.1(b) of Office of Management and Budget (OMB) Circular No. A-11 (2020), "Preparation, Submission and Execution of the Budget," awards spending should be no less than one percentage point above FY 2020 awards spending (Attachment 1).

Pursuant to OMB guidance, agency workforce fund plans are no longer required. Therefore, DoD Components will not have to submit a workforce fund plan for FY 2022 and beyond, unless otherwise indicated. However, DoD Components should continue to ensure a comprehensive strategy to develop and foster a culture of recognition. Strategic use of awards and recognition throughout the year add value to organizations and support retention of high performing employees and those with mission critical skills. DoD Components are encouraged to allocate awards in a manner that provides for meaningful distinctions in performance. In doing so, forced distributions and quotas are prohibited. Further, DoD Components are encouraged to examine, and adjust as appropriate, the ratio of monetary awards spending between ratings based and non-ratings based awards by fiscal year. Lastly, Components are encouraged to identify barriers to equity in performance evaluations and awards.

DoD guidance for Components concerning the administration of their respective civilian awards programs is contained in Attachment 2. Components will work with their human resources offices to ensure compliance with and fulfillment of collective bargaining obligations, as appropriate.

For questions regarding non-SES/SL/ST employee awards, please contact Ms. Laura Larsen, Labor and Employee Relations Specialist, at [laura.m.larsen4.civ@mail.mil](mailto:laura.m.larsen4.civ@mail.mil). For questions related to Nonappropriated Fund employees, please contact Mr. Nathan Kitta, Human Resources Specialist, at [nathan.l.kitta.civ@mail.mil](mailto:nathan.l.kitta.civ@mail.mil).

A handwritten signature in black ink, appearing to read "Gilbert R. Cisneros, Jr.", is located below the text.

Gilbert R. Cisneros, Jr.

Attachments:  
As stated

**SECTION 32—PERSONNEL COMPENSATION, BENEFITS, AND RELATED COSTS****32.1 How should I estimate personnel compensation in my budget request?***Personnel compensation*

(a) [...]

(b) *Awards and recognition.* In FY 2022 budget requests, agencies must provide the following information on agency-wide salary and awards spending: (1) an estimate of FY 2021 salary spending, excluding salary spending for Senior Executive Service (SES), Senior Level (SL), and Scientific or Professional (ST) positions, (2) an estimate of FY 2021 awards spending as a percent of FY 2021 non-SES/SL/ST salary spending, and (3) the amount requested for FY 2022 non-SES/SL/ST salary spending.

Further, agency budget requests must maintain awards spending, as a percent of non-SES/SL/ST salary spending, from FY 2021 to FY 2022. Awards spending should be no less than one percentage point above FY 2020 awards spending.

For example, if an agency estimates that awards spending in FY 2020 will equal 1.25 percent of FY 2020 non-SES/SL/ST salary spending, that agency must allocate an amount towards awards equal to no less than 2.25 percent of requested non-SES/SL/ST salary spending in FY 2022.

Consistent with these directions, agency budget requests must clearly denote: (1) the amount allocated for awards spending in FY 2022, and (2) the amount allocated for awards spending in FY 2022 as a percent of requested FY 2022 non-SES/SL/ST salary spending.

Awards spending is defined as the sum of: (1) individual performance awards for non-SES/SL/ST employees (Nature of Action 840) and, (2) individual contribution awards (e.g., special act awards) for non-SES/SL/ST employees (Nature of Action 849).

Agencies should be prepared to supply additional information on planned and actual expenditures upon request by OMB. Consistent with forthcoming guidance, this increased level of awards spending will enable agencies to strategically plan incentive awards, bonuses, relocation, recruitment, and retention allowances toward rewarding high-performing employees and those with critical skill sets.

Source: OMB Circular No. A-11 (2020), [a11.pdf \(whitehouse.gov\)](#)

## **Guidance on Awards for Department of Defense Civilian Employees**

For fiscal year (FY) 2022, and consistent with provision of Section 32 of the Office of Management and Budget (OMB) Circular No. A-11, "Preparation, Submission, and Execution of the Budget," Department of Defense (DoD) Components must maintain awards spending at no less than one percentage point above FY 2020 non-SES/SL/ST salary spending. For example, if an agency requests that awards spending in FY 2020 will equal 1.5 percent of FY 2020 non-SES/SL/ST salary spending, that agency must allocate an amount towards awards equal to no less than 2.5 percent of requested non-SES/SL/ST salary spending in FY 2022. In other words, if an agency spent 1.5% in 2020, it would have increased to at least 2.5% in 2021, and would be no less than 2.5% in 2022.

Consistent with DoD Awards Spending Guidance for FY 2021, there is no maximum limit to awards spending. While DoD Components are no longer limited by OMB and OPM on the amount they may spend on awards, any spending over their planned budgets for FY 2022 must be funded within their budgets. Components are encouraged to contact their respective Comptroller or Chief Financial Officer on awards spending.

OMB's Passback for FY 2021 is no longer in effect which offered an option to apportion awards spending on strategic workforce development. OMB's Passback for FY 2022, does not include a provision on awards spending. However, and looking ahead, DoD Components are encouraged to identify awards spending levels that best meet agency objectives and support recruitment and retention of high performing employees.

### **Applicability**

Awards spending prescribed by OMB and OPM will apply to all awards programs in the Department of Defense (DoD) with a few exceptions. This guidance applies to, but is not limited to the following:

- Employees covered by provisions of title 5, U.S. Code (U.S.C.) and title 5, Code of Federal Regulations (other than SES,SL/ST, Defense Intelligence SES and Defense Intelligence SL personnel);
- Employees covered by provisions in sections 1601 -1614 of title, 10 U.S.C. (Defense Civilian Intelligence Personnel System (DCIPS));
- Civilian faculty members at DoD post-secondary education institutions, employed under the authorities in section 1595 of title 10, U.S.C.;
- Foreign national employees of DoD who are eligible for monetary awards, as long as restrictions do not conflict with host nation employment law or practice;
- Employees covered by the Physicians and Dentists Pay Plan, a hybrid of the title 38 pay system; and
- Awards that would otherwise be granted through the Defense Acquisition Workforce Development Fund.

**Alternative Pay Systems**

This guidance applies to alternative pay system such as the Science and Technology Reinvention Laboratories, Acquisition Demonstration Project, or DCIPS, provided that it does not conflict with specific provisions in the applicable Federal Register notice or collective bargaining agreement.

**Nonappropriated Fund Employees (NAF)**

Components should comply with the performance and award policies contained in DoD Instruction (DoDI) 1400.25, Volume 1404 "DoD Civilian Personnel Management System: Nonappropriated Fund (NAF) Performance Management Program," and Volume 1405 "DoD Civilian Personnel Management System: Nonappropriated Fund (NAF) Pay, Awards, and Allowances."

**Political Appointees**

President Obama's August 3, 2010, memorandum freezing discretionary awards, bonuses, and similar payments for political appointees remains in effect.

**Use of Non-Monetary Awards**

A fair, credible, and equitable recognition program provides managers with non-monetary options to recognize performance and contributions to the mission. Supervisors are strongly encouraged to make full use of the honorary awards available throughout the Department to recognize and reward employee contributions throughout the appraisal year.

**Recruitment, Relocation, and Retention Incentives**

Recruitment, retention, and relocation (3Rs) incentives are not included in awards spending. These incentives are used as workforce shaping tools to recruit and retain highly valuable candidates and employees. DoD policy on 3Rs can be found in DoDI 1400.25, Volume 575, "Recruitment, Relocation, and Retention Incentives and Supervisory Differentials."

**Labor Relations**

All collective bargaining obligations must be met prior to implementing the provisions of either the OMB/OPM Memorandum or this guidance. Collective bargaining agreements or past practices may provide for a structure and minimum award amounts or percentages based on the ratings received by employees. Management must reach agreement with the union prior to implementing a change to an agreement or past practice.