



PERSONNEL AND
READINESS

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

DEC 15 2023

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

SUBJECT: Department of Defense Awards Spending Guidance for Non-Senior Executive Service and Senior Professional Employees for Fiscal Year 2024

The Office of the Secretary of Defense, Military Departments, Office of the Chairman of the Joint Chiefs of Staff and the Joint Staff, Combatant Commands, Defense Agencies, DoD Field Activities, and all other organizational entities within the DoD (herein referred to as DoD Components) requested an awards budget as a percentage of non-Senior Executive Service (SES) and Senior Professional (SP) employees' salary spending for Fiscal Year (FY) 2024. DoD Components will fund an awards budget that best meets Component objectives and supports the recruitment and retention of high performing employees in accordance with Section 32.1(b) of the Office of Management and Budget Circular No. A-11 (2022), "Preparation, Submission and Execution of the Budget" (Attachment 1).

Strategic use of awards and recognition supports retention and innovation of high performing employees and those with mission critical skills. As part of a comprehensive strategy to develop and foster a culture of recognition, DoD Components are encouraged to:

- Allocate awards in a manner that provides for meaningful distinctions in performance;
- Examine the ratio of monetary awards spending between ratings-based and non-ratings-based awards (e.g., individual contribution awards) by FY; and
- Use monetary and non-monetary (e.g., honorary) awards and recognition throughout the performance appraisal cycle.

The above allocation will assist the DoD Components in building and sustaining a strong workforce while supporting the mission of the Department. Lastly, DoD Components are encouraged to identify strategies to advance diversity, equity, inclusion, and accessibility and eliminate barriers to equity in performance evaluations and awards.

Attachment 2 contains guidance to the DoD Components concerning administration of civilian awards programs. DoD 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/SP employee awards, please contact Laura Larsen, Labor and Employee Relations Specialist, at laura.m.larsen4.civ@mail.mil. For questions related to nonappropriated fund employees, please contact Nathan Kitta, Human Resources Specialist, at nathan.l.kitta.civ@mail.mil.

A handwritten signature in black ink, appearing to be 'ASV', with the letters 'for' written in smaller text to the right of the signature.

Ashish S. Vazirani
Acting

Attachments:
As stated

Attachment

1

SECTION 32—PERSONNEL COMPENSATION, BENEFITS, AND RELATED COSTS

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Summary of Changes

Provides guidance on provisional pay raise estimates for the FY 2024 Budget (section [32.1](#)).

Updates provisional FERS contribution rates for FY 2024 (section [32.3](#)).

Adds guidance on how to budget for personnel vetting (section [32.5](#)).

32.1 How should I estimate personnel compensation in my budget request?

Personnel compensation

(a) *Pay scales.* For the purpose of planning agency budget requests for the FY 2024 Budget, agencies should include a provisional estimate of a four percent civilian pay raise for January 2024. Agencies should consult with their OMB representative on the provisional estimate for the military pay raise for January 2024. In making their final estimates for the FY 2024 Budget, agencies should anticipate revising pay raise amounts after the President makes a pay raise decision. Your OMB representative will provide additional guidance during Budget season. The pay guidance above will apply to the statutory pay systems (General Schedule, Foreign Service, and Veterans Health Administration), the Executive Schedule, the Senior Executive Service (SES), and wage grade employees. You should be prepared to provide supporting detail on calculating pay costs, including separate identification of the wage base reflected in the submission. For compensation costs, you must explicitly justify any increases in average compensation for the budget year.

(b) *Awards and recognition.* In FY 2024 budget requests, agencies must provide the following information on agency-wide salary and awards spending: (1) an estimate of FY 2023 salary spending, excluding salary spending for Senior Executive Service (SES), Senior Level (SL), and Scientific or Professional (ST) positions, (2) an estimate of FY 2023 awards spending as a percent of FY 2023 non-SES/SL/ST salary spending, and (3) the amount requested for FY 2024 non-SES/SL/ST salary spending.

Agencies should include an awards budget in the FY 2024 budget request at a level which best meets agency objectives and supports the recruitment and retention of high performing employees. Agencies should be prepared to supply additional information on planned and actual expenditures upon request by OMB.

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).

(c) *Hourly rates.* For all employees (as defined in [5 U.S.C. 5504\(b\)](#)), use hourly rates of compensation determined by dividing the annual rate of basic pay by 2,087, in accordance with section 15203(a) of the Consolidated Omnibus Budget Reconciliation Act of 1985 (Public Law 99–272).

(d) *Within-grade increases.* Offset the net cost, if any, of within-grade salary increases (i.e., costs after turnover, downgrades, and other grade or step reducing events are taken into account) by savings due to greater productivity and efficiency.

(e) *Vacancies.* For vacancies expected to be filled in the budget year, use the entrance salary for the vacancies involved.

(f) *Savings in personnel compensation.* Give full consideration to savings in personnel compensation due to personnel reductions, delay in filling vacant positions, leave without pay, lag in recruitment for new positions, filling vacancies at lower rates of pay, part-time employment, and grade reduction actions. Identify terminal leave payments, including those for SES, as offsets against such savings.

(g) *Positions above grade GS/GM–15.* Reflect these positions, including SES, only to the extent that positions have been authorized in those grades by OPM or other authority, or are specifically authorized in substantive law.

(h) *Executive selection and development programs.* Include in your estimates provisions for reasonable amounts for such programs, as required under Title IV of the Civil Service Reform Act of 1978 and by implementing guidelines issued by the Office of Personnel Management.

(i) *Premium pay and overtime.* Fully justify increases over amounts for the preceding year for premium pay. In preparing estimates for overtime, you should analyze the use of overtime to ensure it is used in a prudent and efficient manner; explore all reasonable alternatives to overtime (such as improved scheduling); and ensure adequate approval, monitoring, and audit procedures are in place to avoid overtime abuses.

(j) *Special rates for experts and consultants.* Reflect these positions and rates only to the extent that they are authorized per 5 U.S.C. 3109.

(k) *Severance pay.* Estimate severance pay at the amount needed for the fiscal year. However, obligations will be incurred on a pay-period by pay-period basis, notwithstanding the fact that a liability arises at the time of an employee's separation. Your estimates must include changes in severance pay and personnel compensation that would occur upon any reduction in force.

(l) *Physicians comparability allowance.* Reflect in your estimates approved plans to pay physicians comparability allowance under 5 U.S.C. 5948. Instructions for reporting on the physicians comparability allowance program are issued separately.

(m) *Bonuses and allowances.* Reflect in your estimates approved agency plans for paying recruitment and relocation bonuses and retention allowances. You should be prepared to supply information on planned and actual expenditures upon request by OMB.

Attachment

2

Guidance on Award for Department of Defense Civilian Employees

For Fiscal Year (FY) 2024, and consistent with Section 32.1(b) of the Office of Management and Budget Circular No. A-11 (2022), “Preparation, Submission, and Execution of the Budget,” DoD Components will include an awards budget in FY 2024 budget requests at a level which best meets DoD Component objectives and supports the recruitment and retention of high performing employees.

DoD Components will determine award budgets that best meet and support recruitment and retention of high performing employees. In doing so, DoD Components are encouraged to reference past workforce fund plans, strategic documents, and/or human capital initiatives. Lastly, DoD Components are encouraged to contact their local comptroller or chief financial officer on awards allocations.

Applicability

Awards spending will apply to all awards programs within the 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, and title 5, Code of Federal Regulations, other than Senior Executive Service, Senior Professionals, Defense Intelligence Senior Executive Service, and Defense Intelligence Senior Level personnel;
- Employees covered by provisions in 10 U.S.C. §§ 1601-1614 (Defense Civilian Intelligence Personnel System);
- Civilian faculty members at DoD post-secondary education institutions employed under the authorities in 10 U.S.C. § 1595;
- Foreign national employees of the 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, DoD Civilian Acquisition Workforce Personnel Demonstration Project, or Defense Civilian Intelligence Personnel System, provided that it does not conflict with specific provisions in the applicable Federal Register notice or collective bargaining agreement.

Nonappropriated Fund Employees

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

Political Appointees

The 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 honorary awards available within the Department to recognize 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 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.