MEMORANDUM FOR: SEE DISTRIBUTION

SUBJECT: Designation of Subprograms for Major Defense Acquisition Programs

In response to a request from DoD, the National Defense Authorization Act (NDAA) for FY 2009 amended Chapter 144 of title 10, United States Code, to give the Department authority to designate subprograms within Major Defense Acquisition Programs (MDAPs). This memorandum outlines broad policy for establishing subprograms for MDAPs within the provisions of this statute.

The FY 2009 NDAA added a new section to title 10 (section 2430a) that permits the Secretary of Defense (delegated to the USD(AT&L)) to designate subprograms within an MDAP. That is, when an MDAP requires the delivery of two or more categories of end items that differ significantly in form and function, subprograms may be established for baselining and reporting purposes. The law stipulates that when one subprogram is designated within an MDAP, all remaining elements (increments or components) of the program shall also be appropriately organized into one or more other subprograms.

In the DoD acquisition environment, there are two primary instances when establishing subprograms within an MDAP may be advisable:

• The first instance is a product of evolutionary acquisition when increments or blocks of capability are acquired in a sequential manner. With subprogram reporting, each of these increments can be baselined and tracked separately for cost (including unit cost), schedule, and performance purposes within a single MDAP without the risk of artificial cost growth or a Nunn-McCurdy breach when a subsequent increment is initiated. In accordance with DoDI 5000.02, each evolutionary increment must have its own Milestone B (or Milestone C if initiated at production) and its own Acquisition Program Baseline (APB). The requirement for a separate APB for each evolutionary increment is satisfied through the establishment of an APB containing subprograms. An example of this type of subprogram is the block upgrade of a missile system that provides significant increases in altitude and/or range.

• The second instance is when there are major components of a program that are dissimilar and therefore cannot be combined in a rational way to produce a unit cost that is representative of the program. An example is the use of separate subprograms for satellites and ground-based receivers to improve visibility and unit cost reporting.
The decision whether to establish subprograms for an MDAP requires careful analysis and must be made on a case-by-case basis. Structuring an MDAP with subprograms should reflect the way the program is being managed, and represent the most efficient and informative way to convey information about a program to senior defense acquisition officials as well as to Congress. For Acquisition Category (ACAT) ID MDAPs, I will approve the designation of subprograms based on recommendations from the Overarching Integrated Product Team (OIPT). For ACAT IC MDAPs, I hereby delegate the authority to designate subprograms to the respective DoD Component Milestone Decision Authority (MDA). In either case, the recommendations from the OIPT or the MDA staff should also include appropriate guidance on how the relevant statutory and regulatory requirements of DoD Instruction 5000.02 should apply at the subprogram or program level (for example, how to structure the acquisition strategy or the independent cost estimate for a program with designated subprograms).

The law requires that I notify the congressional defense committees in writing of any proposed subprogram designation not less than 30 days before the date such designation takes effect. The approval of an APB reflecting such designation will be considered the date that subprogram designation takes effect; therefore, notification to Congress must occur not less than 30 days before a subprogram APB is approved. Accordingly, DoD Components must notify the Director, Acquisition Resources and Analysis of all proposed APBs that reflect new or revised subprogram designations at least 60 days before the proposed APB is submitted to the MDA for approval.

Once a subprogram structure is established for an MDAP, the Defense Acquisition Executive Summary (DAES), Selected Acquisition Report (SAR), and Nunn-McCurdy Unit Cost Reports (quarterly and breach) will reflect that subprogram structure. It should be noted that in the event a subprogram experiences critical unit cost growth, the certification required for the program to continue will need to be made at the program level. Further, the prohibition on obligations until the submission of the SAR for significant breaches, and the certification for critical breaches, will affect all major contracts of the program, not just those relating to the breaching subprogram.

Please refer any questions or comments to Mr. Ric Sylvester, ARA (703-697-0476), Ric.Sylvester@osd.mil.

Ashton B. Carter
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