MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
CHAIRMAN OF THE JOINT CHIEFS OF STAFF
COMMANDERS OF THE COMBATANT COMMANDS
DIRECTOR, ADMINISTRATION AND MANAGEMENT
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTORS OF THE DOD FIELD ACTIVITIES

SUBJECT: Joint Memorandum on Savings Related to “Should Cost”

The purpose of this memorandum is to establish policy with regard to achieved savings as a result of successful “should-cost” program execution. At some point, Service Acquisition Executives will declare that program should-cost savings have been achieved (for example, the negotiated price of an annual production lot of a system is equal to or better than a should-cost program target). That assertion should be validated by the Service Assistant Secretary (Financial Management and Comptroller). Savings would then generally be retained by the Service and reallocated to the highest priority needs as determined by the Service Secretary or a senior leader designated by the Service Secretary.

An exception to the aforementioned guidance would apply if the Secretary of Defense or appropriate designee determines that the savings are required to meet high-priority Department-wide needs, such as financial requirements generated by Joint Urgent Operational Needs. In that case, the savings would be diverted to these departmental requirements.

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(Acquisition, Technology and Logistics)

Robert F. Hale
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