

National Aeronautics and Space Administration
Office of the Administrator
Washington, DC 20546-0001



June 9, 2010

The Honorable Kay Bailey Hutchison
Ranking Member
Committee on Commerce, Science,
and Transportation
United States Senate
Washington, DC 20510

Dear Senator Hutchison:

The purpose of this letter is to provide information to the Committee on the overall status of the Constellation program for FY 2010 and steps that I have directed be implemented for continuation of the program for the balance of the fiscal year.

As I have previously communicated to the Committee in writing and in testimony, I have explicitly directed that the Agency fully comply with provisions of the FY 2010 Consolidated Appropriations Act with respect to prohibitions regarding termination of Constellation programs, projects, and activities and prohibitions regarding initiating new activities. NASA has also reminded Constellation contractors that they must abide by provisions of their contracts with respect to termination costs, and that it is the responsibility of the contractor, not the Government, to manage all costs, including potential termination costs, within amounts obligated on the contract.

While NASA has fully complied with provisions of the FY 2010 Consolidated Appropriations Act, the pace of some contractual work to date has been affected by the constrained FY 2010 budget profile for the Constellation program. This constrained FY 2010 profile has resulted from operating under a Continuing Resolution for the first three months of the fiscal year; Congressional direction resulting in redirection of \$173 million of planned program funding to fund heavy-lift launch vehicle activity, absorb funding for Commercial Orbital Transportation Services (COTS), and absorb a general reduction; and a further shortfall of \$200 million resulting from a determination by NASA that a planned cost-sharing provision on the Orion contract could not be effected due to unavailable budget authority.

Within this already constrained budget profile, funding for the Constellation program is further limited after taking into account estimated potential termination liability for Constellation contracts. Current estimates for potential termination liability under Constellation contracts total \$994 million. Once these termination liability estimates are accounted for, the overall Constellation program is confronting a total estimated shortfall of \$991 million for continued program effort for the balance of the year, compared with the

revised FY 2010 plan. Given this estimated shortfall, the Constellation program cannot continue all of its planned FY 2010 program activities within the resources available. Under the Anti-Deficiency Act (ADA), NASA has no choice but to correct this situation. Consequently, the Constellation program has formulated an updated funding plan for the balance of FY 2010, consistent with the following principles:

- Maximize retention of personnel/skills and capabilities that can contribute to future technology development.
- Protect advanced development work that could transfer to planned programs as reflected in the FY 2011 budget request.
- To the extent possible, enable a robust transition to work associated with an Orion Crew Escape Vehicle (as announced in the President's speech of April 15, 2010) as the highest funding priority and, as the second funding priority, enable work to continue on J2X.
- Place low priority on expenditures for hardware that can be used solely for the program of record and are not applicable to programs as reflected in the FY 2011 budget request.

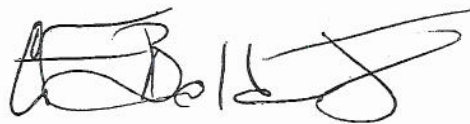
Following this guidance, NASA intends to pace, rather than terminate, activity on the Constellation contracts, to the extent that this approach also complies with the ADA. As part of this effort, NASA will prioritize activity on Constellation contracts and will not divert efforts in FY 2010 to activities proposed in the FY 2011 budget request that are not yet approved. However, because of the point at which the Constellation program is in the fiscal year, there is little flexibility. The approach outlined here is necessitated by the status of program funding. The preliminary adjustments and funding reductions needed are shown below by project and are expected to be put in place in the coming weeks, but beginning immediately. As most of these reductions will be implemented via reductions in workforce, the implementation timeline and subsequent value will be adjusted in the event contractors are required to apply the procedures of the WARN (Worker Adjustment and Retraining Notification) Act.

- **Ares:** The program will generally provide no additional funding for the first stage contract, descope remaining contracts, and reduce support contractor levels.
- **Orion:** The program will adjust prime contract work, suspend planned procurements, and defer and reduce non-prime contract effort.
- **Ground Ops:** The project scope will be reduced by \$89 million. Reductions will be made in support contractor levels, task order scope and, operating cost. Effort will be made to preserve work to enable flight test strategy but with schedule impact.
- **Mission Ops:** The project scope will be reduced by \$12 million. Reductions will be made in planned program content.
- **Extra-Vehicular Activity:** The program will delay the Preliminary Design Review for the prime suit, as well as reduce in prime and non-prime content.
- **Program Integration:** The project scope will be reduced by \$31 million. Reductions will be made in support contractor levels.

This reprioritization of funding the within the Constellation replan effort will have an impact on planned program content and workforce, with contractor workforce reductions estimated at 30-60 percent of the current population, or 2,500-5,000, for the balance of the year.

I would be pleased to discuss this Constellation replan effort with you in greater detail at your convenience.

Sincerely,



Charles F. Bolden, Jr.
Administrator