

Fiscal Year (FY) 2008/FY 2009 Budget Estimates

OFFICE OF ECONOMIC ADJUSTMENT



February 2007

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**OFFICE OF ECONOMIC ADJUSTMENT
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2008/FY 2009 Budget Estimates**

**Operation and Maintenance, Defense-Wide Summary (\$ in thousands)
Budget Activity (BA) 4: Administration and Service-wide Activities**

	FY 2006 <u>Actuals</u>	Price <u>Change</u>	Program <u>Change</u>	FY 2007 <u>Estimate</u>	Price <u>Change</u>	Program <u>Change</u>	FY 2008 <u>Estimate</u>	Price <u>Change</u>	Program <u>Change</u>	FY 2009 <u>Estimate</u>
Agency	101,204	2,417	36,397	140,018	3,186	-86,028	57,176	1,240	-7,714	50,702

* The FY 2006 Actual column includes \$0.0 thousand of FY 2006 Emergency Supplemental funds for the Global War (PL 109-234), \$0.0 thousand of FY 2006 Hurricane Supplemental funds (PL 109-148 and PL 109-234), and \$0.0 thousand of FY 2006 Title IX obligations (PL 109-148).

* The FY 2007 Estimate column excludes \$0.0 thousand of FY 2007 Title IX obligations (PL 109-xxx) and \$0.0 thousand of FY 2007 Hurricane Supplemental funds (PL 109-xxx).

I. Description of Operations Financed: The Office of Economic Adjustment (OEA) is DoD's primary source for assisting communities that are adversely impacted by Defense changes. As noted in testimony before the 2005 Base Realignment and Closure (BRAC) Commission: *"The Department will take great care to work with these communities, with the respect that they have earned and stand ready with various types of assistance"* and that *"every effort will be made to assist them."* The OEA's Director testified before the BRAC Commission that technical and financial assistance provided under this program ensure affected communities can:

- 1) plan and carry out local adjustment strategies;
- 2) engage the private sector in ventures to plan and/or undertake economic development and base redevelopment; and
- 3) partner with the Military Departments as they implement BRAC actions in support of the DoD mission.

This assistance must be comprehensive enough to address the community impacts caused by Integrated Global Presence and Basing Strategy (IGPBS) and modularity as well. The OEA assists these communities with a multi-year program of support.

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I. Description of Operations Financed: (continued)

The OEA manages and directs the Defense Economic Adjustment Program and coordinates the involvement of other Federal Agencies through the President's Economic Adjustment Committee under Executive Order 12788, as amended. Economic adjustment assistance enables affected communities to assess economic hardships caused by DoD program changes, identify and evaluate alternatives for local recovery, identify resource requirements, and assist in the preparation and implementation of an adjustment strategy or action plan to help communities:

- (a) That are affected by base closures, realignments, and reductions in defense industry employment;
- (b) Where expansion of the local military installation significantly increases the demand for public facilities and services; or
- (c) Where community development and encroachment threatens the mission of an installation.

To aid impacted communities, the OEA assists with economic and community development, land use planning, Federal real property programs, Military Department programs, and worker adjustment. The OEA helps communities put together an adjustment program combining Federal, State, local, and private resources. For BRAC 2005, the OEA's activities support DoD's goals in closing and realigning installations as presented in 32 CFR Parts, 174 and 176, "Revitalizing Base Closure Communities and Addressing Impacts of Realignments."

The OEA staff is experienced in economic and community development, land use planning, real estate development, Federal real property programs, military programs, and worker adjustment. Project Managers also bring a working knowledge of other Federal Agencies and their respective programs to help communities put together an adjustment program combining Federal, State, local and private resources.

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I. Description of Operations Financed (continued):

The 2005 BRAC Commission "Report to the President," which became law November 9, 2005, identified 22 major closures, 33 major losing realignments, and at least 20 major gains, for a total of 75 impacted installations. Additionally, 116 Reserve Component sites were identified for closure and will require some level of adjustment assistance. In four previous rounds of BRAC, each assistance grant ranged from \$500 thousand to \$1 million. The FY 2007 estimate includes \$60 million for community assistance grants and costs and \$68.4 million in congressionally-directed projects. The FY 2008 estimate includes \$45 million and the FY 2009 estimate includes \$38.1 million for community assistance grants and costs. The OEA will provide for community and staff information technology and training, and host several national and regional conferences. The amount of community economic assistance gradually declines as the BRAC execution timeline ends. This decline accounts for the funding level differences between the fiscal years and may vary depending on actual community needs.

OEA will continue to assist earlier BRAC communities that require funding to undertake specialized plans that facilitate the reuse of a former base. The OEA also administers a Joint Land Use Study (JLUS) program to encourage cooperative land use planning between military installations and the surrounding communities where civilian encroachment is likely to impair the operations of an installation. In these instances, OEA may provide technical and financial assistance to state and local governments to achieve compatible use and development activities near Defense facilities.

II. Force Structure Summary: Not Applicable.

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III. Financial Summary (\$ in thousands)

	FY 2007							
	FY 2006 <u>Actuals</u>	Budget <u>Request</u>	<u>Congressional Action</u>			Current <u>Estimate</u>	FY 2008 <u>Estimate</u>	FY 2009 <u>Estimate</u>
			<u>Amount</u>	<u>Percent</u>	<u>Appropriated</u>			
A. <u>Budget Activity (BA) 4</u>								
Administration and Service-wide Activities								
OEA Program	22,349	13,021	-70	-0.5	12,951	12,272	12,176	12,602
BRAC Community Assistance		60,000	-654	-1.1	59,346	59,346	45,000	38,100
Congressionally Directed Projects								
Bayonne Military Ocean Terminal	4,000		0		0	0		
Citizen Soldier Support Program	3,000		4,950		4,950	5,000		
Dauids Island - Fort Slocum Remediation	5,000		8,911		8,911	9,000		
George Air Force Base	2,550		2,376		2,376	2,400		
Homestead Air Reserve Base Perimeter Improvement	600		0		0	0		
Hunters Point Naval Shipyard	4,000		4,752		4,752	4,800		
JFSC Infrastructure	1,680		0		0	0		
McClellan AFB Sewer Remediation	2,600		0		0	0		
Norton Air Force Base	4,250		0		0	0		
Philadelphia Navy Yard	1,000		0		0	0		
Port of Philadelphia	1,500		990		990	1,000		
Port of Port Arthur Drydock Transfer	1,000		0		0	0		

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A. Budget Activity (BA) 4	FY 2006 Actuals	Budget Request	FY 2007			Current Estimate	FY 2008 Estimate	FY 2009 Estimate
			Congressional Action					
			Amount	Percent	Appropriated			
Rialto-Colton Basin Bio-Remediation Demonstration Project	1,250		0		0	0		
Toledo Naval Weapons Reserve Plant Environmental Restoration	2,450		0		0	0		
Watervliet Innovation Center	750		0		0	0		
Telecommunications Upgrades at Kodiak Launch Complex	12,325		0		0	0		
UCHSC-DCH Fitzsimons Medical Campus	1,800		0		0	0		
Port Anchorage Intermodal Marine Facility Project	8,500		9,901		9,901	10,000		
Locomotives/Rail Cars to Support Deployment of Stryker Brigade	16,000		0		0	0		
Arnold Heights Redevelopment	1,500		990		990	1,000		
Fort Wainwright Track Relocation Study	2,000		11,881		11,881	12,000		
Thorium/Magnesium Excavation - Blue Island	1,000		990		990	1,000		
Lake Ontario Ordnance	100		0		0	0		

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A. <u>Budget Activity (BA) 4</u>	FY 2007							
	FY 2006 <u>Actuals</u>	Budget <u>Request</u>	<u>Congressional Action</u>			Current <u>Estimate</u>	FY 2008 <u>Estimate</u>	FY 2009 <u>Estimate</u>
			<u>Amount</u>	<u>Percent</u>	<u>Appropriated</u>			
Works								
Delaware Valley Continuing Education for National Guard and Reserves			495		495	500		
Military Intelligence Service Historic Learning Center			990		990	1,000		
Institutional and Infrastructure Development Assistance for HSIs			2,277		2,277	2,300		
Norton Air Force Base Infrastructure Improvements			6,337		6,337	6,400		
Norton Air Force Base High Ground Water			990		990	1,000		
Multi-purpose Parade Field Fort Benning			4,950		4,950	5,000		
Northern Line Extension			3,960		3,960	4,000		
Fort Belvoir Road Study			1,980		1,980	2,000		
Total	101,204	73,021	140,018	+191.8	140,018	140,018	57,176	50,702

* The FY 2006 Actual column includes no FY 2006 Supplemental funds (PL 109-13), no FY 2006 Hurricane Supplemental funds (PL 109-61, and PL 109-62), no Iraq Freedom Fund transfers, and no FY 2006 Title IX obligations (PL 109-148).

* The FY 2007 Estimate column excludes no FY 2007 Title IX obligations (PL 109-289)..

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III. Financial Summary (\$ in thousands)

<u>B. Reconciliation Summary</u>	<u>Change</u> <u>FY 2007/FY 2007</u>	<u>Change</u> <u>FY 2007/FY 2008</u>	<u>Change</u> <u>FY 2008/FY 2009</u>
Baseline Funding	73,021	140,018	57,176
Congressional Adjustments (Distributed)	68,400	-69,279	
Congressional Adjustments (Undistributed)	-761		
Adjustments to Meet Congressional Intent			
Congressional Adjustments (General Provisions)	-572		
Congressional Earmarks	-70		
Subtotal Appropriated Amount	140,018		
Fact-of-Life Changes (CY to CY Only)			
Subtotal Baseline Funding	140,018		
Anticipated Supplemental Reprogrammings			
Price Changes		3,186	1,240
Functional Transfers			
Program Changes		-16,749	-7,714
Current Estimate	140,018	57,176	50,702
Less: Wartime Supplemental			
Normalized Current Estimate	140,018	57,176	50,702

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<u>C. Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
FY 2007 President's Budget Request (Amended, if applicable)		73,021
1. Congressional Adjustments		
a. Distributed Adjustments		68,400
1) Citizen Soldier Support Program	5,000	
2) Davids Island - Fort Slocum Remediation	9,000	
3) George Air Force Base	2,400	
4) Delaware Valley Continuing Education for National Guard and Reserves	500	
5) Hunters Point Naval Shipyard	4,800	
6) Military Intelligence Service Historic Learning Center	1,000	
7) Institutional and Infrastructure Development Assistance for HSIs	2,300	
8) Norton Air Force Base Infrastructure Improvements	6,400	
9) Norton Air Force Base High Ground Water	1,000	
10) Multi-purpose Parade Field Fort Benning	5,000	
11) Port of Philadelphia	1,000	
12) Northern Line Extension	4,000	
13) Intermodal Marine Facility - Port of Anchorage	10,000	
14) Arnold Heights Redevelopment	1,000	
15) Fort Wainwright Track Relocation Study	12,000	
16) Thorium/Magnesium Excavation - Blue Island	1,000	
17) Fort Belvoir Road Study	2,000	
b. Undistributed Adjustments - Unobligated Balances		-761
c. Adjustments to meet Congressional Intent		
d. General Provisions		-572
1) Sec 8106 - Economic Assumptions	-472	
2) Sec 8097 - Excessive Growth in Travel and Transportation	-100	
e. Congressional Earmarks - Indian Lands Environmental Impact		-70
FY 2007 Appropriated Amount		140,018

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III. Financial Summary (\$ in thousands)

C. <u>Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
2. War-Related and Disaster Supplemental Appropriations		
3. Fact of Life Changes		
FY 2007 Baseline Funding		140,018
4. Reprogrammings (requiring 1415 Actions)		
Revised FY 2007 Estimate		140,018
5. Less: Item 2, War-Related and Disaster Supplemental Appropriations and Item 4, Reprogrammings, Iraq Freedom Fund Transfers		
FY 2007 Normalized Current Estimate		140,018
6. Price Change		3,186
7. Functional Transfers		
8. Program Increases		
a. Annualization of New FY 2007 Program		
b. One-Time FY 2008 Increases		
c. Program Growth in FY 2008		181
1) DFAS Services during internal audit review (FY 2007 Baseline: \$491)	110	
2) Supplies and Materials for projects (FY 2007 Baseline: \$217)	71	
9. Program Decreases		
a. Annualization of FY 2007 Program Decreases		
b. One-Time FY 2007 Increases		-69,279
1) FY 2007 Congressionally Directed Projects (including price adjustment)(FY 2007 Baseline: \$67,721)	-69,279	
c. Program Decreases in FY 2008		-16,930
1) Decrease in Community Economic Assistance Grants (FY 2007 Baseline: \$59,434)	-15,711	
2) Decrease in other contracts and costs	-1,219	
FY 2008 Budget Request		57,176

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III. Financial Summary (\$ in thousands)

<u>C. Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
10. Price Change	1,240	1,240
11. Functional Transfers		
12. Program Increases		
a. Annualization of New FY 2008 Program		
b. One-Time FY 2009 Increases		
c. Program Growth in FY 2009		198
1) DFAS Services During Internal Audit Review (FY 2008 Baseline: \$577)	53	
2) Increase in Other Intragovernmental Purchases (FY 2008 Baseline: \$2,163)	145	
13. Program Decreases		
a. Annualization of FY 2008 Program Decreases		
b. One-Time FY 2008 Increases		
c. Program Decreases in FY 2009		-7,912
1) Retirement of High Grade Personnel (FY 2008 Baseline: \$4,199)	-21	
2) Decrease in Community Economic Assistance Grants (FY 2008 Baseline: 45,000)	-7,891	
FY 2009 Budget Request		50,702

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IV. Performance Criteria and Evaluation Summary

The OEA will assist communities impacted by BRAC with a multi-year program of support. In the case of a downsizing closure or realignment action, the OEA will assist states and communities to address challenges which include:

- Replacing the jobs lost through the DoD action;
- Creating local capacity to plan and possibly carry out redevelopment of the former installation;
- Addressing buildings that are unsuitable for redevelopment;
- Partnering with the private sector to optimize civilian reuse;
- Financing redevelopment to the extent the public sector chooses;
- Understanding and effectively addressing complex environmental circumstances;
- Dealing with extremely variable implementation horizons; and
- Offsetting negative regional economic impacts that may include declining DoD contract expenditures and housing purchases.

In the case of a realignment action resulting in local growth, the OEA will assist states and communities to focus on the capacity of the community to absorb an influx of personnel and any excessive demands on off-base community services and facilities.

The 2005 BRAC Commission "Report to the President", which became law November 9, 2005, identified 22 major closures, 33 major losing realignments, at least 20 major gains, and 116 Reserve Component closure sites. In FY 2006, the OEA organized and executed staff visits to each of the affected communities adjacent to these impacted installations; assessed their needs and capabilities to adjust to the Defense program changes; and initiated the provision of technical and financial assistance as needed. In FY 2007 through FY 2009, the OEA will continue to provide this critical assistance to affected communities, support the Defense Economic Adjustment Program, and carry out all Congressional reporting requirements in a timely manner.

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IV. Performance Criteria and Evaluation Summary

<u>Type of Project</u>	<u>Number of Projects</u>			
	FY 2006 Actuals	FY 2007 Estimate	FY 2008 Estimate	FY 2009 Estimate
Base Closure/Realignment/Growth	75	45	45	45
Reserve Component Transformation	116	100	100	50
Joint Land Use Studies	35	40	40	35
State Grants	5	7	7	7
Defense Dependency/Industry Impact	2	2	2	2

V. Personnel Summary

	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>Change</u>		
					<u>FY 2006/ FY 2007</u>	<u>FY 2007/ FY 2008</u>	<u>FY 2008/ FY 2009</u>
<u>Active Military End Strength (E/S)</u>							
Officer	3	3	3	3	-	-	-
Enlisted	-	-	-	-	-	-	-
<u>Civilian End Strength</u>							
U.S. Direct Hire	36	41	41	41	5	-	-
Total Direct Hire	36	41	41	41	5	-	-
<u>Active Military Average Strength (A/S)</u>							
Officer	3	3	3	3	-	-	-
Enlisted	-	-	-	-	-	-	-
<u>Civilian FTEs</u>							
U.S. Direct Hire	34	41	41	41	7	-	-
Total Direct Hire	34	41	41	41	7	-	-
Average Annual Civilian Salary (\$000)	119	100	102	105	19	2	3

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VI. OP 32 Line Items as Applicable (Dollars in thousands):

<u>OP 32 Line</u>	FY 2006 <u>Actuals</u>	Change <u>FY 2006/FY 2007</u>		FY 2007 <u>Estimate</u>	Change <u>FY 2007/FY 2008</u>		FY 2008 <u>Estimate</u>	Change <u>FY 2008/FY 2009</u>		FY 2009 <u>Estimate</u>
		<u>Price</u>	<u>Program</u>		<u>Price</u>	<u>Program</u>		<u>Price</u>	<u>Program</u>	
<u>Civilian Personnel</u>										
101 Executive, Gen'l & Special Schedules	4,010	128	-33	4,105	99	-5	4,199	118	-21	4,296
107 VSIP	25	0	-25	0	0	0	0	0	0	0
<u>Travel</u>										
308 Travel of Persons	832	20	121	973	22	-1	994	22	0	1,016
<u>Other Purchases</u>										
673 Payments to DFAS	365	-35	161	491	-24	110	577	-31	53	599
912 SLUC	449	11	-52	408	10	-1	417	10	-1	426
914 Purchased Communications	105	3	90	198	4	0	202	4	0	206
920 Supplies/Materials	278	7	-68	217	5	71	293	6	0	299
921 Printing & Reproduction	105	3	20	128	3	0	131	3	0	134
925 Equipment	115	3	-18	100	2	0	102	2	0	104
987 Other Intragovernmental	185	4	1,927	2,116	49	-2	2,163	48	145	2,356
988 Grants	90,764	2,178	34,125	127,067	2,923	-84,990	45,000	990	-7,890	38,100
989 Other Contracts	3,965	95	150	4,210	93	-1,210	3,093	68	0	3,161
998 Other Costs	6	0	-1	5	0	0	5	0	0	5
Total	101,204	2,417	36,397	140,018	3,186	-86,028	57,176	1,240	-7,714	50,702

* The FY 2006 Actual column includes \$0.0 thousand of FY 2006 Emergency Supplemental funds for the Global War (PL 109-234), \$0.0 thousand of FY 2006 Hurricane Supplemental funds (PL 109-148 and PL 109-234), and \$0.0 thousand of FY 2006 Title IX obligations (PL 109-148).

* The FY 2007 Estimate column excludes \$0.0 thousand of FY 2007 Title IX obligations (PL 109-xxx) and \$0.0 thousand of FY 2007 Hurricane Supplemental funds (PL 109-xxx).

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