

Fiscal Year 2014 Budget Estimates
Office of Economic Adjustment (OEA)



April 2013

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**Office of Economic Adjustment
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2014 Budget Estimates**

Operation and Maintenance, Defense-Wide Summary (\$ in thousands)

Budget Activity (BA) 4: Administration and Service-wide Activities

	FY 2012 <u>Actual</u>	Price <u>Change</u>	Program <u>Change</u>	FY 2013 <u>Estimate</u>	Price <u>Change</u>	Program <u>Change</u>	FY 2014 <u>Estimate</u>
OEA	397,817	7,871	-152,251	253,437	4,797	113,381	371,615

* The FY 2014 Estimate column reflects the FY 2014 President's Budget Request. The FY 2012 and FY 2013 Estimates include funding increases for Congressionally directed (\$250 million) in FY 2012 and Department (\$51 million) efforts in FY 2013 for the DOD program for construction, renovation, repair or expansion of public schools located on military installations. Also included in the FY 2012 and FY 2013 Estimates is \$33 million in FY 2012 and \$33 million in FY 2013 for the Guam socioeconomic improvements and \$106.4 million in FY 2013 and \$273.3 million in FY 2014 for the water/wastewater remedies and new infrastructure required to support existing military missions, as well as potential growth associated with the Department's rebalance to the Asia-Pacific region. As noted in the public law, this funding is considered "available until expended."

I. Description of Operations Financed: The Office of Economic Adjustment (OEA), www.oea.gov, is the Department of Defense (DoD)'s primary source for assisting states and communities that are impacted by Defense changes, including the Department's Base Realignment and Closure (BRAC) actions. The technical and financial assistance provided under this program ensures affected communities: can plan and carry out local adjustment strategies; engage the private sector in ventures to plan and/or undertake economic development and base redevelopment; and work with the Military Departments as they implement Defense actions in support of the Department's mission. Also, the OEA is the DoD's lead agency to provide assistance to the multiple communities, businesses, and workers adversely affected by DoD decisions to cancel and/or curtail defense acquisition programs; or disestablish defense contract activities. The OEA program activity is designed to plan and coordinate a local, state and Federal-wide economic adjustment effort.

The U.S. Joint Forces Command disestablishment; the closure of Avondale shipyard in Louisiana; termination of defense contracts in Connecticut; and transition at Pine Bluff

**Office of Economic Adjustment
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2014 Budget Estimates**

I. Description of Operations Financed (cont.)

Arsenal provide examples where the DoD has called for the OEA's support. The OEA must capably assist these communities with a multi-year program of support.

The OEA manages and directs the Defense Economic Adjustment program and coordinates the involvement of other Federal Agencies through the Economic Adjustment Committee (EAC) under Executive Order 12788, as amended. The Congress acknowledged the importance of this assistance in Section 4004 of Public Law 101-510 and stated, "the Economic Adjustment Committee may not be terminated and the duties of the Committee may not be significantly altered unless specifically authorized by law." As the Executive Director for EAC, the OEA Director provides economic adjustment guidance and assistance, which enables impacted states and 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. These efforts help states and 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 threaten the mission of an installation.

To aid the impacted states and communities, the OEA will provide technical and financial assistance to plan and carry out economic and community development. The OEA will help communities put together an adjustment program combining Federal, state, local and private resources. For BRAC, the OEA's activities support DoD's goals in closing and

**Office of Economic Adjustment
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2014 Budget Estimates**

I. Description of Operations Financed (cont.)

realigning installations as presented in 32 CFR Parts 174 and 176, "Revitalizing Base Closure Communities and Addressing Impacts of Realignment."

The September 2005 Defense Base Closure and Realignment Commission "Report to the President," which became law November 9, 2005 identified 25 closures, 26 realignments, 44 expansions, for a total of 95 major installations, and the closure of 116 Reserve Component sites. The need for community economic adjustment assistance to plan and carry out strategies to overcome the economic hardships caused by BRAC, complete property disposal actions and regenerate jobs did not end and will continue at least through 2016.

Additionally, the OEA must maintain an effective Compatible Use program capability to address instances of likely encroachment. While executing current projects, the OEA evaluated future directions for the compatible use program; positioned the program to serve the needs of the Military Departments, DOD and civilian communities; and ensured that the OEA is postured to support the Department's future sustainability goals.

Based upon field work to date in all project areas with affected jurisdictions in addition to updated project need assessments of Federal and state funding requirements for impacted communities, OEA estimates ongoing actions will result in a continuing need for approximately 150 grants per year to impacted state and local governments. The OEA funding will continue to assist earlier BRAC communities that require OEA funding to undertake specialized plans that facilitate the redevelopment of a former base.

The number of projects may increase depending on additional Congressional requirements and responsibilities that OEA may be directed to assume. In FY 2012, Section 8110 of Public Law 112-074 provided \$33 million of DOD funding for Guam socioeconomic infrastructure improvements.

**Office of Economic Adjustment
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2014 Budget Estimates**

I. Description of Operations Financed (cont.)

The FY 2013 President's Budget requested \$139.4 million of DoD funding and authority for Guam water and wastewater (\$106.4 million) and socioeconomic infrastructure improvements (\$33 million). Specific severable water and wastewater projects to be implemented in FY 2013 were identified by a collaborative effort of DoD, the Environmental Protection Agency (EPA) and the Guam Waterworks Authority.

The FY 2014 President's Budget requests an additional \$273.3 million of DoD funding and authority for Guam civilian water and wastewater infrastructure improvements. The Department's Asia-Pacific Rebalance strategy builds upon DoD's longstanding reliance on the Territory of Guam (Guam) to host critical existing and enduring military installations and missions, as well as potential for any DoD growth. However, the deteriorating condition of Guam's water distribution and wastewater treatment and collection systems on which DoD relies, jeopardizes Guam's ability to sustain critical Defense activities and plans. Specific projects to be funded are being closely coordinated by DoD, EPA and the U.S. Department of Justice. The requested funding will address civilian infrastructure deficiencies that impact the public health of DOD personnel and are beyond the financial capability of Guam to correct, and will provide safe, sustainable water resources and capacity critical not only for the more than 16,000 DoD personnel currently based on Guam and for future DoD growth, but also for current residents of the Territory and civilian population growth induced by the military realignment. The \$273.3 million includes:

- \$246 million to upgrade the Northern District Wastewater Treatment Plant (NDWWTP) and the Hagatna Wastewater Treatment Plant to full secondary treatment. EPA recently issued draft National Pollution Discharge Elimination System (NPDES) permits requiring both plants to achieve secondary treatment. Both plants are currently

**Office of Economic Adjustment
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2014 Budget Estimates**

I. Description of Operations Financed (cont.)

undergoing critical repair projects mandated by the U.S. District Court's November 2011 Order for Preliminary Relief, and financed by the Guam Waterworks Authority (GWA), that are needed to comply with GWA's existing NPDES permit discharge limits. The requested FY 2014 funding will enable both treatment plants to provide full secondary treatment at 12 MGD each.

- \$19.8 million to address critical wastewater collection system deficiencies, including leaking underground fuel tanks (for backup generators) at wastewater pump stations that jeopardize the island's only drinking water aquifer as well as possibly impacting nearby surface waters. Similarly, leaking pumps and fixtures at wastewater pump stations discharge raw sewage directly into the aquifer and also contribute to possible cross-contamination of the water supply/distribution system. The FY 2014 funding will be targeted to wastewater collection system projects that yield the greatest potential to protect the aquifer and drinking water supply from further contamination.
- \$7.5 million for technical support and project development. The execution of the FY 2014 funding must be closely coordinated with other planned and ongoing water and wastewater infrastructure projects funded by other sources, such as the EPA's State Revolving Fund program. The funding provided to EPA for technical support will ensure the most efficient application of these combined infrastructure investments to establish a safe and sustainable resource critical for DoD's continued and planned activities. These funds will be also be used to evaluate and plan for additional follow-on water and wastewater infrastructure requirements that may be identified through the current Supplemental Environmental Impact Statement process to support the anticipated Marine Corps relocation.

**Office of Economic Adjustment
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2014 Budget Estimates**

I. Description of Operations Financed (cont.)

The DoD is requesting authority to implement the socioeconomic and water and wastewater project funds through the OEA.

Section 8109 of Public Law 112-10 provided the OEA \$250 million to construct renovate, repair, or expand elementary and secondary public schools located on military installations in order to address capacity or facility condition at such schools, and in Section 8118 of Public Law 112-74 Congress provided another \$250 million for the ongoing effort. An additional \$51 million has been programmed by the DoD in FY 2013 for schools. Additionally, Section 8110 of Public Law 112-10 provided OEA \$300 million for transportation infrastructure improvements associated with medical facilities related to recommendations of the BRAC 2005 Commission.

Additionally, \$36.6 million has been requested in support of the Defense Industry Adjustment (DIA) program to enhance the OEA support of regional and community adjustment in areas affected by defense procurement reductions. This is the first increment for the FY 2014-2018 DIA increase, totaling \$137.8 million.

II. Force Structure Summary:

Not Applicable.

Office of Economic Adjustment
 Operation and Maintenance, Defense-Wide
 Fiscal Year (FY) 2014 Budget Estimates

III. Financial Summary (\$ in thousands)

	FY 2013						FY 2014 Estimate
	FY 2012 Actual	Budget Request	Congressional Action			Current Estimate	
			Amount	Percent	Appropriated		
A. BA Subactivities							
1. Operations	9,554	9,703				9,703	12,000
2. Community Assistance Grants	128,263	243,734				243,734	359,615
3. Congressional Adjustment	10,000	0				0	0
4. Congressionally Directed	250,000	0				0	0
Total	397,817	253,437				253,437	371,615

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Office of Economic Adjustment
 Operation and Maintenance, Defense-Wide
 Fiscal Year (FY) 2014 Budget Estimates

III. Financial Summary (\$ in thousands)

B. <u>Reconciliation Summary</u>	Change	Change
	<u>FY 2013/FY 2013</u>	<u>FY 2013/FY 2014</u>
Baseline Funding	253,437	253,437
Congressional Adjustments (Distributed)		
Congressional Adjustments (Undistributed)		
Adjustments to Meet Congressional Intent		
Congressional Adjustments (General Provisions)		
Subtotal Appropriated Amount	253,437	
Fact-of-Life Changes (2013 to 2013 Only)		
Subtotal Baseline Funding	253,437	
Supplemental		
Reprogrammings		
Price Changes		4,797
Functional Transfers		
Program Changes		113,381
Current Estimate	253,437	371,615
Less: Wartime Supplemental		
Normalized Current Estimate	253,437	

Office of Economic Adjustment
 Operation and Maintenance, Defense-Wide
 Fiscal Year (FY) 2014 Budget Estimates

III. Financial Summary (\$ in thousands)

	Amount	Totals
C. Reconciliation of Increases and Decreases		
FY 2013 President's Budget Request (Amended, if applicable)		253,437
1. Congressional Adjustments		
a. Distributed Adjustments		
b. Undistributed Adjustments		
c. Adjustments to Meet Congressional Intent		
d. General Provisions		
FY 2013 Appropriated Amount		253,437
2. War-Related and Disaster Supplemental Appropriations		
3. Fact-of-Life Changes		
FY 2013 Baseline Funding		253,437
4. Reprogrammings (Requiring 1415 Actions)		
Revised FY 2013 Estimate		253,437
5. Less: Item 2, War-Related and Disaster Supplemental Appropriations and Item 4, Reprogrammings		
FY 2013 Normalized Current Estimate		253,437
6. Price Change		4,797
7. Functional Transfers		
8. Program Increases		172,484
a. Annualization of New FY 2013 Program		
b. One-Time FY 2014 Increases		
c. Program Growth in FY 2014		
1) Program Assistance-Guam	133,818	
Increase supports water/wastewater infrastructure improvements related to the military realignment buildup on Guam. (FY 2013 Baseline \$106,482; +0 FTEs)		
2) Defense Industry Adjustment	36,515	
To enhance the OEA's support of regional and community adjustment in areas affected by defense procurement reductions. (FY 2013 Baseline \$0; +0		

**Office of Economic Adjustment
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2014 Budget Estimates**

III. Financial Summary (\$ in thousands)

C. Reconciliation of Increases and Decreases	Amount	Totals
FTEs)		
3) Civilian Compensation Civilian salaries and benefits have been increased to more accurately reflect FY 2014 civilian compensation requirements. Compensation costs were underestimated in FY 2013 and have been "right-sized." (FY 2013 Baseline \$4,747; +0 FTEs)	1,218	
4) Equipment Maintenance by Contract Equipment Maintenance Contract has been increased to more accurately reflect FY 2014 operations funding requirements. (FY 2013 Baseline \$1,702; +0 FTEs)	803	
5) DFAS Funding increased as a result of higher work-counts under the Defense Agency Initiative (DAI) operating system. (FY 2013 Baseline \$271K; +0 FTEs)	44	
6) Rent Funding increased for rent as a result of OEA's office relocation to a larger space with more square footage. (FY 2013 Baseline \$717K; +0 FTEs)	44	
7) Utilities/Communication Funds increased to support increased utility/communications usage requirements. (FY 2013 Baseline \$106K; +0 FTEs)	42	
9. Program Decreases		-59,103
a. Annualization of FY 2013 Program Decreases		
b. One-Time FY 2013 Increases		
c. Program Decreases in FY 2014		
1) Public School Facilities on Military Installations Funds previously provided from FY 2011-2013 to OEA to	-51,000	

**Office of Economic Adjustment
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2014 Budget Estimates**

III. Financial Summary (\$ in thousands)

C. Reconciliation of Increases and Decreases	Amount	Totals
provide grants to Local Education Agencies (LEAs) for public schools on military installations to address physical condition and/or capacity deficiencies. There is no program budget request for FY 2014 funding. Funding request has been reduced by the FY 2013 request (\$51M) and associated inflation (\$867K). (FY 2013 Baseline \$51,000; +0 FTEs)		
2) Program Reduction-Assistance/Grants Program reduction as a result of inflation for Program Assistance Grants, DWCF and Other purchases. (FY 2013 Baseline \$0; +0 FTEs)	-4,646	
3) Program Assistance Grants Program assistance/grants funding reduced due to requirement adjustments and program efficiencies; additionally, reduction to equipment maintenance contract requirements. (FY 2013 Baseline \$0; +0 FTEs)	-3,452	
4) Subsistence of Persons & Interest Funding has been reduced to more accurately reflect subsistence of persons and Interest requirements. (FY 2013 Baseline \$9; +0 FTEs)	-5	
FY 2014 Budget Request		371,615

**Office of Economic Adjustment
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2014 Budget Estimates**

IV. Performance Criteria and Evaluation Summary:

The OEA will assist communities impacted by the DoD with a multi-year program of support. In the case of a closure or downsizing realignment action, the OEA will assist states and communities to address challenges which include: replacing the jobs lost through the DoD action; creating capacities to plan and 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 budget efficiencies.

As the first responder for multiple communities, businesses and workers adversely affected by Defense industry cutbacks, the OEA will carry out program activities to plan and coordinate local, state and Federal economic adjustment and workforce response efforts.

In the case of expansion actions, or the return of military personnel from overseas contingency operations, resulting in local growth, the OEA will assist states and communities to focus on the capacities to absorb an influx of personnel and their dependents; assess any excessive demands for off-base community services and facilities; and identify Federal, state and local resources needed to adjust to growth impacts.

The OEA will manage an effective Compatible Use program capability to address instances of likely encroachment; meet the needs of the Military Departments, DoD and civilian communities; and support the Department's future sustainability goals.

**Office of Economic Adjustment
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2014 Budget Estimates**

IV. Performance Criteria and Evaluation Summary:

The OEA will continue to provide these critical areas of assistance to affected states and communities, support the Defense Economic Adjustment program, and carry out all Congressional requirements in a timely manner.

Additionally, the OEA will execute \$551 million to construct, renovate, repair, or expand elementary and secondary public schools located on military installations in order to address capacity or facility condition at such schools; and \$300 Million provided in Section 8119 of Public Law 112-10 for transportation infrastructure improvements associated with medical facilities related to recommendations of the BRAC 2005 Commission.

Office of Economic Adjustment
 Operation and Maintenance, Defense-Wide
 Fiscal Year (FY) 2014 Budget Estimates

V. <u>Personnel Summary</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	Change FY 2012/ FY 2013	Change FY 2013/ FY 2014
<u>Active Military End Strength (E/S) (Total)</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>0</u>	<u>0</u>
Officer	3	3	3	0	0
<u>Civilian End Strength (Total)</u>	<u>38</u>	<u>38</u>	<u>38</u>	<u>0</u>	<u>0</u>
U.S. Direct Hire	38	38	38	0	0
Total Direct Hire	38	38	38	0	0
<u>Civilian FTEs (Total)</u>	<u>38</u>	<u>38</u>	<u>38</u>	<u>0</u>	<u>0</u>
U.S. Direct Hire	38	38	38	0	0
Total Direct Hire	38	38	38	0	0
Average Annual Civilian Salary (\$ in thousands)	151.6	124.9	158.1	-26.7	33.2

**Office of Economic Adjustment
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2014 Budget Estimates**

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

<u>OP 32 Line</u>	<u>FY 2012</u> <u>Actual</u>	<u>Change</u> <u>FY 2012/FY 2013</u>		<u>FY 2013</u> <u>Estimate</u>	<u>Change</u> <u>FY 2013/FY 2014</u>		<u>FY 2014</u> <u>Estimate</u>
		<u>Price</u>	<u>Program</u>		<u>Price</u>	<u>Program</u>	
101 Exec, Gen'l & Spec Scheds	5,743	14	-1,010	4,747	42	1,218	6,007
105 Separation Liability (FNDH)	16	0	-16	0	0	0	0
199 Total Civ Compensation	5,759	14	-1,026	4,747	42	1,218	6,007
308 Travel of Persons	442	9	305	756	14	-14	756
399 Total Travel	442	9	305	756	14	-14	756
502 Army Fund Equipment	32	0	-32	0	0	0	0
599 Total Equipment Purchases	32	0	-32	0	0	0	0
696 DFAS Financial Operation (Other Defense Agencies)	112	19	140	271	35	44	350
699 Total DWCF Purchases	112	19	140	271	35	44	350
912 Rental Payments to GSA (SLUC)	808	16	-107	717	14	44	775
913 Purchased Utilities (Non-Fund)	146	3	-43	106	2	42	150
920 Supplies & Materials (Non-Fund)	150	3	-3	150	3	0	153
921 Printing & Reproduction	0	0	54	54	1	-1	54
922 Equipment Maintenance By Contract	2,030	41	-369	1,702	32	803	2,537
932 Mgt Prof Support Svcs	15	0	-15	0	0	0	0
960 Other Costs (Interest and Dividends)	0	0	1	1	0	-1	0
964 Other Costs (Subsistence and Support of Persons)	5	0	4	9	0	-4	5
987 Other Intra-Govt Purch	55	1	1,134	1,190	23	0	1,213
988 Grants	388,263	7,765	-152,294	243,734	4,631	111,250	359,615
999 Total Other Purchases	391,472	7,829	-151,638	247,663	4,706	112,133	364,502
Total	397,817	7,871	-152,251	253,437	4,797	113,381	371,615

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