

**Fiscal Year 2015 Budget Estimates**  
**Office of Economic Adjustment (OEA)**



March 2014

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**Office of Economic Adjustment  
Operation and Maintenance, Defense-Wide  
Fiscal Year (FY) 2015 Budget Estimates**

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

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

|     | FY 2013<br><u>Actual</u> | Price<br><u>Change</u> | Program<br><u>Change</u> | FY 2014<br><u>Estimate</u> | Price<br><u>Change</u> | Program<br><u>Change</u> | FY 2015<br><u>Estimate</u> |
|-----|--------------------------|------------------------|--------------------------|----------------------------|------------------------|--------------------------|----------------------------|
| OEA | 295,671                  | 5,595                  | -84,678                  | 216,588                    | 3,852                  | -33,453                  | 186,987                    |

**I. Description of Operations Financed:** The Office of Economic Adjustment (OEA), [www.oea.gov](http://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; transition at Pine Bluff Arsenal; and defense contract reductions in Ohio, Virginia, and Wisconsin, 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.

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**I. Description of Operations Financed (cont.)**

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

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**I. Description of Operations Financed (cont.)**

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 (MilDeps), DOD and civilian communities; and ensured that the OEA is postured to support the Department's future sustainability goals. The Military Departments nominate installations and ranges for the OEA intervention based upon concerns over civilian community encroachment, and the OEA determines that identified encroachment is likely to impair continued operational utility of the installation/range prior to working with the local command and region. This program took an additional responsibility when the Secretary of Defense (SECDEF) requested the OEA work with the MilDeps in the aftermath of the Naval Air Station Oceana crash. The OEA's intervention targets where civilian development is present in established accident prevention zones to improve mission capabilities and Force readiness.

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, the OEA estimates ongoing actions will result in a continuing the 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 the OEA

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**I. Description of Operations Financed (cont.)**

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 the OEA may be directed to assume.

The FY 2014 request for Guam funding was appropriated at \$119.4 million (\$13 million for a Guam Center for Disease Control (CDC) Public Health Laboratory, and an initial investment of \$106.4 million for the Guam water and wastewater program). The DoD (in collaboration with the Department of Health and Human Services, the Environmental Protection Agency (EPA), the Department of Justice (DOJ), the Government of Guam, and the Guam Waterworks Authority (GWA)) will begin planning and design efforts of specific severable projects for that and prior-year funding.

The FY 2015 President's Budget requests an additional \$80.596 million of DoD funding and authority to continue implementation of the Guam civilian water and wastewater infrastructure improvement program. The Department's Asia-Pacific Rebalance strategy builds upon the 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 the DoD relies, jeopardizes Guam's ability to sustain existing and planned critical Defense activities. 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. Additionally, the request will provide safer, sustainable water resources and capacity critical not only for the more than 16,000 DoD personnel currently based on Guam

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**I. Description of Operations Financed (cont.)**

and for future DoD growth, but also for current residents of the Territory and civilian population growth induced by the military realignment.

Critical water and wastewater upgrades to be funded are being closely coordinated with the DoD, EPA, DOJ and GWA and, as appropriate, will be consistent with the eventual findings of the Department's ongoing Supplemental Environmental Impact Statement (SEIS). The priority upgrade is for the Northern District Wastewater Treatment Plant (NDWWTP), which currently receives wastewater contributions from Andersen Air Force Base and other existing and potential new DoD facilities in the northern part of Guam. The EPA recently issued a National Pollution Discharge Elimination System (NPDES) permit requiring the NDWWTP to achieve secondary treatment. That plant is currently undergoing critical repair projects mandated by the U.S. District Court's November 2011 Order for Preliminary Relief, and financed by GWA, that are needed to comply with GWA's former NPDES permit discharge limits. The FY 2015 request will help the GWA to achieve compliance with its NPDES secondary treatment permit for the NDWWTP and make needed repairs to failing wastewater collection system pump stations.

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

The SECDEF directed the OEA to carry out a program to repair or replace (k-12) public schools on military bases prioritized as having the most serious deficiencies in capacity or facility condition. This \$770 million program directly benefits the children of our troops, and supports members of the Armed Forces and their families' morale and well-being. 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

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**I. Description of Operations Financed (cont.)**

installations in order to address capacity or facility condition at such schools; Section 8118 of Public Law 112-74 provided the OEA \$250 million for the ongoing effort; and Section 8108 of Public Law 113-6 provided \$270 million for the ongoing effort. Additionally, the SECDEF directed the OEA to carry out a program to improve access to medical facilities affected by BRAC 2005 mission growth. Section 8110 of Public Law 112-10 provided the OEA \$300 million for transportation infrastructure improvements associated with medical facilities related to recommendations of the BRAC 2005 Commission. This program alleviates transportation challenges that improve access to medical care for wounded warriors, wounded warrior family members, and personnel serving wounded warriors, and directly supports member of the Armed Forces and their families' moral and well-being.

Additionally, \$46.1 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 second increment for the FY 2014-2018 DIA increase, totaling \$137.8 million.

Additionally, the OEA will execute \$770 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.

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II. Force Structure Summary:

Not Applicable.

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III. Financial Summary (\$ in thousands)

|                                   | FY 2014                  |                          |                             |                |                     |                            |                | FY 2015<br><u>Estimate</u> |
|-----------------------------------|--------------------------|--------------------------|-----------------------------|----------------|---------------------|----------------------------|----------------|----------------------------|
|                                   | FY 2013<br><u>Actual</u> | Budget<br><u>Request</u> | <u>Congressional Action</u> |                |                     | Current<br><u>Estimate</u> |                |                            |
|                                   |                          |                          | <u>Amount</u>               | <u>Percent</u> | <u>Appropriated</u> |                            |                |                            |
| <b>A. BA Subactivities</b>        |                          |                          |                             |                |                     |                            |                |                            |
| 1. Operations                     | 11,531                   | 12,000                   | 0                           | 0.0            | 12,000              | 12,000                     | 11,987         |                            |
| 2. Community Assistance<br>Grants | 284,140                  | 359,615                  | -155,027                    | -43.1          | 204,588             | 204,588                    | 175,000        |                            |
| <b>Total</b>                      | <b>295,671</b>           | <b>371,615</b>           | <b>-155,027</b>             | <b>-41.7</b>   | <b>216,588</b>      | <b>216,588</b>             | <b>186,987</b> |                            |

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III. Financial Summary (\$ in thousands)

| <b>B. <u>Reconciliation Summary</u></b>        | <b>Change</b>                 | <b>Change</b>                 |
|--|-------------------------------|-------------------------------|
|  | <b><u>FY 2014/FY 2014</u></b> | <b><u>FY 2014/FY 2015</u></b> |
| <b>Baseline Funding</b>                        | <b>371,615</b>                | <b>216,588</b>                |
| Congressional Adjustments (Distributed)        | -153,900                      |                               |
| Congressional Adjustments (Undistributed)      |                               |                               |
| Adjustments to Meet Congressional Intent       |                               |                               |
| Congressional Adjustments (General Provisions) | -1,127                        |                               |
| <b>Subtotal Appropriated Amount</b>            | <b>216,588</b>                |                               |
| Fact-of-Life Changes (2014 to 2014 Only)       |                               |                               |
| <b>Subtotal Baseline Funding</b>               | <b>216,588</b>                |                               |
| Supplemental                                   |                               |                               |
| Reprogrammings                                 |                               |                               |
| Price Changes                                  |                               | 3,852                         |
| Functional Transfers                           |                               |                               |
| Program Changes                                |                               | -33,453                       |
| <b>Current Estimate</b>                        | <b>216,588</b>                | <b>186,987</b>                |
| Less: Wartime Supplemental                     |                               |                               |
| <b>Normalized Current Estimate</b>             | <b>216,588</b>                |                               |

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**III. Financial Summary (\$ in thousands)**

| <b><u>C. Reconciliation of Increases and Decreases</u></b>                                       | <b><u>Amount</u></b> | <b><u>Totals</u></b> |
|--|----------------------|----------------------|
| <b>FY 2014 President's Budget Request (Amended, if applicable)</b>                               |                      | <b>371,615</b>       |
| 1. Congressional Adjustments   |                      | -155,027             |
| a. Distributed Adjustments   |                      |                      |
| 1) Programmatic Reductions   | -153,900             |                      |
| b. Undistributed Adjustments   |                      |                      |
| c. Adjustments to Meet Congressional Intent  |                      |                      |
| d. General Provisions  |                      |                      |
| 1) Section 8140 - WCF Excess Cash  | -1,089               |                      |
| 2) Section 8034 - Indian Lands   | -38                  |                      |
| <b>FY 2014 Appropriated Amount</b>   |                      | <b>216,588</b>       |
| 2. War-Related and Disaster Supplemental Appropriations  |                      |                      |
| 3. Fact-of-Life Changes  |                      |                      |
| <b>FY 2014 Baseline Funding</b>  |                      | <b>216,588</b>       |
| 4. Reprogrammings (Requiring 1415 Actions)   |                      |                      |
| <b>Revised FY 2014 Estimate</b>  |                      | <b>216,588</b>       |
| 5. Less: Item 2, War-Related and Disaster Supplemental Appropriations and Item 4, Reprogrammings |                      |                      |
| <b>FY 2014 Normalized Current Estimate</b>   |                      | <b>216,588</b>       |
| 6. Price Change  |                      | 3,852                |
| 7. Functional Transfers  |                      |                      |
| 8. Program Increases   |                      |                      |
| a. Annualization of New FY 2014 Program  |                      |                      |
| b. One-Time FY 2015 Increases  |                      |                      |
| c. Program Growth in FY 2015   |                      |                      |
| 9. Program Decreases   |                      | -33,453              |
| a. Annualization of FY 2014 Program Decreases  |                      |                      |
| b. One-Time FY 2014 Increases  |                      |                      |
| c. Program Decreases in FY 2015  |                      |                      |
| 1) Program Decreases primarily attributed to Guam  | -33,439              |                      |
| 2) Reduced travel requirements   | -14                  |                      |

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III. Financial Summary (\$ in thousands)

|   | <u>Amount</u> | <u>Totals</u> |
|---|---------------|---------------|
| C. <u>Reconciliation of Increases and Decreases</u><br>FY 2015 Budget Request |               | 186,987       |

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**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.

The OEA will continue to provide these critical areas of assistance to affected states

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**IV. Performance Criteria and Evaluation Summary:**

and communities, support the Defense Economic Adjustment program, and carry out all Congressional requirements in a timely manner.

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| <b>V. <u>Personnel Summary</u></b>                | <b><u>FY 2013</u></b> | <b><u>FY 2014</u></b> | <b><u>FY 2015</u></b> | <b><u>Change<br/>FY 2013/<br/>FY 2014</u></b> | <b><u>Change<br/>FY 2014/<br/>FY 2015</u></b> |
|---|-----------------------|-----------------------|-----------------------|---|---|
| <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)  | 153.6                 | 158.1                 | 163.2                 | 4.5   | 5.1   |
| <br><u>Contractor FTEs (Total)</u>                | <br><u>5</u>          | <br><u>5</u>          | <br><u>5</u>          | <br><u>0</u>                                  | <br><u>0</u>                                  |

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

| <u>OP 32 Line</u>  | <u>FY 2013</u><br><u>Actual</u> | <u>Change</u><br><u>FY 2013/FY 2014</u> |                | <u>FY 2014</u><br><u>Estimate</u> | <u>Change</u><br><u>FY 2014/FY 2015</u> |                | <u>FY 2015</u><br><u>Estimate</u> |
|--|---------------------------------|---|----------------|-----------------------------------|---|----------------|-----------------------------------|
|  |                                 | <u>Price</u>                            | <u>Program</u> |                                   | <u>Price</u>                            | <u>Program</u> |                                   |
| 101 Exec, Gen'l & Spec Scheds                            | 5,838                           | 44                                      | 125            | 6,007                             | 60                                      | 133            | 6,200                             |
| <b>199 Total Civ Compensation</b>                        | <b>5,838</b>                    | <b>44</b>                               | <b>125</b>     | <b>6,007</b>                      | <b>60</b>                               | <b>133</b>     | <b>6,200</b>                      |
| 308 Travel of Persons                                    | 253                             | 5                                       | 498            | 756                               | 14                                      | -14            | 756                               |
| <b>399 Total Travel</b>                                  | <b>253</b>                      | <b>5</b>                                | <b>498</b>     | <b>756</b>                        | <b>14</b>                               | <b>-14</b>     | <b>756</b>                        |
| 696 DFAS Financial Operation<br>(Other Defense Agencies) | 411                             | 53                                      | -114           | 350                               | 6                                       | -56            | 300                               |
| <b>699 Total DWCF Purchases</b>                          | <b>411</b>                      | <b>53</b>                               | <b>-114</b>    | <b>350</b>                        | <b>6</b>                                | <b>-56</b>     | <b>300</b>                        |
| 912 Rental Payments to GSA (SLUC)                        | 761                             | 14                                      | 0              | 775                               | 14                                      | 11             | 800                               |
| 913 Purchased Utilities (Non-Fund)                       | 0                               | 0                                       | 150            | 150                               | 3                                       | -3             | 150                               |
| 914 Purchased Communications (Non-Fund)                  | 106                             | 2                                       | -108           | 0                                 | 0                                       | 0              | 0                                 |
| 920 Supplies & Materials (Non-Fund)                      | 150                             | 3                                       | 0              | 153                               | 3                                       | 44             | 200                               |
| 921 Printing & Reproduction                              | 10                              | 0                                       | 44             | 54                                | 1                                       | -10            | 45                                |
| 922 Equipment Maintenance By<br>Contract                 | 4,277                           | 81                                      | -1,821         | 2,537                             | 46                                      | -83            | 2,500                             |
| 923 Facilities Sust, Rest, & Mod<br>by Contract          | 0                               | 0                                       | 0              | 0                                 | 0                                       | 5              | 5                                 |
| 960 Other Costs (Interest and<br>Dividends)              | 1                               | 0                                       | -1             | 0                                 | 0                                       | 0              | 0                                 |
| 964 Other Costs (Subsistence and<br>Support of Persons)  | 5                               | 0                                       | 0              | 5                                 | 0                                       | -5             | 0                                 |
| 987 Other Intra-Govt Purch                               | 159                             | 3                                       | 1,051          | 1,213                             | 22                                      | -35            | 1,200                             |
| 988 Grants   | 283,700                         | 5,390                                   | -84,502        | 204,588                           | 3,683                                   | -33,440        | 174,831                           |
| <b>999 Total Other Purchases</b>                         | <b>289,169</b>                  | <b>5,493</b>                            | <b>-85,187</b> | <b>209,475</b>                    | <b>3,772</b>                            | <b>-33,516</b> | <b>179,731</b>                    |
| <b>Total</b>   | <b>295,671</b>                  | <b>5,595</b>                            | <b>-84,678</b> | <b>216,588</b>                    | <b>3,852</b>                            | <b>-33,453</b> | <b>186,987</b>                    |