

**Fiscal Year 2017 President's Budget
Office of Economic Adjustment (OEA)**



February 2016

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**Office of Economic Adjustment
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2017 President's Budget**

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

	FY 2015 <u>Actual</u>	Price <u>Change</u>	Program <u>Change</u>	FY 2016 <u>Enacted</u>	Price <u>Change</u>	Program <u>Change</u>	FY 2017 <u>Estimate</u>
OEA	152,413	2,560	-64,395	90,578	1,613	63,208	155,399

I. Description of Operations Financed: The Office of Economic Adjustment (OEA) is responsible for assisting states and communities impacted by Defense changes, carrying out programs and other efforts as directed by the Secretary of Defense (SECDEF). The technical and financial assistance provided under OEA helps communities to 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 in support of their mission.

As the Executive Director for Economic Adjustment Committee (EAC), the OEA Director provides economic adjustment guidance and assistance, enabling impacted states and communities to: assess economic hardships caused by Department of Defense (DoD) program changes; identify and evaluate alternatives for local recovery; identify resource requirements; and assist in the preparation and implementation of adjustment strategies or action plans. OEA directs the Defense Economic Adjustment Program and coordinates the involvement of other Federal Agencies through the EAC under Executive Order 12788, as amended, on behalf of SECDEF and Section 4004 of Public Law 101-510: "the Economic Adjustment Committee may not be terminated and the duties of the Committee may not be significantly altered unless specifically authorized by law."

OEA provides technical and financial assistance for eligible states and communities to plan and carry out economic and community adjustment in response to Defense actions,

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I. Description of Operations Financed (cont.)

including Base Realignment and Closures (BRAC), base expansions, encroachment of civilian communities on local missions, budget reductions, and contract cancellations. This assistance helps states and communities to respond to Defense triggered job loss, reductions in economic activity, tax base reductions, needs for increased public services and facilities. It can also help states and communities to avoid civilian activities that may impair the operations of a local installation.

For BRAC, 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." The September 2005 Defense Base Closure and Realignment Commission "Report to the President," which became law on November 9, 2005, identified 25 closures, 26 realignments, 44 expansions, for a total of 95 major actions, 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 through base redevelopment will continue through 2018. While assistance to BRAC-affected communities comprises the largest portion of this program portfolio, it can also include DoD advance planning assistance, and non-BRAC installation closures or realignments. OEA currently supports more than 15 BRAC 2005 projects with grant assistance. Separately, OEA will continue to provide assistance to communities impacted by the announced Army drawdowns in mid-2015, as well as any other future military service announced drawdowns, should they occur.

OEA's Compatible Use program is included in the Community Assistance category and designed to respond where civilian activity is likely to impair the continued operational utility of a military installation, including associated ranges, military training routes, special use airspace and military operations area. Technical and financial

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I. Description of Operations Financed (cont.)

assistance is provided to State and local governments to plan and carry out specific actions to ensure civilian activities compatible with vital training, testing, and other military operations. The program promotes and enhances civilian and military communication and collaboration, serves as a catalyst to sustain the military mission, and promotes public health, safety, quality of life, and economic viability of a region. OEA is executing more than 75 Compatible Use projects serving the needs of the Military Departments, DoD, and neighboring civilian communities. The Community Assistance budget ensures OEA is postured to support the Department's future sustainability goals. The Military Departments may nominate installations and ranges for this program based upon concerns over civilian encroachment, or State and local governments may request community planning assistance for special purpose compatibility studies to address civilian encroachment. OEA then determines whether the identified encroachment is likely to impair continued operational utility of the installation/range. This program took on additional importance when the SECDEF requested OEA work with the Military Departments in the aftermath of the Naval Air Station Oceana crash, and assist where civilian development is present in established accident prevention zones to improve mission capabilities and Force readiness. Community planning assistance also is provided to help prevent the siting of energy projects from adversely affecting DoD's test, training, and military operations by supporting effective collaboration, early engagement and dialogue between DoD and energy developers to ensure proposed energy projects may proceed without compromising the DoD missions.

The FY 2017 President's Budget requests \$17.2 million in support of the Defense Industry Adjustment (DIA) program as it supports economic and community adjustment in areas affected by defense procurement reductions. This is the fourth of five increments totaling \$137.8 million over the 2014-2018 FYDP. OEA assists states, regions, and communities with what can be a multi-year program of support designed to identify vulnerabilities to further reductions across supply chains to the fourth tier, prime

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I. Description of Operations Financed (cont.)

state and local programs of assistance for rapid responses to local dislocations, retain and/or expand impacted worker skill sets, leverage local clusters to expand business opportunities for impacted defense manufacturing firms at the local/regional level. These efforts are undertaken in close coordination with the Small Business Administration, Employment and Training Administration at the U.S. Department of Labor, and the Economic Development Administration and National Institute of Standards and Technology at the U.S. Department of Commerce.

The Department's Asia-Pacific Rebalance strategy builds upon the Department's longstanding reliance on the Territory of Guam (Guam) to host critical existing and enduring military installations and missions, as well as planned DoD growth. The significant impacts that this major basing/relocation action has on Guam public infrastructure - and upon which DoD relies - require mitigation. The deteriorating condition of Guam's water and wastewater treatment and collection systems which support DoD facilities jeopardizes Guam's ability to sustain existing and planned critical Defense activities. The request will provide safer, sustainable water resources and capacity critical for the more than 16,000 DoD personnel currently based on Guam and for future DoD growth of the military realignment. Additionally, the requested funding will address civilian infrastructure deficiencies that impact the public health of DoD personnel. These investments are identified in the Navy's 2015 Supplemental Environmental Impact Statement (SEIS), August 2015 Record of Decision, and August 2015 Economic Adjustment Committee Implementation Plan for public infrastructure investments.

In FY 2014, OEA was appropriated \$119.4 million (\$13 million for a Guam Public Health Laboratory capable of biosafety level 2/3 testing, and an initial investment of \$106.4 million for the Guam water and wastewater program) which is available until expended. OEA (in collaboration with the Department of Commerce (DOC), Department of Labor (DOL),

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I. Description of Operations Financed (cont.)

Department of Health and Human Services (HHS), the Environmental Protection Agency (EPA), the Department of Interior (DOI), the Department of Justice (DOJ), and the Government of Guam (GovGuam) through the EAC, will begin planning, design and construction efforts - in accordance with existing authorities and restrictions - for each of these necessary public infrastructure investments which support of the Marine buildup.

The FY 2017 President's Budget requests an additional \$86.7 million, with authority to implement Guam public infrastructure investments necessary to support the preferred alternative for the relocation of Marine Corps forces. The \$86.7 million will supplement the \$119.4 million to fully fund the construction and upgrade of the Northern District Wastewater Treatment Plant and construction of a Guam Public Health Lab.

DoD is also requesting authority to implement the civilian infrastructure project funds through the OEA.

OEA is also carrying out a program to repair or replace (K-12) public schools on military bases prioritized by SECDEF as having the most serious deficiencies in capacity or facility condition. Congress has appropriated \$945 million to OEA to construct, renovate, repair, or expand public schools on military installations giving priority consideration to those schools having the most serious capacity or facility condition deficiencies as determined by the Secretary of Defense in the Public Schools on Military Installations Priority List (Priority List). This \$945 million program directly benefits the children of our troops, and supports members of the Armed Forces and their families' morale and well-being. Of the funds appropriated, OEA has obligated \$491 million in support of planning, design, and or construction projects at twenty-four schools on military installations across the country, \$43 million was sequestered in FY 2013, and \$410 million remains available. Eight school projects have been completed to date and the resulting facilities are educating students.

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I. Description of Operations Financed (cont.)

The provisions in the FY 2015 appropriations law established match source and eligibility program changes for all new money and any unobligated balances of previously appropriated funds. OEA published an updated Federal Register Notice in Spring 2015 to explain these program changes to eligible entities.

OEA continues to work with all remaining applicants to identify the required 20% state or local matching share. To ensure project momentum is maintained, OEA will continue to award design-only grants if necessary to permit preconstruction activities to advance while grantees pursue the full 20% matching share contributions for construction. OEA anticipates that as many as thirty-three schools on the Priority List could be assisted with funding appropriated to date.

II. Force Structure Summary:

Not Applicable.

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III. Financial Summary (\$ in thousands)

	FY 2015	Budget	FY 2016			Current	FY 2017
			Congressional Action				
	<u>Actual</u>	<u>Request</u>	<u>Amount</u>	<u>Percent</u>	<u>Appropriated</u>	<u>Enacted</u>	<u>Estimate</u>
A. BA Subactivities							
1. Operations	11,987	12,340	0	0.0	12,340	12,340	12,082
2. Community Investment	46,057	20,000	-20,034	-100.2	-34	0	86,700
3. Community Assistance	94,369	78,272	0	0.0	78,272	78,238	56,617
Total	152,413	110,612	-20,034	-18.1	90,578	90,578	155,399

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III. Financial Summary (\$ in thousands)

B. <u>Reconciliation Summary</u>	Change	Change
	<u>FY 2016/FY 2016</u>	<u>FY 2016/FY 2017</u>
Baseline Funding	110,612	90,578
Congressional Adjustments (Distributed)	-20,034	
Congressional Adjustments (Undistributed)		
Adjustments to Meet Congressional Intent		
Congressional Adjustments (General Provisions)		
Subtotal Appropriated Amount	90,578	
Fact-of-Life Changes (2016 to 2016 Only)		
Subtotal Baseline Funding	90,578	
Supplemental		
Reprogrammings		
Price Changes		1,613
Functional Transfers		
Program Changes		63,208
Current Estimate	90,578	155,399
Less: Wartime Supplemental		
Normalized Current Estimate	90,578	

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III. Financial Summary (\$ in thousands)

<u>C. Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
FY 2016 President's Budget Request (Amended, if applicable)		110,612
1. Congressional Adjustments		-20,034
a. Distributed Adjustments		
1) Guam Wastewater (Ahead of Need)	-20,000	
2) General Provision Reduction	-34	
b. Undistributed Adjustments		
c. Adjustments to Meet Congressional Intent		
d. General Provisions		
FY 2016 Appropriated Amount		90,578
2. War-Related and Disaster Supplemental Appropriations		
3. Fact-of-Life Changes		
FY 2016 Baseline Funding		90,578
4. Reprogrammings (Requiring 1415 Actions)		
Revised FY 2016 Estimate		90,578
5. Less: Item 2, War-Related and Disaster Supplemental Appropriations and Item 4, Reprogrammings		
FY 2016 Normalized Current Estimate		90,578
6. Price Change		1,613
7. Functional Transfers		
8. Program Increases		64,664
a. Annualization of New FY 2016 Program		
b. One-Time FY 2017 Increases		
c. Program Growth in FY 2017		
1) Program Increase: Community investment - Guam Wastewater Treatment Facility	63,671	
Community Investment - Guam: Additional funding per restructure of program funds providing a total program amount of \$86.7M.		
2) Studies, Analysis & Eval	600	
Reallocation of budgeted funding to reflect actual		

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C. <u>Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
expenditures based on prior year data. Funding provided from reduction in Intra-Govt Purchases.		
3) Equipment Maintenance by Contract Funding increase to accommodate for expected equipment and service requirement changes.	283	
4) Other Services Funding increase to accommodate price changes for services provided by non federal sources.	93	
5) Other Costs (Subsistence and Support of Persons) Mass Transit Subsidy participation increase	15	
6) Other Costs (Interests and Dividends) Re-established funding need	2	
9. Program Decreases		-1,456
a. Annualization of FY 2016 Program Decreases		
b. One-Time FY 2016 Increases		
c. Program Decreases in FY 2017		
1) Other Intergovernmental Purchases Funding reallocated within budget to accommodate other intergovernmental funding needs and previously unfunded requirements.	-1,036	
2) CivPay Decrease in civilian compensation and benefits accommodating for natural attrition of persons and reallocation of unused funding for other unfunded requirements within budget.	-374	
3) GSA Rent Program Decrease 1.8% price growth	-14	
4) Purchased Utilities Program Decrease	-11	

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C. <u>Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
Reduction to align actual funding requirements and price increase.		
5) Travel 1.83% inflation of travel costs; budgeted amount remains unchanged and therefore reduced by increased cost of civilian travel.	-11	
6) Facilities Sustainment, Rest, & Mod by Contract Reduction of budgeted funding based on prior year expenses, and reallocated to other funding needs.	-5	
7) Non GSA Rent Program Decrease Decrease result from inflation change; no change of current year budgeted amount.	-4	
8) Printing and Reproduction Efficiency Inflation rate providing reduction in expendable funding	-1	
FY 2017 Budget Request		155,399

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IV. Performance Criteria and Evaluation Summary:

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<u>V. Personnel Summary</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>Change FY 2015/ FY 2016</u>	<u>Change FY 2016/ FY 2017</u>
<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)	163.2	163.2	155.8	0	-7.4
 <u>Contractor FTEs (Total)</u>	 <u>5</u>	 <u>5</u>	 <u>5</u>	 <u>0</u>	 <u>0</u>

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

<u>OP 32 Line</u>	<u>FY 2015</u>	<u>Change</u>		<u>FY 2016</u>	<u>Change</u>		<u>FY 2017</u>
		<u>FY 2015/FY 2016</u>			<u>FY 2016/FY 2017</u>		
	<u>Actual</u>	<u>Price</u>	<u>Program</u>	<u>Enacted</u>	<u>Price</u>	<u>Program</u>	<u>Estimate</u>
101 Exec, Gen'l & Spec Scheds	6,200	76	-76	6,200	94	-374	5,920
199 Total Civ Compensation	6,200	76	-76	6,200	94	-374	5,920
308 Travel of Persons	600	10	-10	600	11	-11	600
399 Total Travel	600	10	-10	600	11	-11	600
502 Army Fund Equipment	83	0	-83	0	0	0	0
599 Total Equipment Purchases	83	0	-83	0	0	0	0
912 Rental Payments to GSA (SLUC)	800	14	-14	800	14	-14	800
913 Purchased Utilities (Non-Fund)	150	3	-103	50	1	-11	40
915 Rents (Non-GSA)	84	1	115	200	4	-4	200
921 Printing & Reproduction	45	1	-16	30	1	-1	30
922 Equipment Maintenance By Contract	2,500	43	-199	2,344	42	283	2,669
923 Facilities Sust, Rest, & Mod by Contract	5	0	0	5	0	-5	0
933 Studies, Analysis & Eval	0	0	0	0	0	600	600
960 Other Costs (Interest and Dividends)	0	0	1	1	0	2	3
964 Other Costs (Subsistence and Support of Persons)	20	0	-15	5	0	15	20
987 Other Intra-Govt Purch	1,200	20	780	2,000	36	-1,036	1,000
988 Grants	140,426	2,387	-64,575	78,238	1,408	63,671	143,317
989 Other Services	300	5	-200	105	2	93	200
999 Total Other Purchases	145,530	2,474	-64,226	83,778	1,508	63,593	148,879
Total	152,413	2,560	-64,395	90,578	1,613	63,208	155,399