

Fiscal Year 2018 Budget Estimates
Office of Economic Adjustment (OEA)



May 2017

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**Office of Economic Adjustment
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2018 President's Budget**

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

	FY 2016 <u>Actual</u>	Price <u>Change</u>	Program <u>Change</u>	FY 2017 <u>Estimate</u>	Price <u>Change</u>	Program <u>Change</u>	FY 2018 <u>Estimate</u>
OEA	213,765	4,062	-62,428	155,399	3,102	-100,661	57,840

A full-year 2017 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2017 (P.L. 114-254). The amounts included for 2017 reflect the annualized level provided by the continuing resolution.

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."

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I. Description of Operations Financed (cont.)

Program of Assistance:

OEA's Program of Assistance includes the technical and financial assistance provided to eligible states and communities in response to Defense actions, including:

- Base Realignment and Closures (BRAC);
- Base expansions;
- Encroachment of civilian communities on local missions;
- Budget reductions;
- Contract cancellations;

OEA assistance helps states and communities respond to:

- Defense triggered job loss;
- Reductions in economic activity;
- Tax base reductions;
- Needs for increased public services and facilities

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I. Description of Operations Financed (cont.)

Assistance can also help states and communities avoid civilian activities that may impair the operations of local installations.

<u>Dollars in Thousands: Program of Assistance</u>		
<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
<u>Actual</u>	<u>Enacted</u>	<u>Estimate</u>
\$199,382	\$143,317	\$43,214

Reductions in OEA Program of Assistance request from FY 2017 to FY 2018 are the result of:

- A reduction in the funding request for Guam public infrastructure investments necessary to support the preferred alternative for the relocation of Marine Corps forces from \$86.7 million in FY 2017 to \$0 in FY 2018 because FY 2017 fully funded the water infrastructure requirements.

- A reduction in the funding request for Defense Industry Adjustment support to communities affected by defense procurement reductions from \$17.2M in FY 2017 to \$5M in FY 2018.

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

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I. Description of Operations Financed (cont.)

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 due to the need of the Military Departments to dispose of excess property. OEA currently supports more than 21 BRAC 2005 communities with grant assistance, as well as 2 legacy BRAC communities.

OEA's Compatible Use activities are designed to support DoD's installations by responding 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 assistance is provided to State and local governments to plan and carry out specific actions to ensure civilian activities are 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. This activity further supports the Department's 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 studies to address civilian

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I. Description of Operations Financed (cont.)

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 to assist where civilian development is present in established clear 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.

The FY 2018 President's Budget requests \$5 million in support of the Defense Industry Adjustment program as it supports economic and community adjustment in areas affected by defense procurement reductions. OEA assists states, regions, and communities with a program of support designed to identify vulnerabilities to further reductions across DoD supply chains, prime state and local programs of assistance for rapid responses to local dislocations, retain and/or expand impacted worker skill sets, and 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.

Operational Support Activities

Operation funds support OEA operational costs including headquarters operations, travel, IT modernization, operations support, and civilian personnel. Overall operational costs increased from FY 2017 to FY 2018 a result of additional costs due to audit readiness

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I. Description of Operations Financed (cont.)

support requirements. OEA reduced travel costs in FY 18 in direct support of the DoD's efforts to cut travel costs.

<u>Dollars in Thousands: Operations</u>		
FY 2016	FY 2017	FY 2018
<u>Actual</u>	<u>Enacted</u>	<u>Estimate</u>
\$14,483	\$12,082	\$14,626

OEA headquarters enables mission execution by strategically managing priorities in support of the Department's goals and initiatives, and is comprised of a staff of 8 FTEs. Functions of the headquarters includes:

- Financial Management
- Human Capital Management
- Security
- Maintenance of Facilities and Equipment
- Strategic Management
- Logistical and Property Management
- Travel Management

Beginning in FY 2017, OEA began delayering its organizational structure in support of DoD initiatives resulting in a streamlined organization with optimal supervisory oversight. This reorganization includes the alignment of support functions under senior staff

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I. Description of Operations Financed (cont.)

members to relieve supervisory responsibility and meet supervisor to staff ratios. OEA met additional directed reductions through the execution of the Services Requirements Review Board, which identified savings in contractual support.

OEA is in the process of modernizing its IT infrastructure through the continued upgrade of the Economic Adjustment Data System to streamline workflow processes and ensure Audit Readiness. Through this initiative, OEA is moving forward to Cloud Computing solutions as mandated by the DoD Chief Information Officer (CIO). The new infrastructure will provide an electronic interface between state and local governments and other Federal Agencies. This capability will lessen the need for paper media reproduction and allow for an increase in electronic media sharing. Increases in costs defined as "Printing and Reproduction" are due to contractual costs associated with the IT modernization and the production of electronic media versus paper products.

Reduction in travel costs remains a priority for OEA and are reflected in FY 2018 operational costs and supports the Department's goals to reduce travel costs.

II. Force Structure Summary:

Not Applicable.

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III. Financial Summary (\$ in thousands)

	FY 2017							FY 2018 <u>Estimate</u>
	FY 2016 <u>Actual</u>	Budget <u>Request</u>	<u>Congressional Action</u>			Current <u>Estimate</u>		
			<u>Amount</u>	<u>Percent</u>	<u>Appropriated</u>			
A. BA Subactivities								
OEA	213,765	155,399	0	0.0	0	89,016	57,840	
Total	213,765	155,399	0	0.0	0	89,016	57,840	

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III. Financial Summary (\$ in thousands)

B. <u>Reconciliation Summary</u>	Change	Change
	<u>FY 2017/FY 2017</u>	<u>FY 2017/FY 2018</u>
Baseline Funding	155,399	89,016
Congressional Adjustments (Distributed)		
Congressional Adjustments (Undistributed)		
Adjustments to Meet Congressional Intent		
Congressional Adjustments (General Provisions)		
Subtotal Appropriated Amount	155,399	
Fact-of-Life Changes (2017 to 2017 Only)		
Subtotal Baseline Funding	155,399	
Supplemental		
Reprogrammings		
Price Changes		3,102
Functional Transfers		
Program Changes		-99,797
Current Estimate	155,399	-7,679
Less: Wartime Supplemental		
Normalized Current Estimate	155,399	

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III. Financial Summary (\$ in thousands)

	<u>Amount</u>	<u>Totals</u>
C. <u>Reconciliation of Increases and Decreases</u>		
FY 2017 President's Budget Request (Amended, if applicable)		155,399
1. Congressional Adjustments		
a. Distributed Adjustments		
b. Undistributed Adjustments		
c. Adjustments to Meet Congressional Intent		
d. General Provisions		
FY 2017 Appropriated Amount		155,399
2. War-Related and Disaster Supplemental Appropriations		
3. Fact-of-Life Changes		
FY 2017 Baseline Funding		155,399
4. Reprogrammings (Requiring 1415 Actions)		
Revised FY 2017 Estimate		155,399
5. Less: Item 2, War-Related and Disaster Supplemental Appropriations and Item 4, Reprogrammings		
FY 2017 Normalized Current Estimate		155,399
6. Price Change		3,102
7. Functional Transfers		
8. Program Increases		5,293
a. Annualization of New FY 2017 Program		
b. One-Time FY 2018 Increases		
c. Program Growth in FY 2018		
1) Purchased Utilities	1,359	
2) Community Assistance Program Increase	1,055	
3) Community Assistance	931	
4) IT Contract Support Services	878	
5) Equipment Maintenance by Contract	650	
6) Facilities Sust, Rest, & Mod by Contract	240	
7) Other Costs - Subsistence of Persons	180	
9. Program Decreases		-105,090

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III. Financial Summary (\$ in thousands)

C. <u>Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
a. Annualization of FY 2017 Program Decreases		
b. One-Time FY 2017 Increases		
1) Grants - Asia-Pacific Rebalance	-86,700	
2) Grants - DIA	-17,200	
c. Program Decreases in FY 2018		
1) Other Services	-616	
2) Rental Payments to Non-GSA	-204	
3) Program Adjustment	-182	
4) Travel	-112	
5) Civilian Compensation	-30	
6) Other Intra-Govt Purchases	-20	
7) Rental Payments to GSA	-16	
8) CIVPAY	-9	
9) Printing and Reproduction	-1	
FY 2018 Budget Request		58,704

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IV. Performance Criteria and Evaluation Summary:

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<u>V. Personnel Summary</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>Change FY 2016/ FY 2017</u>	<u>Change FY 2017/ FY 2018</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)	152.4	155.8	158.0	3.4	2.2
 <u>Contractor FTEs (Total)</u>	 <u>11</u>	 <u>11</u>	 <u>11</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 2016</u>	<u>Change</u>		<u>FY 2017</u>	<u>Change</u>		<u>FY 2018</u>
		<u>FY 2016/FY 2017</u>			<u>FY 2017/FY 2018</u>		
	<u>Actual</u>	<u>Price</u>	<u>Program</u>	<u>Estimate</u>	<u>Price</u>	<u>Program</u>	<u>Estimate</u>
101 Exec, Gen'l & Spec Scheds	5,793	109	-132	5,770	113	120	6,003
107 Voluntary Sep Incentives	0	0	150	150	0	-150	0
199 Total Civ Compensation	5,793	109	18	5,920	113	-30	6,003
308 Travel of Persons	454	9	137	600	12	-112	500
399 Total Travel	454	9	137	600	12	-112	500
912 Rental Payments to GSA (SLUC)	792	15	-7	800	16	-16	800
913 Purchased Utilities (Non-Fund)	1,327	25	-1,312	40	1	1,359	1,400
915 Rents (Non-GSA)	0	0	200	200	4	-204	0
921 Printing & Reproduction	347	7	-324	30	1	-1	30
922 Equipment Maintenance By Contract	3,773	72	-3,845	0	0	650	650
923 Facilities Sust, Rest, & Mod by Contract	237	5	-242	0	0	240	240
960 Other Costs (Interest and Dividends)	0	0	3	3	0	0	3
964 Other Costs (Subsistence and Support of Persons)	153	3	-136	20	0	180	200
987 Other Intra-Govt Purch	917	17	66	1,000	20	-20	1,000
988 Grants	199,382	3,788	-59,853	143,317	2,866	-102,969	43,214
989 Other Services	188	4	608	800	16	-616	200
990 IT Contract Support Services	402	8	2,259	2,669	53	878	3,600
999 Total Other Purchases	207,518	3,944	-62,583	148,879	2,977	-100,519	51,337
Total	213,765	4,062	-62,428	155,399	3,102	-100,661	57,840

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