

Fiscal Year 2012 Budget Estimates Office of Economic Adjustment (OEA)



February 2011

OFFICE OF ECONOMIC ADJUSTMENT
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2012 Budget Estimates

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

	<u>FY 2010</u> <u>Actuals</u>	<u>Price</u> <u>Change</u>	<u>Program</u> <u>Change</u>	<u>FY 2011</u> <u>Estimate</u>	<u>Price</u> <u>Change</u>	<u>Program</u> <u>Change</u>	<u>FY 2012</u> <u>Estimate</u>
OEA	124,654	1,694	-75,537	50,811	623	30,320	81,754

* The FY 2011 Estimate column reflects the FY 2011 President's Budget Request.

I. Description of Operations Financed:

The Office of Economic Adjustment (OEA), www.oea.gov, is the Department of Defense's (DoD) primary source for assisting states and communities that are impacted by Defense changes including the Department's Base Realignment and Closure (BRAC) actions. OEA's Director testified under oath before the BRAC Commission that technical and financial assistance provided under this program ensures affected communities: 1) can 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 Global Defense Posture Review, Grow the Army, Grow the Force and other transformation initiatives as well. 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 under Executive Order 12788, as amended. Economic adjustment assistance 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 to help states and communities:

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- 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 impacted states and communities, OEA will provide technical and financial assistance to plan and carry out economic and community development; land use planning; real estate development; base redevelopment; partnership with Military Department programs; workforce adjustment; and growth management. The OEA will help communities put together an adjustment program combining Federal, state, local and private resources. For BRAC 2005, 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 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. Most installations affected by BRAC 2005 will not be closed or realigned until 2011, and 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 will continue through the next several fiscal years. Likewise, mission growth from BRAC 2005, Global Defense Posture Review, Grow the Army, Grow the Force, Guam military buildup and other transformation initiatives will continue to have significant impact upon states and communities into the future.

Also, OEA is the DoD first responder for the multiple communities, businesses and workers adversely affected by DoD decisions to cancel or curtail Defense acquisition programs,

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with OEA program activity designed to plan and coordinate a local, state and Federal-wide economic adjustment effort.

Additionally, OEA must maintain an effective Compatible Use Program Capability to address instances of likely encroachment. While executing current projects, OEA worked with the National Academy of Public Administration to evaluate future directions for the compatible use program; position the program to serve the needs of the Military Departments, DoD and civilian communities; and ensure that OEA is postured to support a new phase of adjustment to meet the Department's future sustainability goals.

Based upon field work to date in all project areas with affected jurisdictions in addition to project need assessments of Federal and state funding requirements for communities impacted by downsizing and mission growth, OEA estimates ongoing actions will result in a continuing need for approximately 100 grants per year to impacted state and local governments. In addition to technical and financial economic adjustment assistance, OEA will provide for Community and staff information technology and training, as well as host regional and national conferences for affected jurisdictions. 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. These numbers may increase depending on additional Congressional requirements and responsibilities that OEA may be directed to assume.

The Fiscal Year 2012 President's Budget requests \$33 million of Department of Defense (DoD) funding and transfer authority for Guam socioeconomic infrastructure improvements. The Navy's Guam and Commonwealth of the Northern Marianas Island's Military Relocation Final Environmental Impact Statement acknowledges the impact the military build-up will have on Guam's social services, including educational, medical and artifact preservation facilities due to the added demand on services from the DoD military and civilian populations - as well as demand generated from the migrant military construction workforce and estimated induced population growth resulting from the military relocation.

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Specific socioeconomic projects were identified through a Federal interagency process and resulting Economic Adjustment Committee Socioeconomic Needs Assessment that assessed the military buildup-related requirements. Based on this review and the current Guam relocation plan, DoD's request includes \$33 million in FY 2012, of which:

- \$10.070 million is requested for transfer to the Department of the Interior (DOI) for vehicles and supplies for civilian student transportation. The civilian school system must support all civilian student growth resulting from the permanent contractor support population growth, and the current under-capacity school bus fleet cannot accommodate this increased demand.
- \$22.930 million is requested for transfer to the U.S. Department of Housing and Urban Development (HUD) for:
 - Construction of Archeological Preservation Act Artifact Repository to ensure the Department can meet its requirement for preservation and repository of artifacts unearthed during military construction; and
 - A portion of the construction of a Guam Mental Health and Substance Abuse Facility to address induced population growth impacts (migrant construction labor during the build-up and contractors) that will further strain Guam's mental health and substance abuse services. The current Mental Health and Substance Abuse Facility is under a permanent Federal injunction to address existing deficiency issues. The military build-up will exacerbate a fragile service delivery system that is already over-capacity.

DOD is requesting authority to transfer the socioeconomic project funds to the DoI-Office of Insular Affairs and HUD to implement the projects. These agencies, who have successfully worked with the Government of Guam on similar projects in the past, will be responsible for managing the projects, reporting to DOD how the funds are executed, and training Government of Guam personnel in the management, operation, and maintenance of these facilities to ensure that these facilities will be properly sustained over time.

II. Force Structure Summary: Not Applicable.

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III. Financial Summary (\$ in thousands)

			FY 2011			Current Estimate	FY 2012 Estimate
	FY 2010 Actuals	Budget Request	Congressional Action				
A. <u>BA(4) Subactivities</u>			<u>Amount</u>	<u>Percent</u>	<u>Appropriated</u>		
1. Operations	11,273	13,311				13,311	44,441
2. Community Assistance Grants	31,809	37,500				37,500	37,313
3. Congressionally Directed Projects	81,572						
Total	124,654	50,811				50,811	81,754

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III. Financial Summary (\$ in thousands)

B. <u>Reconciliation Summary</u>	<u>Change</u> <u>FY 2011/FY 2011</u>	<u>Change</u> <u>FY 2011/FY 2012</u>
Baseline Funding	50,811	50,811
Congressional Adjustments (Distributed)		
Congressional Adjustments (Undistributed)		
Adjustments to Meet Congressional Intent		
Congressional Adjustments (General Provisions)		
Subtotal Appropriated Amount	50,811	
Fact-of-Life Changes (CY to CY Only)		
Subtotal Baseline Funding	50,811	
Anticipated Supplemental		
Reprogrammings		
Price Changes		623
Functional Transfers		
Program Changes		30,320
Current Estimate	50,811	81,754
Less: Wartime Supplemental		
Normalized Current Estimate	50,811	

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III. Financial Summary (\$ in thousands)

	Amount	Totals
C. Reconciliation of Increases and Decreases		
FY 2011 President's Budget Request (Amended, if applicable)		50,811
1. Congressional Adjustments		
a. Distributed Adjustments		
b. Undistributed Adjustments		
c. Adjustments to meet Congressional Intent		
d. General Provisions		
e. Congressional Earmarks - Indian Lands Environmental Impact		
FY 2011 Appropriated Amount		50,811
2. War-Related and Disaster Supplemental Appropriations		
3. Fact of Life Changes		
FY 2011 Baseline Funding		50,811
4. Reprogrammings (requiring 1415 Actions)		
Revised FY 2011 Estimate		50,811
5. Less: Item 2, War-Related and Disaster Supplemental Appropriations and Item 4, Reprogrammings		
FY 2011 Normalized Current Estimate		50,811
6. Price Change		623
7. Functional Transfers		
8. Program Increases		36,425
a. Annualization of New FY 2011 Program		
b. One-Time FY 2012 Increases		
c. Program Growth in FY 2012		
1) Rental Payments to GSA - OEA will relocate at the close of FY 2011. The property owners plan to demolish the building. Current GSA rates and estimates at available buildings in the area are approximately 5% higher than OEA's FY 2011 rent. (FY 2011 baseline \$678)		

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C. Reconciliation of Increases and Decreases	Amount	Totals
2) Object Class Realignment - This represents a realignment from Other Services (Object Class 25.2) to Intra-Governmental Purchases (Object Class 25.3), Equipment Maintenance (Object Class 25.7) and Support of Persons (Object Class 25.8) based on OMB and Defense guidance. (FY 2011 baseline \$961)	3,387	
3) Defense Finance and Accounting Service - To reflect more accurate estimates based on Defense Finance and Accounting projections. (FY 2011 baseline \$318)	9	
4) Facility Sustainment, Restoration and Modernization - Increase supports GUAM socioeconomic infrastructure costs related to the military build-up as identified through a Federal interagency process and resulting Economic Adjustment Committee Socioeconomic Needs Assessment. (FY 2011 baseline \$0)	33,000	
9. Program Decreases		-6,105
a. Annualization of FY 2011 Program Decreases		
b. One-Time FY 2011 Increases		
c. Program Decreases in FY 2012		
1) Efficiency Initiative: Purchased Communications, Utilities & Miscellaneous - OEA will forgo updates to rented and leased information technology equipment, including hardware and software updates, unless essential to operations. OEA will analyze wireless communication services to eliminate unnecessary use, overcharges and purchase the most efficient service plans. (FY 2011 baseline \$125)	-21	

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III. Financial Summary (\$ in thousands)

C. Reconciliation of Increases and Decreases	Amount	Totals
2) Efficiency Initiative: Printing and Reproduction - OEA will reduce printing and reproduction services from external sources and use electronic production and courier methods fully. For documents that require external printing services, OEA will heavily scrub these before production to focus on design formats that minimize document length, eliminate redundant and repetitive information and focus on streamlined documents. (FY 2011 baseline \$125)	-23	
3) Efficiency Initiative: Equipment - OEA will reevaluate and streamline its operating plan for purchasing equipment including to forgo purchases and leases of new equipment, such as updated computers and communications equipment. (FY 2011 baseline \$104)	-106	
4) Efficiency Initiative: Grants - OEA will reduce Community Grant assistance by \$750. Based upon field work to date in all project areas with affected jurisdictions in addition to project need assessments of Federal and state funding requirements for communities impacted by downsizing and mission growth, OEA estimates the target reduction to Community Grants represents approximately 2.5 grants. FY 2011 baseline \$37,500)	-750	
5) Efficiency Initiative: Civilian Compensation - This adjusts funding to reflect a reduction in staff by 3 full-time equivalents. (FY 2011 baseline \$5,200)	-324	
6) Efficiency Initiative: Other Services - This represents a reduced reliance on service support contracts. (FY 2011 baseline \$4,556)	-158	
7) Civilian Compensation - This reflects a decrease in compensable days to 260 in FY 2012 and adjusts funding to reflect no civilian pay raises. (FY 2011 baseline \$5,200)	-171	
8) Travel - (This recognizes more cost -effective management of travel resources. FY 2011 baseline \$877)	-86	

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III. Financial Summary (\$ in thousands)

C. Reconciliation of Increases and Decreases

	Amount	Totals
9) Other Services - This represents object class realignments and a decrease in operations. The object class realignments are from Other Services (Object Class 25.2) to Intra-Governmental Purchases (Object Class 25.3), Equipment Maintenance (Object Class 25.7) and Support of Persons (Object Class 25.8) based on OMB and Defense guidance. (FY 2011 baseline \$4,556)	-4,466	
FY 2012 Budget Request		81,754

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IV. Performance Criteria and Evaluation Summary

The OEA will assist communities impacted by the Department of Defense with a multi-year program of support. In the case of a closure or downsizing realignment action, 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 housing purchases.

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

In the case of an expansion action resulting in local growth, 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; develop and implement growth management plans; 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; support the Department's future sustainability goals.

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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 carryout all Congressional reporting requirements in a timely manner.

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<u>V. Personnel Summary</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	Change FY 2010/ FY 2011	Change FY 2011/ FY 2012
<u>Active Military End Strength (E/S)</u> (Total)					
Officer	3	3	3	-	-
Enlisted					
<u>Civilian End Strength (Total)</u>					
U.S. Direct Hire	41	41	38	-	-3
Foreign National Direct Hire					
Total Direct Hire					
Foreign National Indirect Hire					
 Civilian FTEs (Total)					
U.S. Direct Hire	41	41	38	-	-3
Foreign National Direct Hire					
Total Direct Hire					
Foreign National Indirect Hire					
Average Annual Civilian Salary (\$ in thousands)	105	100	99	-5	-1
 Contractor FTEs (Total)	-	-	-	-	-

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

<u>OP 32 Line</u>	<u>FY 2010</u> <u>Actuals</u>	<u>Change</u> <u>FY 2010/FY 2011</u>		<u>FY 2011</u> <u>Estimate</u>	<u>Change</u> <u>FY 2011/FY 2012</u>		<u>FY 2012</u> <u>Estimate</u>
		<u>Price</u>	<u>Program</u>		<u>Price</u>	<u>Program</u>	
101 Exec, Gen'l & Spec Scheds	5,468	27	-295	5,200	0	-495	4,705
199 Total Civ Compensation	5,468	27	-295	5,200	0	-495	4,705
308 Travel of Persons	1,096	15	-234	877	13	-86	804
399 Total Travel	1,096	15	-234	877	13	-86	804
673 Def Fin & Accounting Svc	0	0	318	318	-56	9	271
699 Total DWCF Purchases	0	0	318	318	-56	9	271
912 GSA Leases (SLUC)	577	8	93	678	10	29	717
914 Purch Com (non fund)	159	2	-36	125	2	-21	106
920 Supplies/Matl (non fund)	394	6	-34	366	5	0	371
921 Print & Reproduction	100	1	24	125	2	-23	104
922 Eqt Maint Contract	3,083	43	-3,126	0	0	3,163	3,163
923 Facilities Maint by Contr	0	0	0	0	0	33,000	33,000
925 Equipment Purch (non fund)	0	0	104	104	2	-106	0
960 Interest and Dividends	2	0	-1	1	0	0	1
964 Sub/Support of Persons	9	0	-9	0	0	9	9
987 Other IntraGovt Purch	385	5	571	961	14	215	1,190
988 Grants	113,381	1,587	-77,468	37,500	563	-750	37,313
989 Other Services	0	0	4,556	4,556	68	-4,624	0
999 Total Other Purchases	118,090	1,652	-75,326	44,416	666	30,892	75,974
Total	124,654	1,694	-75,537	50,811	623	30,320	81,754

* The FY 2011 Estimate column reflects the FY 2011 President's Budget Request.