

**Fiscal Year 2013 Budget Estimates**  
**Office of Economic Adjustment (OEA)**



February 2012

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**Office of Economic Adjustment  
Operation and Maintenance, Defense-Wide  
Fiscal Year (FY) 2013 Budget Estimates**

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

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

	<u>FY 2011</u> <u>Actuals</u>	<u>Price</u> <u>Change</u>	<u>Program</u> <u>Change</u>	<u>FY 2012</u> <u>Estimate</u>	<u>Price</u> <u>Change</u>	<u>Program</u> <u>Change</u>	<u>FY 2013</u> <u>Estimate</u>
OEA	47,470	713	293,383	341,566	5,783	-93,912	253,437

\* The FY 2013 Estimated column reflects the FY 2013 President's Budget Request. The FY 2012 and FY 2013 Estimate 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 2013 Budget Estimate is \$33 million in FY 2012 and \$139.4 million in FY 2013 for the socioeconomic and water/wastewater infrastructure improvements related to the military build-up in Guam. 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](http://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. The OEA's Director testified under oath 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 Defense actions in support of the DoD mission. Also, OEA is the DoD first responder for the multiple communities, businesses and workers adversely affected by the DoD decisions to cancel/curtail Defense acquisition programs or disestablish Defense contract activities, with OEA program activity designed to plan and coordinate a local, state and Federal-wide economic adjustment effort.

As requirements arise from DoD's efficiency initiatives and budget reductions, OEA's first responder activities increase. The U.S. Joint Forces Command disestablishment, closure of Avondale shipyard in Louisiana, termination of F-22 programs in Connecticut, and transition at Pine Bluff Arsenal provide examples where DOD has called for OEA

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

support. Additionally, this assistance must be comprehensive enough to address the community impacts caused by Global Defense Posture Review 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 (EAC) under Executive Order 12788, as amended. 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 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 to 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 impacted states and communities, the 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

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

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. 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. Likewise, mission growth from BRAC 2005, Global Defense Posture Review, Guam military buildup and other transformation initiatives will continue to have significant impact upon states and communities into the future.

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 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 communities impacted by downsizing and mission growth, OEA estimates ongoing actions will result in a continuing need for approximately 120 grants per year to impacted state

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

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.

The Fiscal Year 2013 President's Budget requests \$139.4 million of Department of Defense (DoD) funding and authority for Guam water and wastewater and 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 water and wastewater systems and social services, including medical and public health 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. 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 \$139.4 million in Fiscal Year 2013, of which:

- \$20.132 million is requested to complete construction of a Guam Mental Health and Substance Abuse Facility begun with Fiscal Year 2012 funding 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

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

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;

- \$12.868 million is requested for construction of a Guam Regional Public Health Laboratory. A Regional Public Health Laboratory is necessary to replace and relocate the current public health Centers for Disease Control and Prevention (CDC) level I laboratory with a current CDC Level II laboratory, providing detection capabilities for the increased supplies, construction materials, etc., related to the military buildup and protection capabilities for island workers. The Level II lab would be able to test, analyze, and confirm the presence of air, food, and water borne contaminants that cannot currently be conducted without sending samples to Hawaii or Atlanta, Georgia; and
- \$106.4 million is requested for Guam water and wastewater infrastructure. As a result of the fragile state of Guam's water and wastewater infrastructure, remedies and new infrastructure are required to support growth resulting from the US Marine Corps relocation to Guam. The Department of the Navy and the Environmental Protection Agency completed a review of Guam water and wastewater requirements, which concluded that capital improvements totaling \$1.25 billion were necessary to support direct, indirect and induced growth resulting from the relocation. Of the \$1.25 billion, the Government of Japan is funding \$587 million in requirements. The \$106.4 million requested for Fiscal Year 2013 will be the first portion of a multi-year DoD program to assist with the implementation of the balance of water and wastewater projects associated with the relocation. Specific severable projects to be implemented in Fiscal Year 2013 were identified by a collaborative effort of the Department of Defense, the Environmental Protection Agency and the Guam Waterworks Authority.

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

- Water system supply and transmission projects include: supply well improvements and repairs; water well and master meter calibration and replacement; distribution system repairs and replacement; modification of the Ugum water treatment plant intake; new water booster pump stations; and a segment of the North-South water transmission line.
- Wastewater system projects include: installing backup power at wastewater pump stations; pump station repairs; remediation of leaking underground storage tank sites; replacing a portion of failing asbestos cement pipe sewers; and rehabilitation and repair of sewer manholes.
- General system projects include: vehicles, laboratory, land survey, and health and safety.

The DoD is requesting authority to implement the socioeconomic and water and wastewater project funds through the Office of Economic Adjustment.

Section 8109 of Public Law 112-10 provided 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. As notated in the public law, this funding is considered "available until expended". In addition, \$51 million has been programmed by the Department in FY 2013.

**II. Force Structure Summary:**

Not Applicable.



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III. Financial Summary (\$ in thousands)

	FY 2012							FY 2013 Estimate
	FY 2011 Actuals	Budget Request	Congressional Action			Current Estimate		
			Amount	Percent	Appropriated			
<b>A. BA Subactivities</b>								
1. Operations	11,262	44,441	0	0.0	44,441	44,441	149,185	
2. Community Assistance Grants	36,208	37,313	-188	-0.5	37,125	37,125	104,252	
3. Congressional Adjustment	0	0	10,000	n/a	10,000	10,000	0	
4. Congressionally Directed	0	0	250,000	n/a	250,000	250,000	0	
<b>Total</b>	<b>47,470</b>	<b>81,754</b>	<b>259,812</b>	<b>317.8</b>	<b>341,566</b>	<b>341,566</b>	<b>253,437</b>	

\* The FY 2013 Estimate column reflects the FY 2013 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 2013 Budget Estimate is \$33 Million in FY 2012 and \$139.4 Million in FY 2013 for the socioeconomic and water/wastewater infrastructure improvements related to the military build-up on Guam. As notated in the public law, this funding is considered "available until expended".

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III. Financial Summary (\$ in thousands)

B. Reconciliation Summary

	Change FY 2012/FY 2012	Change FY 2012/FY 2013
<b>Baseline Funding</b>	81,754	341,566
Congressional Adjustments (Distributed)	10,000	
Congressional Adjustments (Undistributed)	-152	
Adjustments to Meet Congressional Intent	-36	
Congressional Adjustments (General Provisions)	250,000	
<b>Subtotal Appropriated Amount</b>	<b>341,566</b>	
Fact-of-Life Changes (2012 to 2012 Only)		
<b>Subtotal Baseline Funding</b>	<b>341,566</b>	
Supplemental		
Reprogrammings		
Price Changes		5,783
Functional Transfers		
Program Changes		-93,912
<b>Current Estimate</b>	<b>341,566</b>	<b>253,437</b>
Less: Wartime Supplemental		
<b>Normalized Current Estimate</b>	<b>341,566</b>	

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

	<b>Amount</b>	<b>Totals</b>
<b>C. Reconciliation of Increases and Decreases</b>		
<b>FY 2012 President's Budget Request (Amended, if applicable)</b>		<b>81,754</b>
1. Congressional Adjustments		259,812
a. Distributed Adjustments		
1) Congressional Adjustment	10,000	
b. Undistributed Adjustments		
1) Unobligated Balances	-152	
c. Adjustments to Meet Congressional Intent		
1) Sec 8034 - Mitigation of Environmental Impacts	-36	
d. General Provisions		
1) Sec 8118 Transfer of Funds OEA or for Transfer Dept Education	250,000	
<b>FY 2012 Appropriated Amount</b>		<b>341,566</b>
2. War-Related and Disaster Supplemental Appropriations		
3. Fact-of-Life Changes		
<b>FY 2012 Baseline Funding</b>		<b>341,566</b>
4. Reprogrammings (Requiring 1415 Actions)		
<b>Revised FY 2012 Estimate</b>		<b>341,566</b>
5. Less: Item 2, War-Related and Disaster Supplemental Appropriations and Item 4, Reprogrammings		
<b>FY 2012 Normalized Current Estimate</b>		<b>341,566</b>
6. Price Change		5,783
7. Functional Transfers		
8. Program Increases		173,237
a. Annualization of New FY 2012 Program		
b. One-Time FY 2013 Increases		
c. Program Growth in FY 2013		
1) Facility Sustainment, Restoration and Modernization Increase supports water/wastewater infrastructure improvements related to the military build-up on Guam. (FY 2012 Baseline \$33 million)	106,482	

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

<b>C. Reconciliation of Increases and Decreases</b>	<b>Amount</b>	<b>Totals</b>
2) Public School Facilities on Military Installations Provides funds to the Office of Economic Adjustment to provide grants to Local Education Agencies (LEAs) for public schools on military installations to address physical condition and/or capacity deficiencies. (FY 2012 Baseline \$0)	51,000	
3) Support Force Reductions and Community Impacts of Weapons Systems Reductions Funds are required to support force structure reductions and weapons systems reductions. The OEA must be able to capably assist these communities with a program of support. (FY 2012 Baseline \$0)	12,000	
4) Increase for Grants Increase in funding to support communities with returning military personnel from overseas contingency operations. Also, to assist states and communities in their socioeconomic efforts to absorb the increase of military personnel, and their dependents, for off-base community services and facilities. (Baseline \$0)	3,755	
9. Program Decreases		-267,149
a. Annualization of FY 2012 Program Decreases		
b. One-Time FY 2012 Increases		
1) One time Decrease from FY12 Congressionally Directed Program This reduction is intended to reduce the FY 2013 baseline by the congressionally directed funding previously provided in support of the DoD program for construction, renovation, repair or expansion of public schools located on military installations and program growth. (Baseline \$0)	-264,420	

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

<b>C. Reconciliation of Increases and Decreases</b>	<b>Amount</b>	<b>Totals</b>
c. Program Decreases in FY 2013		
1) Decrease in Equip Maintenance Contract This reduction represents a decrease in operations, specifically service support contracts. OEA will reevaluate and streamline its operating plan for equipment, including foregoing contract extensions on equipment maintenance. (FY 2012 Baseline \$3,163 thousand)	-1,515	
2) Program Reduction Funding is reduced as a result of the anticipated increase to state and local government funds cost sharing on program grants from 10 percent to 25 percent when DoD expands its presence in a community. (Baseline \$0)	-1,100	
3) Travel-Efficiency OEA will reduce discretionary travel costs by identifying alternatives to traveling (i.e teleconferencing, web- conferencing, attending training that is offered in the local area or via internet, etc.). (FY 2012 Baseline \$804 thousand)	-62	
4) Printing and Reproduction-Efficiency OEA will reduce printing and reproduction services from external sources by greater utilization of electronic media to reduce financial waste and environmental impact. (FY 2012 Baseline \$104 thousand)	-52	
<b>FY 2013 Budget Request</b>		<b>253,437</b>

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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 budget efficiencies.

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 expansion actions, or the return of military personnel from overseas contingency operations, 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 requirements in a timely manner. Additionally, OEA will carryout \$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.

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<u>V. Personnel Summary</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>Change FY 2011/ FY 2012</u>	<u>Change FY 2012/ FY 2013</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>41</u>	<u>38</u>	<u>38</u>	<u>-3</u>	<u>0</u>
U.S. Direct Hire	41	38	38	-3	0
Total Direct Hire	41	38	38	-3	0
<u>Civilian FTEs (Total)</u>	<u>41</u>	<u>38</u>	<u>38</u>	<u>-3</u>	<u>0</u>
U.S. Direct Hire	41	38	38	-3	0
Total Direct Hire	41	38	38	-3	0
Average Annual Civilian Salary (\$ in thousands)	138.0	124.0	124.0	-14.0	0



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

<b>OP 32 Line</b>	<b>FY 2011 Actuals</b>	<b>Change FY 2011/FY 2012</b>		<b>FY 2012 Estimate</b>	<b>Change FY 2012/FY 2013</b>		<b>FY 2013 Estimate</b>
		<b>Price</b>	<b>Program</b>		<b>Price</b>	<b>Program</b>	
101 Exec, Gen'l & Spec Scheds	5,675	0	-928	4,747	17	-17	4,747
107 Voluntary Sep Incentives	42	0	-42	0	0	0	0
<b>199 Total Civ Compensation</b>	<b>5,717</b>	<b>0</b>	<b>-970</b>	<b>4,747</b>	<b>17</b>	<b>-17</b>	<b>4,747</b>
308 Travel of Persons	487	9	308	804	14	-62	756
<b>399 Total Travel</b>	<b>487</b>	<b>9</b>	<b>308</b>	<b>804</b>	<b>14</b>	<b>-62</b>	<b>756</b>
673 Def Fin & Accounting Svc	201	-36	106	271	45	-45	271
<b>699 Total DWCF Purchases</b>	<b>201</b>	<b>-36</b>	<b>106</b>	<b>271</b>	<b>45</b>	<b>-45</b>	<b>271</b>
912 GSA Leases (SLUC)	760	14	-57	717	12	-12	717
913 Purch Util (non fund)	0	0	106	106	2	-2	106
920 Supplies/Matl (non fund)	209	4	-72	141	2	7	150
921 Print & Reproduction	0	0	104	104	2	-52	54
922 Eqt Maint Contract	2,113	38	1,012	3,163	54	-1,515	1,702
923 Facilities Maint by Contr	649	12	32,339	33,000	561	105,921	139,482
932 Mgt Prof Support Svcs	345	6	-351	0	0	0	0
960 Interest and Dividends	1	0	0	1	0	0	1
964 Sub/Support of Persons	1	0	8	9	0	0	9
984 Equipment Contracts	770	14	-784	0	0	0	0
987 Other IntraGovt Purch	9	0	1,181	1,190	20	-20	1,190
988 Grants	36,208	652	260,453	297,313	5,054	-198,115	104,252
<b>999 Total Other Purchases</b>	<b>41,065</b>	<b>740</b>	<b>293,939</b>	<b>335,744</b>	<b>5,707</b>	<b>-93,788</b>	<b>247,663</b>
<b>Total</b>	<b>47,470</b>	<b>713</b>	<b>293,383</b>	<b>341,566</b>	<b>5,783</b>	<b>-93,912</b>	<b>253,437</b>

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improvements related to the military build-up in Guam. As noted in the public law, this funding is considered "available until expended".