

**Office of Economic Adjustment
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2021 Budget Estimates**

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

	FY 2019	Price	Program	FY 2020	Price	Program	FY 2021
	<u>Actuals</u>	<u>Change</u>	<u>Change</u>	<u>Enacted</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>
OEA	132,335	2,689	314,601	449,625	8,964	-418,317	40,272

The FY 2020 Enacted column includes a funding increase for Public Schools on Military Installations (\$315 million), Defense Community Infrastructure Program (\$50 million), Defense Manufacturing Communities (\$25 million), and \$400 thousand to replace two civilian personnel positions that were taken in a previous Department efficiency effort. As noted in the public law, the Public Schools on Military Installations funding is "available until expended."

I. Description of Operations Financed: The Office of Economic Adjustment (OEA) provides support to communities and states as they are essential to supporting the lethality and readiness of our installations, ranges, and supply chains. The Joint Force is built to be lethal through the weapons employed, the intelligence and surveillance systems used to target, and the supply system supporting the soldiers and equipment used to employ those systems at a state of high Readiness to deploy and fight.

OEA directly supports the National Defense Strategy's three lines of effort: readiness and lethality, partnerships and alliances, and business reform. OEA leverages other Federal and state/local resources to assist states and communities impacted by Defense changes and implements programs and other efforts as directed by the Secretary of Defense (SECDEF). The technical and financial assistance provided by OEA helps communities to plan and carry out local adjustment strategies.

As the Executive Director for Economic Adjustment Committee (EAC), the OEA Director provides guidance and assistance by leveraging other Federal agency expertise to enable the Components and impacted states and communities to: assess economic hardships caused by Department of Defense (DoD) program changes; identify and evaluate alternatives for

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I. Description of Operations Financed (cont.)

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.

Program of Assistance:

OEA's Program of Assistance supports Department of Defense needs, including:

- Military installation resilience;
- Mission Growth
- Compatible use and responding to instances of encroachment of civilian communities on military missions;
- Industry resilience;
- Budget reductions;
- Contract reductions/cancellations; and,
- Base closures and realignments

OEA's assistance helps states and communities respond to:

- Defense job losses;
- Reductions in defense economic activity;
- Tax base reductions;

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I. Description of Operations Financed (cont.)

- Mission needs for increased public services and infrastructure; and
- Local missions being impaired by civilian activity

Program of Assistance Example - Industry Resilience:

OEA's Industry Resilience activities assist states, regions, and communities with a program of support designed to overcome the loss of Defense contracts, strengthen the economic and cyber resiliency of their supply chains, resulting in increased competitiveness and innovation for the Department. The OEA provides grants to organizations that partner with state and local entities to identify vulnerabilities from reductions to DoD supply chains; posture 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. OEA assistance represents the only source of technical and financial resources for civilian efforts to help strengthen defense supply chains at the state and local 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.

As a result of an OEA Industry Resilience Investment (benefitting all services), Wichita State University created the Advanced Technologies Lab for Aerospace Systems (ATLAS) at its National Institute for Aviation Research. This new capability allowed the Air Force

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I. Description of Operations Financed (cont.)

to award a \$23.5 million contract in 2019 for model and manufacturing using composites. This results in a value to DoD through the application of this "Modeling for Affordable, Sustainable Composites" project on DoD equipment and assets, assisting to automate manufacturing of advanced structures and bonded joints, validating high-fidelity composite repair analysis techniques, and assesses aging composite structures for life extension and structural enhancements. This has immediate application for new and aging airframes, naval assets, and other assets.

As a result of a \$3.8 million OEA Industry Resilience Investment, the State of Utah trained over 200 Defense contractors on the technical and business case of metal additive manufacturing. This effort was instrumental in deepening the regional supply chain in order to support the F-35 and A-10 fleet sustainment mission at Hill AFB using additive manufacturing technologies for repair or manufacturing of legacy or low-demand parts.

Program of Assistance Example - Compatible Use & Military Installation Resiliency:

The OEA's Compatible Use & Military Installation Resiliency activities are designed to respond to civilian activity that is impairing the operational utility of a military installation, range, military training route, special use airspace, and/or military operations area. Technical and financial assistance is provided to State and local governments to ensure civilian activities are compatible with vital training, testing, and other military operations. The program represents the only DoD source of technical and financial resources for civilian efforts to optimize the local mission - support lethality and enhance the military value/resilience of our assets. The OEA is supporting more than 75 Compatible Use projects serving the needs of the Military Departments, DoD, and neighboring civilian communities. The Military Departments may nominate

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I. Description of Operations Financed (cont.)

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 encroachment, energy siting project concerns, and military installation resiliency.

Efforts under this program often deliver dividends for the Department, including:

Navy - SUBASE New London: As a result of a \$320 thousand OEA Compatible Use investment, the State of Connecticut invested more than \$2.3 million in land purchases and infrastructure projects that prevent or mitigate civilian encroachment of missions at SUBASE New London.

Army - Joint Base Lewis-McChord (JBLM): As a result of a \$1.7 million OEA Compatible Use investment, the City of Lakewood and surrounding jurisdictions are working to obtain \$16.1 million for a Phase 1 buyout of properties in the Clear Zone.

Army - Fort Knox: As a result of a \$250 thousand OEA Compatible Use Investment, the local jurisdictions are working closely with the Garrison to control nearby civilian housing development that previously caused the Fort to shift an artillery firing position, as well as other civilian activities that threatened the use of a \$35 million upgrade to the Yano Range complex.

OEA is also managing over 200 active awards, totaling \$1.3 billion in FY2020. These numbers will change as we execute the FY20 appropriation, including several additional projects in a pre-award phase that will mature to funding in FY2020. OEA grant management

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I. Description of Operations Financed (cont.)

and oversight responsibilities extend from pre-award project management and risk assessments, through post-approval monitoring and management of awards (to include payments, amendments, enforcement, and project management travel), to close-out, audit responsiveness, Federal interest enforcement, and intellectual property management. These responsibilities are mandated by 2 CFR 200. Depending upon the award, this oversight may extend across several fiscal years.

Operational Support Activities:

OEA headquarters enables mission execution by strategically managing priorities in support of the Department's goals and initiatives. Functions of the headquarters includes:

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

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I. Description of Operations Financed (cont.)

OEA continues to restructure its organization to comply with all DoD management and organizational initiatives resulting in alignment of support functions in a streamlined organization with optimal supervisory oversight.

OEA continues modernizing its IT infrastructure through upgrades 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. Additionally, the upgrades will support OEA audit readiness efforts.

OEA has made significant improvements to its electronic grants payment processes by successfully transitioning to U.S. Department of Health and Human Services' Payment Management System (PMS). OEA is the only DoD entity utilizing PMS, and this fully aligns with the President's Management Agenda.

II. Force Structure Summary:

Not Applicable.

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III. Financial Summary (\$ in thousands)

A. <u>BA Subactivities</u>	FY 2020						
	FY 2019 <u>Actuals</u>	Budget <u>Request</u>	<u>Congressional Action</u>			Current <u>Enacted</u>	FY 2021 <u>Estimate</u>
			<u>Amount</u>	<u>Percent</u>	<u>Appropriated</u>		
OEA	132,335	59,513	390,112	655.5	449,625	449,625	40,272
Total	132,335	59,513	390,112	655.5	449,625	449,625	40,272

The FY 2020 Enacted column includes a funding increase for Public Schools on Military Installations (\$315 million), Defense Community Infrastructure Program (\$50 million), Defense Manufacturing Communities (\$25 million), and \$400 thousand to replace two civilian personnel positions that were taken in a previous Department efficiency effort. As noted in the public law, the Public Schools on Military Installations funding is "available until expended."

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III. Financial Summary (\$ in thousands)

<u>B. Reconciliation Summary</u>	<u>Change</u> <u>FY 2020/FY 2020</u>	<u>Change</u> <u>FY 2020/FY 2021</u>
Baseline Funding	59,513	449,625
Congressional Adjustments (Distributed)	75,400	
Congressional Adjustments (Undistributed)	-288	
Adjustments to Meet Congressional Intent		
Congressional Adjustments (General Provisions)	315,000	
Subtotal Appropriated Amount	449,625	
Fact-of-Life Changes (2020 to 2020 Only)		
Subtotal Baseline Funding	449,625	
Supplemental		
Reprogrammings		
Price Changes		8,964
Functional Transfers		
Program Changes		-418,317
Current Estimate	449,625	40,272
Less: Wartime Supplemental		
Normalized Current Estimate	449,625	

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	<u>Amount</u>	<u>Totals</u>
C. <u>Reconciliation of Increases and Decreases</u>		
FY 2020 President's Budget Request (Amended, if applicable)		59,513
1. Congressional Adjustments		390,112
a. Distributed Adjustments		
1) Defense Community Infrastructure Program	50,000	
2) Defense Manufacturing Communities	25,000	
3) Civilian Growth	400	
b. Undistributed Adjustments		
1) Unjustified Growth (Across-the-Board reduction to the Operation and Maintenance, Defense-Wide Account) Across-the-Board Reduction to the Operation and Maintenance, Defense-Wide Account	-220	
2) Budget Justification Inconsistency (Across-the-Board reduction to the Operation and Maintenance, Defense-Wide Account)	-68	
c. Adjustments to Meet Congressional Intent		
d. General Provisions		
1) PSMI Section 8121 (Mil Schools)	315,000	
FY 2020 Appropriated Amount		449,625
2. War-Related and Disaster Supplemental Appropriations		
3. Fact-of-Life Changes		
FY 2020 Baseline Funding		449,625
4. Reprogrammings (Requiring 1415 Actions)		
Revised FY 2020 Estimate		449,625
5. Less: Item 2, War-Related and Disaster Supplemental Appropriations and Item 4, Reprogrammings		
FY 2020 Normalized Current Estimate		449,625
6. Price Change		8,964
7. Functional Transfers		
8. Program Increases		

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C. <u>Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
a. Annualization of New FY 2020 Program		
b. One-Time FY 2021 Increases		
c. Program Growth in FY 2021		
9. Program Decreases		-418,317
a. Annualization of FY 2020 Program Decreases		
b. One-Time FY 2020 Increases		
c. Program Decreases in FY 2021		
1) Grants	-398,160	
The difference in FY 2020 to FY 2021 is due to Congressional increases in FY 2020 for Public Schools on Military Installations (\$315M), Defense Community Infrastructure Program (\$50M), and Defense Manufacturing Communities (\$25M). (FY 2020 Baseline: \$437 thousand; +0 FTEs)		
2) Defense-Wide Review (DWR): Office of Economic Adjustment Reductions	-20,000	
(1) Grant funding reduced by -\$19.9 million (FY 2020 Baseline: \$437 million; +0 FTEs)		
(2) Decrease of -\$104 thousand in contractor FTE funding (FY 2020 Baseline: \$1,983 thousand; -5 Contractor FTEs)		
3) Compensation and Benefits	-129	
One additional compensable day was included in FY 2020. The number of compensable days change from 262 in FY 2020 to 261 in FY21.		
4) Rent Payments to GSA	-16	
Funding decrease to accommodate price changes for services provided by non-federal sources. (FY 2020		

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<u>C. Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
Baseline: \$821 thousand; +0 FTEs)		
5) Travel	-10	
Reduction of travel costs by identifying alternatives to traveling (i.e. teleconferencing, web-conferencing, and localized training prioritization). (FY 2020 Baseline: \$500 thousand; +0 FTEs)		
6) Printing and Reproduction	-1	
(FY 2020 Baseline: \$30 thousand; + 0 FTEs)		
7) Utilities	-1	
Reduction in purchased utilities to properly align with actual requirements. (FY 2020 Baseline: \$40 thousand; +0 FTEs)		
FY 2021 Budget Request		40,272

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IV. Performance Criteria and Evaluation Summary:

Not applicable.

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V. <u>Personnel Summary</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>Change FY 2019/ FY 2020</u>	<u>Change FY 2020/ FY 2021</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>31</u>	<u>39</u>	<u>39</u>	<u>8</u>	<u>0</u>
U.S. Direct Hire	31	39	39	8	0
Total Direct Hire	31	39	39	8	0
<u>Civilian FTEs (Total)</u>	<u>31</u>	<u>39</u>	<u>39</u>	<u>8</u>	<u>0</u>
U.S. Direct Hire	31	39	39	8	0
Total Direct Hire	31	39	39	8	0
Average Annual Civilian Salary (\$ in thousands)	173.4	159.7	158.8	-13.7	-0.9
 <u>Contractor FTEs (Total)</u>	 <u>22</u>	 <u>23</u>	 <u>18</u>	 <u>1</u>	 <u>-5</u>

The military end strength positions in FY 2021 does not match the official DoD system of record (i.e., Comptroller Information System), which currently reflects zero for OEA due to a disconnect discovered after the system locked.

Increases in both operational expenditures and personnel in FY 2020 reflect contract costs incurred to upgrade financial management and mission systems as well as processes to comply with requirements of the DoD Audit, implement critical business reforms, and cover failures in provision of services by the Joint Services Provider (JSP). Decreases from FY 2020 - FY 2021 reflect Defense-Wide Review related deductions.

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

<u>OP 32 Line</u>	<u>FY 2019</u> <u>Actuals</u>	<u>Change</u> <u>FY 2019/FY 2020</u>		<u>FY 2020</u> <u>Enacted</u>	<u>Change</u> <u>FY 2020/FY 2021</u>		<u>FY 2021</u> <u>Estimate</u>
		<u>Price</u>	<u>Program</u>		<u>Price</u>	<u>Program</u>	
101 Exec, Gen'l & Spec Scheds	5,374	149	707	6,230	96	-131	6,195
199 Total Civ Compensation	5,374	149	707	6,230	96	-131	6,195
308 Travel of Persons	434	9	57	500	10	-10	500
399 Total Travel	434	9	57	500	10	-10	500
416 GSA Supplies & Materials	0	0	100	100	2	-2	100
417 Local Purch Supplies & Mat	78	2	-80	0	0	0	0
499 Total Supplies & Materials	78	2	20	100	2	-2	100
912 Rental Payments to GSA (SLUC)	95	2	724	821	16	-16	821
913 Purchased Utilities (Non-Fund)	348	7	-315	40	1	-1	40
915 Rents (Non-GSA)	685	14	-699	0	0	0	0
921 Printing & Reproduction	40	1	-11	30	1	-1	30
922 Equipment Maintenance By Contract	947	19	-316	650	13	-13	650
923 Facilities Sust, Rest, & Mod by Contract	7	0	233	240	5	-5	240
933 Studies, Analysis & Eval	5,587	112	-5,499	200	4	6	210
960 Other Costs (Interest and Dividends)	4	0	-1	3	0	0	3
964 Other Costs (Subsistence and Support of Persons)	0	0	210	210	4	-14	200
984 Equipment Contracts	1	0	-1	0	0	0	0
987 Other Intra-Govt Purch	1,473	29	-602	900	18	-18	900
988 Grants	117,199	2,344	317,158	436,701	8,734	-418,052	27,383
989 Other Services	63	1	2,936	3,000	60	-60	3,000
999 Total Other Purchases	126,449	2,529	313,817	442,795	8,856	-418,174	33,477
Total	132,335	2,689	314,601	449,625	8,964	-418,317	40,272

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