

Fiscal Year (FY) 2007 Budget Estimates
Office of Economic Adjustment (OEA)



February 2006

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**OFFICE OF ECONOMIC ADJUSTMENT
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2007 Budget Estimates**

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

	<u>FY 2005 Actuals</u>	<u>Price Change</u>	<u>Program Change</u>	<u>FY 2006 Estimate</u>	<u>Price Change</u>	<u>Program Change</u>	<u>FY 2007 Estimate</u>
OEA	59,965	1,440	100,190	161,595	3,521	-92,095	73,021

* The FY 2005 actual column and the FY 2006 estimate column contain no supplemental funding.

I. Description of Operations Financed: The Office of Economic Adjustment (OEA) manages and directs the Defense Economic Adjustment Program and coordinates the involvement of other Federal Agencies. When DoD programs change, economic adjustment assistance helps impacted communities to assess the resulting economic hardships, identify and evaluate alternatives for local recovery, identify resource requirements, and assist in the preparation of an adjustment strategy or action plan to help their communities. These are communities:

- (a) that are affected by base closures, realignments, and reductions in defense industry employment;
- (b) whose local economy is heavily dependent on defense expenditures;
- (c) where expansion of the local military installation significantly increases the demand for public facilities and services; or
- (d) where community development and encroachment threatens the mission of an installation.

The OEA administers a Joint Land Use Study (JLUS) program to encourage cooperative land use planning between military installations and the surrounding communities where civilian encroachment is likely to impair the operations of an installation. In these instances, OEA may provide technical and financial assistance to State and local governments to achieve compatible land use and development activities near Defense facilities. The OEA may also support the Under Secretary of Defense (Policy),

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EUCOM/Joint Staff, and NATO for international defense restructuring and reforms; threat reduction; and enhanced relationships with Partner Nations.

The OEA staff is experienced in economic and community development, land use planning, public and private ventures, real estate development, Federal real property programs, military programs and worker adjustment. Project Managers also bring a working knowledge of other Federal Agencies and their respective programs to help communities put together an adjustment program combining Federal, State, local and private resources.

The FY 2001 Defense Authorization Act amended the Base Closure and Realignment Act of 1990 to allow for an additional round of base realignments and closures (BRAC) starting in FY 2005. The Secretary of Defense's recommendations were announced in the May 2005 "Department of Defense Base Closure and Realignment Report." The September 2005 Defense Base Closure and Realignment Commission "Report to the President" (Commission Report) finalized the recommendations and became law in November 2005.

The OEA funding will be used to provide assistance to BRAC communities to undertake specialized plans for local economic recovery and facilitate the reuse of the base; to coordinate Federal assistance to communities impacted by significant growth at nearby installations, including demands on infrastructure, facilities and services; and to work with the military installations and their surrounding communities to prevent further community development from encroaching on base operational effectiveness. In addition, OEA will continue to provide executive support for the President's multi-agency Economic Adjustment Committee.

II. Force Structure Summary: Not Applicable.

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III. Financial Summary (\$ in Thousands)

	FY 2006						
	FY 2005 Actuals	Budget Request	Congressional Action			Curren t	FY 2007
Amount			Percen t	Appropriat ed			
A. <u>Budget Activity (BA)4, Administration and Service- wide Activities</u>							
OEA Program and Administration	13,090	30,463	-2,723	-8.9	27,740	27,740	73,021
Increased Assistance to Local Communities - BRAC 2005			55,000		55,000	55,000	
March Joint Powers Authority	1,500						
Davids Island-Fort Slocum	2,600		5,000		5,000	5,000	
McClellan AFB Sewer Remediation	2,000		2,600		2,600	2,600	
Bayonne Military Ocean Terminal	5,000		4,000		4,000	4,000	
Cecil Field	1,000						
Hunters Point Naval Shipyard	2,250		4,000		4,000	4,000	
Norton AFB	4,250		4,250		4,250	4,250	
George AFB	1,700		2,550		2,550	2,550	
Adak NAS	3,400						
Fort Benjamin Harrison	2,000						
Port of Anchorage Army Deployment	5,000						
Port of Anchorage Intermodal Facility	7,375		8,500		8,500	8,500	
UCHSC-DCH Fitzsimmons Medical Center	6,500		1,800		1,800	1,800	
Program for Citizen Soldier Support	1,800		3,000		3,000	3,000	
Thorium/Magnesium	500		1,000		1,000	1,000	

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A. <u>Budget Activity (BA)4,</u>	FY 2006						
	FY 2005 <u>Actuals</u>	Budget <u>Request</u>	<u>Congressional Action</u>			Curren <u>t</u>	FY <u>2007</u>
			<u>Amount</u>	<u>Perce nt</u>	<u>Appropriat ed</u>		
Excavation-Blue Island							
Homestead Air Reserve Base Perimeter Improvement			600		600	600	
JFSC Infrastructure			1,680		1,680	1,680	
Philadelphia Navy Yard			1,000		1,000	1,000	
Port of Philadelphia			1,500		1,500	1,500	
Port of Port Arthur Drydock Transfer			1,000		1,000	1,000	
Rialto-Colton Basin Bio- Remediation Demonstration Project			1,250		1,250	1,250	
Toledo Naval Weapons Reserve Plant Restoration			2,450		2,450	2,450	
Watervliet Innovation Center			750		750	750	
Telecommunications Upgrades at Kodiak Launch Complex			12,325		12,325	12,325	
Locomotives/Rail Cars to Support Deployment of Stryker Brigade			16,000		16,000	16,000	
Arnold Heights Redevelopment			1,500		1,500	1,500	
Fort Wainwright Track Relocation Study			2,000		2,000	2,000	
Lake Ontario Ordnance Works			100		100	100	
Total	59,965	30,463	131,132		161,595	161,595	73,021

* The FY 2005 actual column and the FY 2006 estimate column contain no supplemental funding.

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B. Reconciliation Summary

	<u>Change</u> <u>FY 2006/FY</u> <u>2006</u>	<u>Change</u> <u>FY 2006/FY</u> <u>2007</u>
1 11 1 1	20 400	161 505
2 10 1 0	122 055	
3 11 1 0	0 010	
4 11 1 0	0 005	
5 11 1 0	0 00	
6 11 1 0	161 505	
7 11 1 0	161 505	
8 11 1 0		0 501
9 11 1 0		00 005
10 11 1 0	161 505	50 001
11 11 1 0	161 505	

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<u>C. Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
FY 2006 President's Budget Request		30,463
1. Congressional Adjustments		131,132
a. Distributed Adjustments	133,855	
1) Bayonne Military Ocean Terminal	4,000	
2) Citizen Soldier Support Program	3,000	
3) Davids Island-Fort Slocum Remediation	5,000	
4) George AFB	2,550	
5) Homestead Air Reserve Base Perimeter Improvement	600	
6) Hunters Point Naval Shipyard	4,000	
7) JFSC Infrastructure	1,680	
8) McClellan AFB Sewer Remediation	2,600	
9) Norton AFB	4,250	
10) Philadelphia Navy Yard	1,000	
11) Port of Philadelphia	1,500	
12) Port of Port Arthur Drydock Transfer	1,000	
13) Rialto-Colton Basin Bio-Remediation Demonstration Project	1,250	

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<u>C. Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
14) Toledo Naval Weapons Reserve Plant Env. Restoration	2,450	
15) Watervliet Innovation Center	750	
16) Telecommunications Upgrades at Kodiak Launch Complex	12,325	
17) UCHSC-DCH Fitzsimmons Medical Campus	1,800	
18) Port Anchorage Intermodal Marine Facility Project	8,500	
19) Increase Assistance to Local Communities	55,000	
20) Locomotives/Rail Cars to Support Deployment of Stryker Brigade	16,000	
21) Arnold Heights Redevelopment	1,500	
22) Fort Wainwright Track Relocation Study	2,000	
23) Thorium/Magnesium Excavation - Blue Island	1,000	
24) Lake Ontario Ordnance Works	100	
b. Undistributed Adjustments - Unobligated Balances	-310	
c. Adjustments to meet Congressional Intent		
d. General Provisions	-2,325	
1) Sec 8087 - Advisory and Assistance Services	-310	
2) Sec 8125 - Economic Assumptions	-259	

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<u>C. Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
3) Sec 8109 - Excessive Growth in Travel and Transportation	-122	
4) 1 percent Rescission	-1,634	
e. Congressional Earmarks: Indian Lands Environmental Impact	-88	
FY 2006 Appropriated Amount		161,595
2. War-Related and Disaster Supplemental Appropriations		
3. Fact of Life Changes		
FY 2006 Baseline Funding		161,595
4. Reprogrammings (requiring 1415 Actions)		
Revised FY 2006 Estimate		161,595
5. Less: Item 2, War-Related and Disaster Supplemental Appropriations and Item 4, Reprogrammings, Iraq Freedom Fund Transfers		
FY 2006 Normalized Current Estimate		161,595
6. Price Change		3,521
7. Functional Transfers		
8. Program Increases		32
a. Annualization of New FY 2006 Program		

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<u>C. Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
b. One-Time FY 2007 Increases		
c. Program Growth in FY 2007		
1) Increase in civilian personnel costs due to fact-of-life within grade increases.	32	
9. Program Decreases		-92,127
a. Annualization of FY 2006 Program Decreases		
b. One-Time FY 2006 Increases		
1) Decrease in one-time distributed Congressional adjustments including price growth	-92,099	
c. Program Decreases in FY 2007		
1) Decreased printing costs	-28	
FY 2007 Budget Request		73,021

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IV. Performance Criteria and Evaluation Summary:

OEA is DoD's primary source for assisting communities that are adversely impacted by Defense changes. As the first responder locally to the Department's BRAC actions, OEA's mission is to ensure that technical and financial assistance provided under the Defense Economic Adjustment Program enables affected communities to: 1) plan and carry out adjustment strategies; 2) engage the private sector in ventures to plan and/or undertake economic and base redevelopment; and 3) partner with the Military Departments as they implement BRAC actions in support of the DoD mission.

OEA will assist communities impacted by BRAC with a multi-year program of support. In the case of a downsizing closure or realignment action, OEA will assist states and communities to address challenges which include: replacing the jobs lost through the DoD action; creating local capacity to plan and possibly 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.

In the case of a realignment action resulting in local growth, OEA will assist states and communities to focus on the capacity of the community to absorb an influx of personnel and any excessive demands on off-base community services and facilities.

The DoD Report recommended 33 major closures of installations, 29 major realignments of installations and 49 major gains of installations, for a total of 111 impacted installations. The Commission Report adjusted this total to 22 major closures, 33 major realignments, and 44 major gains, for a total of 99 impacted installations.

IV. Performance Criteria and Evaluation Summary:

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OEA estimates these 99 impacted installations will result in an award of 60 grants to impacted state and local governments in FY 2007. Additionally, ongoing DoD Transformation initiatives may increase the number of growth projects. These numbers may also increase depending on additional Congressional requirements and responsibilities OEA may be directed to assume.

<u>Type of Project</u>	Number of Projects		
	FY 2005	FY 2006	FY 2007
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
Base Closure/Realignment Grant	40	60	60
Defense Industry Impacts	2	2	2
Joint Land Use Studies	40	30	30
State Grants	5	5	5

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V. Personnel Summary

	<u>FY</u> <u>2005</u>	<u>FY</u> <u>2006</u>	<u>FY</u> <u>2007</u>	Change FY 2005/ <u>FY 2006</u>	Change FY 2006/ <u>FY 2007</u>
<u>Active Military End Strength (E/S)</u>					
<u>(Total)</u>					
Officer	3	3	3	0	0
<u>Civilian End Strength (Total)</u>					
U.S. Direct Hire	36	41	41	5	0
Total Direct Hire	36	41	41	5	0
<u>Active Military Average Strength (A/S)</u>					
<u>(Total)</u>					
Officer	3	3	3	0	0
<u>Civilian FTEs (Total)</u>					
U.S. Direct Hire	32	41	41	9	0
Total Direct Hire	32	41	41	9	0
Average Annual Civilian Salary	83,313	84,195	86,902	882	2,707

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

<u>OP 32 Line</u>	Change from			Change from			
	<u>FY 2005 to FY 2006</u>			<u>FY 2006 to FY 2007</u>			
	FY 2005	Price	Program	FY 2006	Price	Program	FY 2007
<u>Actuals</u>	<u>Growth</u>	<u>Growth</u>	<u>Estimate</u>	<u>Growth</u>	<u>Growth</u>	<u>Estimate</u>	<u>Estimate</u>
<u>Civilian Compensation</u>							
101 Exec, Gen and Spec	3,365	87	933	4,385	101	32	4,518
107 VSIP	12	0	-12	0	0	0	0
<u>Travel</u>							
308 Travel of Persons	206	5	142	353	8	0	361
<u>Other Purchases</u>							
912 SLUC	456	11	0	467	12	0	479
914 Communications	343	8	12	363	8	0	371

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920 Supplies/Materials	301	7	54	362	8	0	370
921 Printing	25	1	124	150	3	-28	125
923 Facility SRM	10	0	-10	0	0	0	0
925 Equipment	78	2	0	80	2	0	82
987 Other Purchases	335	8	0	343	8	0	351
988 Grants	52,315	1,256	98,902	152,473	3,354	-92,099	63,728
989 Other Contracts	2,212	63	0	2,275	50	0	2,325
998 Other Costs	2	0	0	2	0	0	2
<u>Financial Operations</u>							
673 DFAS	305	-8	45	342	-33	0	309
Total	59,965	1,440	100,190	161,595	3,521	-92,095	73,021

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