



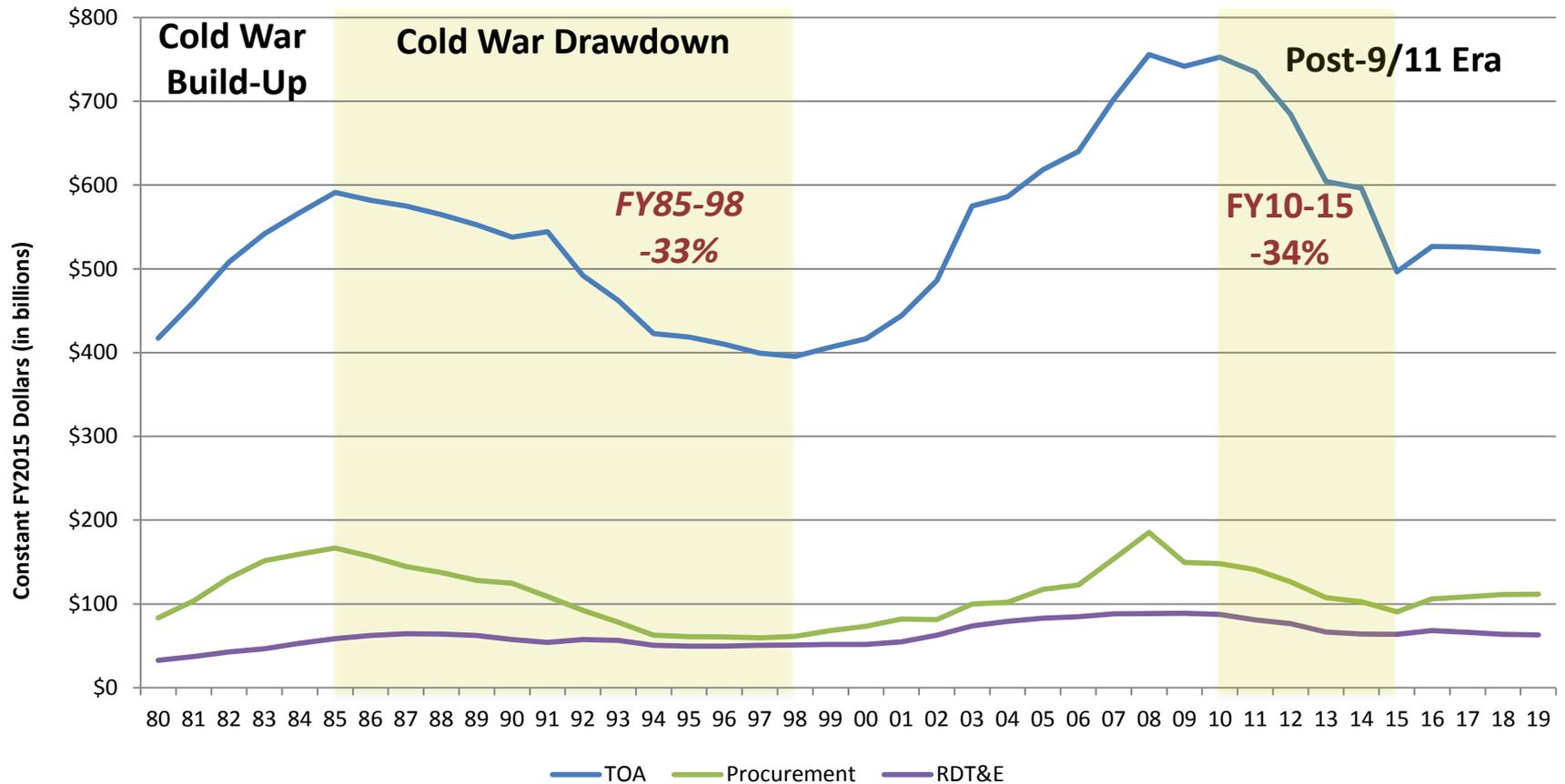
# Defense Industry Adjustment Program

*Office of Economic Adjustment*

*Arlington, Virginia*



# Defense Budget: FY 80-19



Note: Total Obligational Authority in constant billions of dollars. Include all enacted war and supplemental funding through FY14.

Source: Table 6-1, FY 2015 DoD Comptroller's Green Book.



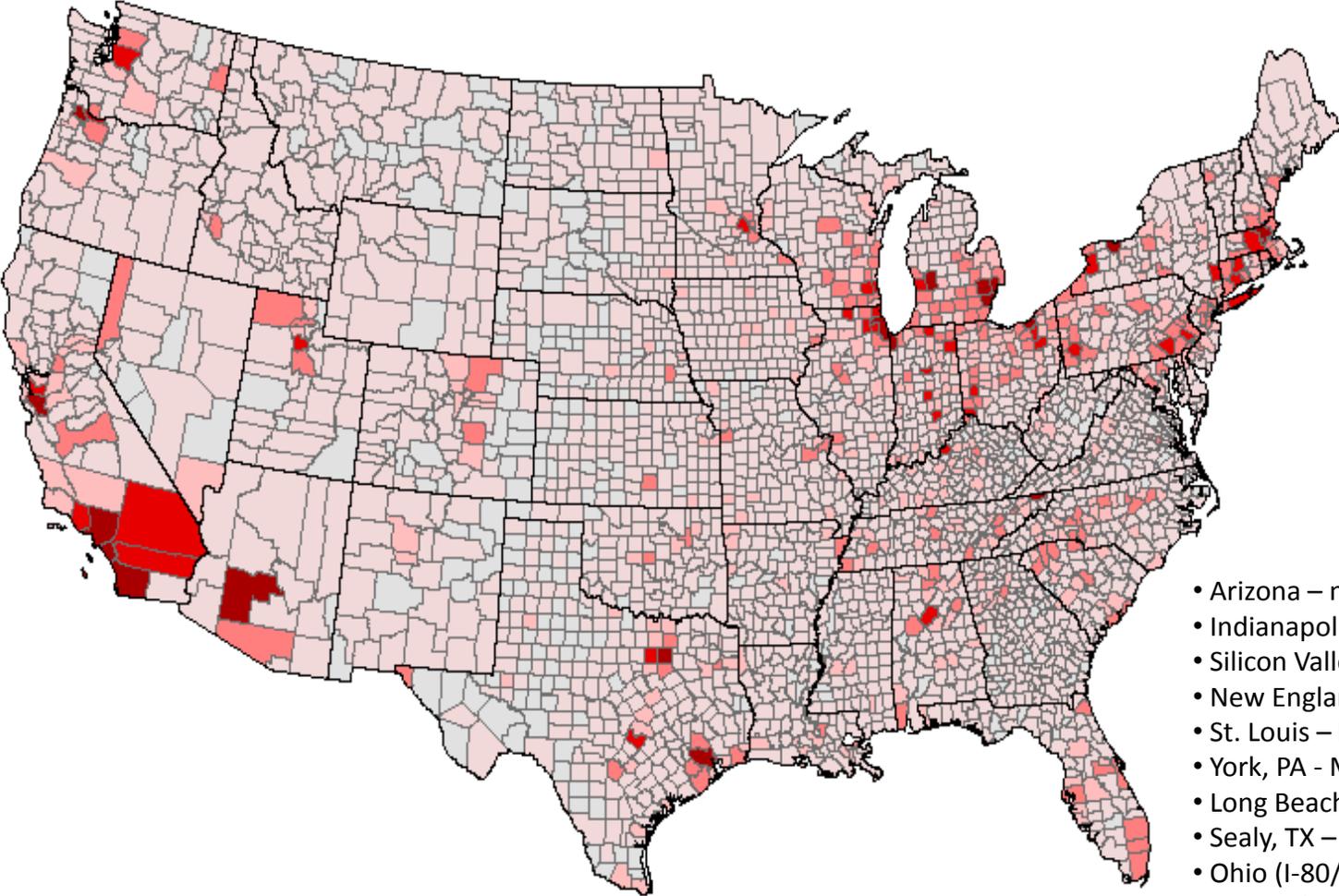
# FY 15 DoD President's Request



- FY 15 President's Budget seeks \$496 billion for DoD – excluding Overseas Contingency Operations (OCO)
  - \$45.2 B less than DoD had planned for FY15 in 2013
- \$26.B Opportunity, Growth and Security fund being managed by OMB
- Uncertainty over plans for FY 16 through FY 19
- With no relief from BCA, procurement and RDT&E currently in the FYDP will likely be cut



# Defense Industry FY 2014 Estimated Impacts



- Arizona – multiple aerospace
- Indianapolis – OV-22
- Silicon Valley – software
- New England – multiple aerospace
- St. Louis – F/A-18
- York, PA - M-88, M-109-A6, M2/3
- Long Beach, CA – C-17
- Sealy, TX – ground vehicles
- Ohio (I-80/90, I-75) – ground vehicles
- Detroit/Sterling Heights – ground vehicles

# Today's Federal Environment



- **Federal Agencies**

- All under budget pressure (deficit, slow economy)
  - DOL – System reformed since '90s.
  - NIST MEP – Established in '90s. Well received by SMEs then, more proven model today.
  - EDA – Key partner in '90s.
  - SBA – Resources valuable to SMEs in '90s. Federal level interest in cluster development programs.

- **Federal Response**

- Coordinating DoD effort through Investing in Manufacturing Communities Partnership.
- 1990s response was loosely coordinated by DoD through the EAC. Much more active DoD role today.



# OEA Engagement



- Field activity established under Secretary of Defense
  - Founded in 1961
  - Staff of 21 Project Managers
  - Western Regional Office
- Created to help state and local governments plan and carry out community adjustment and diversification programs in response to DoD actions, including:
  - ✓ Personnel reductions
  - ✓ Industry/contractor reductions
  - ✓ Base closures or realignments
  - ✓ Base expansions
  - ✓ Operational/training impacts
- Legacy as a result of providing technical and financial assistance to over 500 defense-impacted communities



# DIA Program Areas



- State Planning Grants
  - Enhance a State's capacity to:
    - Assist adversely impacted communities, businesses and workers
    - Support local adjustment and diversification initiatives
    - Stimulate cooperation between statewide and local adjustment and diversification initiatives
- Industry Adjustment Grants
  - Assist State and local government to plan and carry out community adjustment and economic diversification programs



# Adjustment Challenges



- Industry
  - Large primes and first-tier suppliers have become “product integrators” and system coordinators. Greater reliance on their supply-chain.
  - Small layoffs/downturns in supply-chain masked until the cumulative effect finally raises visibility.
    - Places premium on identifying companies/sectors which are at risk early.
- Communities
  - Most local officials do not understand the size/scope of their vulnerability to DoD program/procurement changes.
- Workforce
  - Public workforce system is not resourced to address the specialized needs of high-wage, high-skill defense workers.



# DIA Federal Funding Opportunity



- Re-released May 20, 2014 with rolling deadline
- Eligibility-based, needs-based, community-driven
- Support organizing and planning
- Two-stage process
  - FFO invites 10-page proposals for inter-agency review
  - OEA project manager will work with eligible applicants to develop full applications
- OEA actions and grant awards coordinated w/ Commerce, HUD, Labor, USDA, and SBA.



# Where Are We Today?



- Current

- Anniston, AL
- Commonwealth of Massachusetts
- Commonwealth of Virginia
- Michigan/Indiana/Ohio Consortium
- Oshkosh, WI Region
- Solano County, CA
- State of Arizona
- State of Connecticut
- Texarkana, TX

- In Development

- Allen County, OH
- Commonwealth of Pennsylvania
- St. Louis Region
- State of Colorado
- State of Georgia
- State of Maryland
- State of New Jersey
- State of Ohio
- State of South Carolina



# Summary



- There is no avoiding a decline in defense spending
  - ...the rate at which it declines presents further challenges.
- The only place for DoD to balance the budget quickly is from procurement accounts.
- Starting now is the key to success for states and local governments.
  - Need to find out where defense manufacturers are in order to know if there is even a local problem.
  - Adjustment/recovery strategies will then logically flow from that local data.



# Questions



# Contacts



## Liz Chimienti

Industry Adjustment Team Lead

O: (703) 697-2075

C: (703) 901-7664

[elizabeth.a.chimienti.civ@mail.mil](mailto:elizabeth.a.chimienti.civ@mail.mil)

## Michael Gilroy

Industry Adjustment Team Lead

O: (703) 697-2081

C: (703) 901-7660

[michael.p.gilroy3.civ@mail.mil](mailto:michael.p.gilroy3.civ@mail.mil)





# Backups



# Allowable Project Elements



- Staffing
- Operating and administrative costs
- Indirect costs
- Equipment
- Contractual services
- Strength, Weakness, Opportunity, Threat analysis
- Regional supply chain mapping
- Regional asset mapping
- Cluster analysis/feasibility studies
- Economic data collection and analysis
- Diversification plans
- Business services (e.g., process improvements, industry certifications, new product development, new technology integration)
- Site licenses
- Specialized curricula
- Facilitation of workforce adjustment activities



# Common Project Elements To Date



- Supply chain identification/mapping
  - Regional
  - National
- Growth/transition industry opportunities
- Business process engineering
- Workforce protocol
  - Workforce skill set identification
  - Existing workforce transition
    - New industry
    - New business within existing industry
  - Workforce pipeline development
  - Entrepreneurial preparation

# What OEA Brings to the Table



- Direct financial assistance via grants
  - Low local match requirement of 10%
- Direct technical assistance
  - Multi-disciplinary staff
  - Advocates on behalf of community with other Federal agencies
- Knowledge management
  - Technical Publications and website
  - Connection to other communities with similar challenges



# How is DIA Different From BRAC?



- No single starting point or animating event
  - Contract cancellations
  - Contracts which do not materialize
  - Personnel reductions
- No clearly identifiable geography around which to organize a response.
- No clearly identifiable entity to be in charge
- No consensus on target for manufacturing communities
  - Preserve defense industrial base?
  - Expand defense-oriented foreign business?
  - Diversify into non-defense lines of business?

# What Does This Mean for Communities?



- No single starting point or animating event
- Accumulation of events over time, such as small layoffs or contracts which do not materialize , can create a “many cooks” scenario where each player thinks the larger problem is theirs alone to solve. Starting early is the key to better outcomes.
- No clearly identifiable geography around which to organize a response.
- Lack of a base to redevelop could create a lack of focus in crafting a project. Business-driven? Workforce-driven?
- No clearly identifiable entity to be in charge
- Business community must set the tone, at least initially, since most DIA efforts rise or fall on the health of the business sector. Lack of an obvious organizer places premium on identifying right stakeholders early.
- No consensus on target for affected manufacturing communities
- Uncertainty in many aspects of DIA project planning places a priority on developing data up front.



# Defense Industry Adjustment Goals



- Organize impacted communities to address local/regional economic issues
  - Create localized approaches to loss of defense manufacturing
- Promote business diversification
  - Maintain critical defense applications
  - Integrate Administration's Investing in Manufacturing Communities Partnership
  - Seek commercial markets where possible
- Transition workers to new jobs or industries
  - Up-skill or re-skill
  - Credentials that are portable and nationally recognized
  - Maintain and backfill existing skill base

