

Logistics

**Basic Policies  
and Principles  
for Carrying Out  
Economic  
Adjustment  
Program**

Headquarters  
Department of the Army  
Washington, DC  
30 August 1973

**UNCLASSIFIED**

# ***SUMMARY of CHANGE***

AR 700-113

Basic Policies and Principles for Carrying Out Economic Adjustment Program

This administrative revision, dated 1 April 2015--

- o Transfers proponency of the publication from the Chief of Engineers to the Assistant Chief of Staff for Installation Management.

Logistics

**Basic Policies and Principles for Carrying Out Economic Adjustment Program**

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By Order of the Secretary of the Army:

**CREIGHTON W. ABRAMS**  
*General, United States Army*  
*Chief of Staff*

Official:  
**VERNE L. BOWERS**  
*Major General, United States Army*  
*The Adjutant General*

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**History.** This publication is an administrative revision. The portions affected by this administrative revision are listed in the summary of change.

**Summary.** This Army Regulation promulgates policies and procedures established by OSD and HQDA for minimizing the economic impact on communities resulting from closures, reductions, or realignments of installations and activities.

**Applicability.** See paragraph 2.

**Army management control process.** Not applicable.

**Supplementation.** Local limited supplementation of this regulation is permitted but is not required. If supplements are issued, Army Staff agencies and major Army commands will furnish one copy of each to HQDA (DAEN–ZCI), WASH DC 20310; other commands will furnish one

copy of each to the next higher headquarters.

**Suggested improvements.** The proponent agency of this regulation is the Office of the Deputy Chief of Staff for Logistics. Users are invited to send comments and suggested improvements on DA Form 2028 (Recommended Changes to Publications) direct to HQDA (DALO–INM), WASH DC 20310.

**Distribution.** Active Army, C; ARNG, None; USAR, None.

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## **1. Purpose**

This regulation prescribes policies and responsibilities for participation in an Economic Adjustment Program to minimize the economic impact on communities resulting from changes in Army programs. DOD Directive 5410.12 (app) is published as an appendix for information, guidance, and compliance.

## **2. Applicability**

This regulation applies to all activities and installations of the Army located in the fifty states, the District of Columbia, Puerto Rico, Virgin Islands, and Guam.

## **3. Policy**

The Office of the Secretary of Defense has the lead in planning and executing economic adjustment efforts. The Army will cooperate and assist as appropriate to minimize or alleviate the economic impacts of program changes such as closures, reductions or realignments of installations and activities.

## **4. Responsibilities**

All responsibilities assigned to the Secretary of the Army in DOD Directive 5410.12 (app) are hereby assigned to major commanders reporting to HQDA for those installations and activities under their jurisdiction. DA Staff responsibility for economic adjustment activities is assigned to the Chief of Engineers.

## **5. Procedures**

When it is known or anticipated that an Army action will seriously affect the economy of a community or region, the commander of the installation or activity involved will, in addition to other actions directed herein, designate an Economic Adjustment Officer to provide the required interface with community leaders and with the OSD Office of Economic Adjustment, through the DA Staff. DA Pamphlet 210-3 provides assistance to commanders who are confronted with an installation/activity consolidation, realignment or closure within the Continental United States, Alaska, Hawaii and United States Territories.

## **Appendix A References**

### **Section I**

#### **Required Publications**

This section contains no entries.

### **Section II**

#### **Related Publications**

This section contains no entries.

### **Section III**

#### **Required Publications**

This section contains no entries.

### **Section IV**

#### **Referenced Forms**

This section contains no entries.

## **Appendix B Department of Defense Directive 5410.12**

April 21, 1973

NUMBER 5410.12

ASD(I&L) **Department of Defense Directive**

SUBJECT:

Economic Adjustment Assistance to Defense-Impacted Communities

References:

- a. Presidential communications to the Secretary of Defense and heads of other Federal agencies, March 4, 1970 and April 16, 1973
- b. DoD Directive 1400.20, "DoD Program for Stability of Civilian Employment," August 13, 1971
- c. DoD Directive 5410.10, "Coordination and Clearance of Announcements of Personnel Reductions, Closures of Installations, and Reductions of Contract Operations Within the United States," February 2, 1960
- d. DoD Directive 5410.12, "Policies and Procedures for Minimizing Economic Impact on Communities Resulting from Adjustments in Defense Programs," October 20, 1961 (hereby cancelled)
- e. ASD(I&L) memo to Secretaries of the Military Departments and Director, Defense Supply Agency, subject: "Utilization of Excess Personal Property in the Defense Economic Adjustment Program," March 15, 1966 (hereby cancelled)
- f. Federal Property Management Regulations (Part 101-47), issued by General Services Administration
- g. Armed Services Procurement Regulation (Section 8-202)

### **I. Purpose**

This Directive establishes policy guidance, assigns organizational responsibilities, and provides procedures for carrying out an Economic Adjustment Program to minimize the economic impact on communities resulting from changes in Defense programs.

### **II. Applicability and scope**

This Directive applies to the Military Departments, the Defense Supply Agency, and the Office of the Secretary of Defense (hereinafter referred to as "DoD Components").

### **III. Definitions**

A. *Defense Economic Impact* is the adverse effect on the economy of a community or geographical area that may result from:

1. Complete or partial closure of a military installation.
2. Cutback in Defense personnel (civilian or military).
3. Termination of major military procurement contracts.
4. A general decline in the level of military prime and sub-contract awards. B. *Economic Adjustment Committee*

(EAC) is the interagency committee established by the President (reference (a)) to coordinate Federal efforts to assist Defense-impacted communities (see membership, Enclosure 4). C. *EAC Team* is a task force selected from the member agencies of the Economic Adjustment Committee to provide specialized assistance to an impacted community. D. A *Reconnaissance Visit* is an on-site survey of the affected community undertaken by the staff of the Office of Economic Adjustment, ASD(I&L) (OEA) (see V., below), to appraise the economic impact of a Defense action, evaluate available resources, and explore the need and potential for a community economic adjustment program. E. A *Team Visit* is an on-site community survey by an EAC team to assist community leaders in evaluating the community needs and resources and to help formulate a development strategy and a community economic adjustment program to achieve desired objectives. F. A *Report of Community Visit* is the summary of findings and recommendations prepared by the Office of Economic Adjustment following each reconnaissance or team visit. G. *Community Economic Adjustment Program* is an organized effort by local leaders in cooperation with an EAC team to plan and carry out a development strategy and a series of development actions designed to alleviate the effects of a Defense economic impact on a community.

#### IV. Policy

The President's memoranda of March 4, 1970 and April 16, 1973 (reference (a)) to the Secretary of Defense and heads of other agencies directed the Secretary of Defense to chair an interagency Economic Adjustment Committee (EAC) to assist Defense-impacted communities. In consonance with this objective, DoD components will develop implementing instructions which are consistent with the following policies. A. *General*. DoD decisions and actions can have a significant economic impact on individual communities. Concern for such Defense economic impacts will be reflected as follows:

1. When it is known or anticipated that a DoD action will seriously affect the economy of a community, every practical consideration will be given to implementing the action in a manner that will minimize the local economic impact.

2. When a serious economic impact from a Defense action is unavoidable, the DoD will take the leadership responsibility for bringing the resources of the Federal Government (DoD and other Federal Departments and agencies) to bear on the alleviation of the problem. B. *Resource Assistance*. Community economic adjustment assistance will be directed toward helping impacted communities to help themselves, using the combined resources of the Federal, State, and local governments and of the private sector in support of local initiatives. To this end, a community economic adjustment program will emphasize:

1. Identification of a responsible community leadership group with which an EAC team, the State, and the private sector can work effectively.

2. Formulation of a development strategy which will help to diversify the local economy and reduce dependence on Defense-related activities.

3. Identification of, and fixing of responsibility for, specific development actions to implement the development strategy.

4. Formulation and implementation of plans for productive civilian use of all or part of excess DoD installation property in the area. C. *Displaced DoD Employees*. Assistance to Department of Defense employees displaced by base closures, consolidations, transfer of functions, and reductions in force will be provided under DoD Directive 1400.20 (reference (b)). D. *DoD Personal Property*. Consistent with legislation (which has recognized that a national need exists for educational, health, recreational and airport facilities and which has authorized conveyance of surplus real and related personal property under a public benefit allowance or discount for these purposes), DoD will seek to maximize conversion of excess DoD installations in Defense-impacted communities to productive civilian use. To this end, a community adversely affected by the closure or cutback of a DoD installation will be afforded an opportunity to develop a use plan for DoD property expected to become available. In the interim DoD components will cooperate with the community by identifying related personal property that could be reported to the General Services Administration (GSA) at the same time the real property is reported excess to DoD requirements (reference (f)). As provided in Enclosure 1, DoD components will limit the removal of personal property from such installations until community requirements have been identified and considered by appropriate Federal agencies. E. *Defense Procurement*. To ensure timely notice of the need for community economic adjustment assistance resulting from contract terminations or a decline in the level of military contract awards, an "early warning" system will be established and maintained as outlined in Enclosure 2. F. *Announcements and notifications* of Defense actions generating Defense economic impacts will be prepared and coordinated as required by DoD Directive 5410.10 (reference (c)).

#### V. Responsibilities

A. *The Assistant Secretary of Defense (Installations and Logistics)* is assigned overall responsibility for the Defense Economic Adjustment Program consistent with the policies outlined in IV. above. He will co-chair the Economic Adjustment Committee established by the President (see IV. above) to coordinate Federal efforts in assisting Defense-impacted communities. To help carry out his overall responsibility, the Assistant Secretary of Defense (Installations and Logistics) will designate an operating organizational element under his jurisdiction as the DoD Office of Economic Adjustment, with the following responsibilities:

1. Assuring that DoD Components and EAC member agencies participate in the Economic Adjustment Program.
2. Determining the extent of the Defense economic impact upon a community on request of community leaders or a member of Congress and, when appropriate, assisting local leaders in undertaking a community economic adjustment program.
3. Assuring that each community economic adjustment program is carried out in a timely, effective manner in cooperation with the responsible DoD Component and the appropriate EAC members and such other Federal agencies as may be required.
4. Providing adjustment assistance at a level commensurate with the need in individual communities and terminating the assistance at the earliest practicable time.
5. Coordinating community economic adjustment programs involving base closures, consolidations, transfer of functions and reductions in force with the Assistant Secretary of Defense (Manpower and Reserve Affairs) in respect to his responsibilities under DoD Directive 1400.20 (reference (b)). B. *The Secretaries of the Military Departments and the Director of the Defense Supply Agency will:*
  1. Designate representatives to serve as policy focal points for assistance with community economic adjustment programs. To assist the Director, OEA, ASD(I&L) in carrying out community programs initiated in response to closure or realignment of military installations (III.A.1. above), the Secretaries of the Military Departments will designate representatives within the appropriate military commands to provide liaison and coordination between the Office of Economic Adjustment and the installation commanders, tenant organizations, and communities, as appropriate.
  2. Provide, in Defense personnel cutback and base closure situations, the installation commander with timely information concerning the Economic Adjustment Program. This information should include guidance on:
    - a. Local press interviews and releases,
    - b. Briefings for community leaders,
    - c. Briefings for installation personnel, and
    - d. Action to report real and personal property for transfer or disposition.
  3. Provide the Office of Economic Adjustment such ad hoc personnel support and information as may be required for specific community programs.
  4. Identify those communities where a decline in the level of military contract awards may cause significant impacts and require economic adjustment assistance. In these instances, an "early warning" should be provided the Office of Economic Adjustment (Enclosure 2).

## **VI. Procedures**

Procedures for carrying out economic adjustment assignments are contained in Enclosure 3.

## **VII. Report control symbol**

The information requirement in paragraph V.B.4. and Enclosure 2 is assigned Report Control Symbol DD-I&L (AR) 1262.

## **VIII. Cancellations**

References (d) and (e) are hereby superseded and cancelled.

## **IX. Effective date and implementation**

This Directive is effective immediately. Two copies of implementing documents shall be forwarded to the Assistant Secretary of Defense (Installations and Logistics) within 90 days.

Signed by: ELLIOT L. RICHARDSON Secretary of Defense Enclosures—4

Procedures for Reporting DoD Personal Property in Defense-Impacted Communities  
"Early Warning" of Community Impact Situations

Program Procedures

Member Agencies of Economic Adjustment Committee

5410.12 (Encl 1)

Apr 21, 73 **Procedures for Reporting DoD**

**Personal Property in Defense-Impacted Communities**

## **I. Purpose**

These procedures constitute guidance for DoD Components when: A. Announcements are made that a DoD installation will be deactivated and closed (in whole or in part); and B. It is anticipated that real property will ultimately be reported excess to DoD requirements; and C. Personal property located at the installation would enhance community efforts to use the available real property for productive civilian purposes.

## II. Background

A. DoD actions which reduce military activities at an installation may also provide an opportunity for an impacted community to utilize DoD property to expand employment opportunities. To the extent that land, buildings and related personal property are available for community use, new jobs can be created expeditiously, thereby helping to relieve Defense-related unemployment. B. Policies and procedures exist which are intended to assure the reutilization of government property in the most efficient and effective manner. The procedures in this enclosure are for use by DoD personnel responsible for property administration actions (reporting, screening, reutilization and disposition) that normally take place following the formal announcement of deactivation and closure of a military installation. The end objective is to report to the General Services Administration (GSA), wherever possible, complete packages of land, buildings and related personal property for disposition in a manner that will be of maximum economic assistance to Defense-impacted communities. C. Dining facilities, classrooms, libraries, dormitories, hospitals, chapels, maintenance shops and airfield improvements are examples of real property which can fill valid community needs, particularly if *personal property* required for effective utilization of the facilities is retained in place. D. There are provisions in the Federal Property Management Regulations (FPMR) recognizing certain personal property as *related personal property* which can be reported to GSA as part of a real estate package. Section 101-47.103-13 of the FPMR defines *related personal property* as any personal property:

1. Which is located on, or is an integral part of, real property, or used or useful in connection with such property or the productive capacity thereof; or

2. Determined by the Administrator of General Services Administration to be otherwise related to the real property.

E. In practice there are few constraints on the redistribution within DoD of personal property from an installation scheduled for closure, once items are identified for screening as excess. It is not the intent of these procedures to bar the reutilization of excess personal property to meet critical DoD requirements. These are defined as property that is:

1. Essential to a unit or mission being relocated from an installation being closed; or

2. Required to meet approved force acquisition objectives ("need to buy"). F. It is the intent of these procedures to identify personal property not required by DoD as specified above so that to the extent it meets the criteria for *related personal property* it can be reported to GSA simultaneously with the real property that is excess to DoD requirements. Property that is not required by DoD or reported as *related personal property* should be subjected to regular DoD reallocation and disposition procedures.

- g. The selection of property for redistribution within DoD will be governed by the following:

1. Consideration will be given to the remaining useful life and the cost of dismantling, packing, crating, transportation, repairs and reinstallation as against the cost to DoD for new procurement.

2. Installed property and improvements to real property will not be removed from an installation to be closed where such removal would destroy or unduly damage buildings or structures and make them unusable or marginally usable for productive civilian activities.

## III. Procedures

A. At approximately the same time as community leaders are advised of DoD decisions affecting an installation in a community, they will also be advised that:

1. All or part of the installation may become available for community use at a future date.

2. Availability will be subject to

- a. Screening by certain Federal agencies to ascertain whether the property is required for other Federal purposes; and

- b. Appropriate statutory requirements pertaining to the disposition of Federal property.

3. In the interim the community should ascertain the extent of its interest in the installation and initiate action to develop a feasible use plan.

4. The DoD installation will cooperate with and assist local leaders in efforts to identify installation property that the community could beneficially utilize in the implementation of a use plan.

5. OEA and appropriate Federal agency representatives will assist the community in developing a use plan for the installation and provide guidance and assistance concerning acquisition of the government property expected to become available. B. As soon as practicable after the announcement of an installation realignment, action should be initiated to report and screen personal property within DoD. The intent is to identify at the earliest possible time those items of property required by DoD and in so doing to identify those items that could remain with the real property for use by the community. C. Reports of property submitted for screening within DoD should be marked to indicate items of interest to the community that could be reported to GSA as *related personal property*. Since such items may be essential for implementation of the community economic adjustment program, the Office of Economic Adjustment, ASD(I&L) will assist the reporting activity in identifying those items that the community would be eligible to acquire under an existing Federal resource program, i.e., health, education, airport, etc. D. Immediately following completion of the prescribed DoD screening period, a preliminary listing of personal property not required by DoD will be made available to designated community leaders and the Director, Office of Economic Adjustment, ASD(I&L). E. As soon as

possible after the preliminary listing of property is available, OEA will arrange for appropriate DoD and Federal agency representatives to meet with community leaders to:

1. Review the community's proposed use plan for the installation, including the requirements for personal property shown on the preliminary DoD listing.
2. Assess the feasibility of the community plan, make recommendations for required changes, and provide advice and counsel concerning actions required by the community to acquire installation property needed to carry out the plan.
3. Determine which items of personal property should be reported as *related personal property* when the real property is reported to GSA. If conflicts concerning the need for property cannot be resolved locally, the matter will be referred to the Director, Economic Adjustment, ASD (I&L) for resolution with the appropriate DoD Component.
4. Consider the feasibility and need for an interim use permit or license that would enable the community to utilize all or part of the installation for civilian purposes pending ultimate disposition by GSA. F. After review and approval by the Director, Office of Economic Adjustment, ASD (I&L), the items to be reported as *related personal property* will be placed in a holding account pending submission of Form 118C to GSA. Items will not be withdrawn from the holding account without prior notification to the Director, Office of Economic Adjustment, and also to GSA if Standard Form 118C has been submitted. G. All property remaining at the installation except that identified in plans for community use should be reported as DoD excess in accordance with normal procedures. If the community expresses an interest in acquiring excess items not previously included on the approved list as *related personal property*, standard Federal government disposition procedures will be applicable. H. Consistent with Economic Adjustment Program policy, consideration should be given to the disposition of installation property acquired with non-appropriated funds, if it is not otherwise required and the community is willing to purchase it. I. All property (land, buildings and *related personal property*) earlier identified as an essential part of the community use plan will be reported to GSA as a complete package (Standard Forms 118a, b and c) at the appropriate time in accordance with prescribed DoD procedures. 5410.12 (Encl 2)

#### Apr 21, 73 "Early Warning" of Community Impact Situations Related to DoD Contract Activities

### I. Objective

A. The objective of the "early warning" system specified in sub-sections IV.E. and V.B.4., DoD Directive 5410.12, is to advise OEA, OASD(I&L) of decisions or actions (by DoD organizations involved in the management and acquisition of military materiel and services) that could result in a serious economic impact in a community. It is recognized that impact situations may not always be apparent to those making acquisition decisions; however, to the extent that a problem can be recognized (i.e., plant closure or sizable reduction in contractor personnel), information about the magnitude is desired by OEA. B. Serious impacts occur in some communities as the result of the combined effect of individual unrelated decisions by various DoD organizations and, sometimes, by prime contractors. When there are multiple causes, the severity of the overall impact normally will not be apparent to the procurement organization of any one Department. However, the overall effect should be evident to the cognizant Contract Administration Services organization. C. The "early warning" system should consist of two parts: Part I—Utilization of information available in organizations responsible for management and acquisition to identify decisions/actions/changes that could cause serious impacts in communities where contractor plants are located. Part II—Utilization of Contract Administration Services organizations to identify community impacts that occur when multiple Defense decisions focus on a single plant or community and would not otherwise be apparent within DoD.

### II. Impact parameters

A. Three key elements generally serve as indicators of the severity of a community problem:

1. The number of employees expected to lose jobs in relation to the area workforce.
2. The decline in the flow of Defense dollars in relation to the area economy.
3. The time phasing of the change. B. Since complete information about the area work force and the local economy may not be readily available to those responsible for identifying impacts, a degree of judgment will be required. For example, the impact would be minimal from a contractor layoff of 250 people in a major metropolitan area. A similar layoff in a smaller community, however, could be a very serious matter. C. The OEA desire is to identify situations likely to develop into impact problems. Orderly time-phased changes usually associated with the completion of procurement contracts should normally be absorbed by the local economy. D. In view of the unique and diverse community situations that underlie the broad contractual interface between DoD and its contractors, it is recognized that some potential impact situations will be identified which ultimately will prove not to be problems. E. The following general parameters are provided as guides in identifying possible impact situations:
  1. Closure of any Defense contractor plant employing 200 or more people.
  2. A plant layoff expected to take place in less than a 6-month period and involving 300 or more employees, or more than 15% of the work force in plants employing more than 2,000.
  3. Contractor layoffs that in the aggregate will increase the local unemployment rate by 2% or raise it above the national average.
  4. A decline in annual Defense business of \$3 million or more at a single contractor location.

5. Any similar situation considered likely to be a matter of Congressional interest.

### **III. Information to be furnished to OEA**

The primary requirement of OEA is for a brief written notice of the scope, effect and timing of the decision/action and the location of the contractor. If the situation would otherwise require notices (such as specified in DoD Directive 5410.10 (reference (c) or ASPR 8–202 (reference (g))), a copy of pertinent documents will suffice. Upon request, OEA will provide guidance or assistance in determining whether or not a decision or action will result in a serious community impact. 5410.12 (Encl 3)

Apr 21, 73 **Program Procedures**

#### **I. OEA Reconnaissance visit**

A. As soon as possible after receipt of a request for economic adjustment assistance, a reconnaissance visit to the community affected will be made by representatives of the OEA, accompanied, when appropriate, by representatives of the interested DoD Component and/or by selected representatives of other EAC agencies. B. The purpose of the visit will be to establish contact with community leaders, examine the nature and degree of the Defense impact, and assess the need, if any, for economic adjustment assistance. C. Assistance and support of interested members of the Congressional delegation will be sought in connection with this first visit. D. In the case of communities affected by closure of a Defense installation or major reductions in force, the visit will include a review of plans and procedures initiated under the DoD Program for Stability of Civilian Employment (reference (b)) for the benefit of affected employees. In these instances the visiting team will include representation from ASD (M&RA) and the DoD Zone or Regional Placement Coordinators, as appropriate. E. Prior to the initial reconnaissance visit, the Office of Economic Adjustment will assemble available information on the economy and on the nature and degree of the Defense economic impact. This information will be expanded in the course of the visit through meetings with the community leadership and tours of the area and by inspection of military installations and briefings by installation commanders in situations where Defense base realignments or closures are the source of the economic impact. F. Within 30 working days of the conclusion of the reconnaissance visit, the Office of Economic Adjustment will prepare a report of community visit. This report will be submitted to community leaders, EAC members, and the interested Congressional delegation. The report will include a determination by the Director, Office of Economic Adjustment, of the need for economic adjustment in the community and the nature and extent of the assistance community and the nature and extent of the assistance required.

#### **II. Follow-up action**

A. Following determination of the need for community assistance and agreement with the Congressional delegation, the Director, OEA, will initiate follow-up action with community leaders. Depending upon the community requirements, this action may consist of one or more visits to the community by: a team representing the full EAC membership; a select EAC team; or OEA staff members. Alternatively, the program in some communities may only require follow-up counselling assistance from OEA and/or EAC member agencies. B. Within 60 working days after an initial team visit, the OEA will prepare a report of community visit which will include a recommended development strategy, specific development actions for implementing the strategy, and the assignment of responsibility for executing the development actions. C. The Director, OEA, may assign regional coordinators to major geographic regions to coordinate EAC assistance to communities within the region.

#### **III. Liaison with Federal Regional Councils**

In organizing and carrying out community economic adjustment programs, the OEA will maintain liaison with the appropriate Federal Regional Councils in order to assure their participation, assistance in mobilizing regional Federal resources in support of community efforts, and assumption of responsibility for follow-on community activities once the emergency economic adjustment programs are well under way. 5410.12 (Encl 4)

Apr 21, 73 **Member Agencies of Economic Adjustment Committee**

Department of Defense  
Department of the Army  
Department of the Navy  
Department of the Air Force  
Defense Supply Agency  
Department of the Interior  
Department of Agriculture  
Department of Commerce  
Department of Labor  
Department of Health, Education, and Welfare  
Department of Housing and Urban Development  
Department of Transportation  
Department of Justice

General Services Administration  
Small Business Administration  
Arms Control and Disarmament Agency  
Civil Service Commission  
Office of Management and Budget  
Council of Economic Advisors  
Domestic Council  
Environmental Protection Agency

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