

BRAC 2005 Economic Impact Joint Process Action Team

Meeting Minutes of May 4, 2004

The kickoff meeting with JPAT on the BRAC 05 Economic Impact Analysis (EIA) took place on May 4, 2004 at the Pentagon. Mr. Mike McAndrew chaired the meeting.

The Chair reminded members that everyone involved in the economic impact analysis is required to sign a nondisclosure agreement (NDA). Mr. McAndrew emphasized the importance of keeping the BRAC discussion confidential.

The Chair indicated that the approach for developing the BRAC05-EIA is to build on the BRAC 95 knowledge and experience. For the BRAC 95-EIA, direct and indirect job changes were used as primary indicators for estimating economic impact in defined economic areas. For BRAC 95, cumulative economic impact of previous BRAC rounds (i.e. 1988, 1991 and 1993) was considered as part of the economic impact analysis. For BRAC 05, this may not be necessary as cumulative economic impacts of the earlier BRAC rounds up to 1995 have been realized by now, and are reflected in the historical data that are available today.

Mike Berger, the Booz Allen Hamilton program manager contractor support to the JPAT 6, provided a briefing of the BRAC 95-EIA method and project plans for the BRAC 05-EIA. A copy of the briefing is attached. Highlights of the briefing and ensuing discussion include:

Defining/Determining Economic Areas: The BRAC95 method assigned each military installation to an economic area, which was used to approximate labor markets and expenditure patterns. If a military installation was located in a metropolitan statistical area (MSA) as defined by the Bureau of the Census and the Office of Management and Budget, then that particular MSA was used as the economic area for the installation. In some cases (e.g. installations located in rural areas) a multi-county area was used as the economic area. For BRAC05 the current thinking is to review the 1995 method, and redefine some areas as necessary and appropriate to meet specific BRAC05 requirements.

The Navy and Army representatives proposed considering Military Housing Areas (MHA) to determine and assign economic areas for some installations. The MHA model is based on where military personnel live. The group agreed to review the MHA and determine its suitability for the BRAC05-EIS methodology.

Cumulative Economic Impact: Mr. McAndrew asked about a possible need to address BRAC's cumulative economic impact. In this case, Mr. Berger pointed out that the Department may not need to consider cumulative economic impact separately in BRAC 05 and that doing so might interact with the requirement to treat all bases/areas equally. He also emphasized that the BRAC05-EIA method is not meant to be a predictive process for measuring future economic impact; rather, it is a tool to compare alternatives. The EIA tool will err on the conservative side by treating all job changes/losses as permanent, when in reality many affected by BRAC actions will find other jobs or find other means of making a living. Mr. McAndrew tasked Mr. Berger's group to prepare a briefing that lays out the cumulative economic impact issue, with recommendations, that would be presented to the Infrastructure Steering Group for decision.

IT Tool and Security: A recommendation was offered to use a web-based application with a server hosted at the contractor location to run the economic impact tool. Benefits include making changes in only one place for controlling the model. Access would require a username and password authentication process. The JPAT discussed security concerns of keeping the server offsite, and suggested using the Internal Control Plan (ICP) to identify and mitigate security issues.

Data Collection: Mr. Leather pointed to long waits between data calls made out to the Services. Caution is needed to avoid duplicate counting of base personnel (e.g. contractors).

Other Factors: The Navy representative provided a CNA report entitled "Economic Area Profiles for DON BRAC-95 Regions of Influence" and a document comparing it to the BRAC95 Economic Impact Database to determine what, if any, of the CNA methodology should be incorporated into the BRAC 2005 Criterion 6 assessment.

Next Steps:

- Task Plan: Booz Allen will submit a draft task plan for JPAT review by May 13, 2004.
- Economic Areas: Need to determine a methodology for assigning economic areas ASAP.
- BRAC95 Sample Report: Booz Allen to provide to JPAT sample reports from BRAC95.
- Review Baseline for BRAC95: Check what changed since 1995.
- List of Installations: OSD-BRAC office to provide to Booz Allen a complete list of military installations.
- Internal Control Plan (ICP): OSD-BRAC to provide and circulate ICP.
- Draft Briefing on Cumulative Economic Impact

Approved: _____


Michael McAndrew
Deputy Director, BRAC
Chairman, Economic Impact JPAT

Attachments:

1. List of Attendees
2. Briefing slides entitled "Kickoff for BRAC 2005 Economic Impact Analysis with JPAT"
3. CNA Report entitled "Economic Area Profiles for DON BRAC-95 Regions of Influence"
4. Paper entitled "Comparison Between Economic Impact Database 1995 Base Realignment and Closure (LMI) Dated February 1995 and Economic Area Profiles for DON BRAC-95 Regions of Influence (CNA) Dated November 1995"

**Kickoff for BRAC 2005 Economic Impact JPAT
May 4, 2004, Pentagon**

Attendees

JPAT Members:

- Mr. Michael McAndrew, Deputy Director, OSD-BRAC / Chairman
- Army: MAJ Dave Smith
- Navy: Jack Leather

Other(s):

- Navy: LCDR Phillip Knauss
- OSD-BRAC: Alex Yellin
- GAO: Charles Perdue
- DoDIG: Lusk Penn and Lisa Such

Booz Allen Hamilton:

- Mike Berger: Project Manager
- Bob Moeller: BRAC Expertise Lead
- Veena Murthy: IT Team
- Young-Min Shim: Project Management
- Dave Wilson: Economics Team



Kickoff for BRAC 2005 Economic Impact Analysis with JPAT

Pentagon
May 4, 2004

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information of the client to whom it is addressed.*

Agenda

- ▶ Introductions
- ▶ Review of BRAC 1995 Economic Impact Method
- ▶ Project Plan for BRAC 2005
- ▶ Questions and Comments

Introduction to Booz Allen Team

- ▶ Michael Berger, Project Manager, Team Leader for BRAC 1995 Joint Cross Service Group on Economic Impact
- ▶ David Wilson, Economist
- ▶ Lisa McDonald, Economist
- ▶ Veena Murthy, Information technology
- ▶ Shimel Morris, Information technology
- ▶ Young-Min Shim, Analyst
- ▶ Robert Moeller, BRAC Subject Matter Expert, 1995 BRAC Joint Cross Service Group on Depot Maintenance; BRAC Deliberative Process and Implementation

BRAC 1995 Economic Impact Process

- ▶ Key measures
 - Total potential job change
 - Total potential job change as a percentage of total employment in the local economic area

- ▶ Definitions
 - “Total potential job change” = direct and indirect job changes attributable to BRAC
 - “Direct jobs” = military personnel, civilian employees, on-base contractors
 - “Indirect jobs” = impact on surrounding economic area; derived through multipliers, worst case
 - “Total employment” = military and civilian jobs from Commerce Department
 - “Economic areas” = Metropolitan Statistical Areas (MSAs) for installations in MSAs, otherwise counties

- ▶ Decision rule: No BRAC economic impact for moves within an economic area

Economic Information as Context

- ▶ Employment levels
 - Charted for economic area for 10 years
 - Annualized change in employment for economic area, nation
 - Most recent available data point

- ▶ Per capita personal income
 - Charted for economic area for 10 years
 - Annualized change in per capita personal income for economic area, nation
 - Most recent available data point

- ▶ Unemployment rates
 - Unemployment rate for 10 years for economic area, nation

- ▶ Population (economic area)

Key Theme for Method: Aim High

- ▶ Estimates were credible but on the high end
- ▶ That is, economists commented that we estimated more job changes than were likely
 - Multipliers for indirect changes were high
 - Overall estimate assumes essentially no economic adjustment
 - Overall estimate assumes all jobs are lost at once
- ▶ Worked well for DoD
- ▶ Prevented others from arguing that DoD “low balled” the potential economic impacts

Multipliers

- ▶ Developed by category of personnel, principal base activity, and employment in economic area
 - Personnel: military, civilian, trainee
 - Principal base activity: general, RDT&E, depot, ammunition production
 - Employment in economic area: larger multipliers for larger populations derived from regression analyses

- ▶ Based on runs from RIMS II data from Commerce Department

BRAC 1995 Information Tool

- ▶ Access database running in Windows 3.1
- ▶ Installed on selected computers
- ▶ User input
 - Direct job changes by years
- ▶ Output
 - Two page report with metrics and economic information

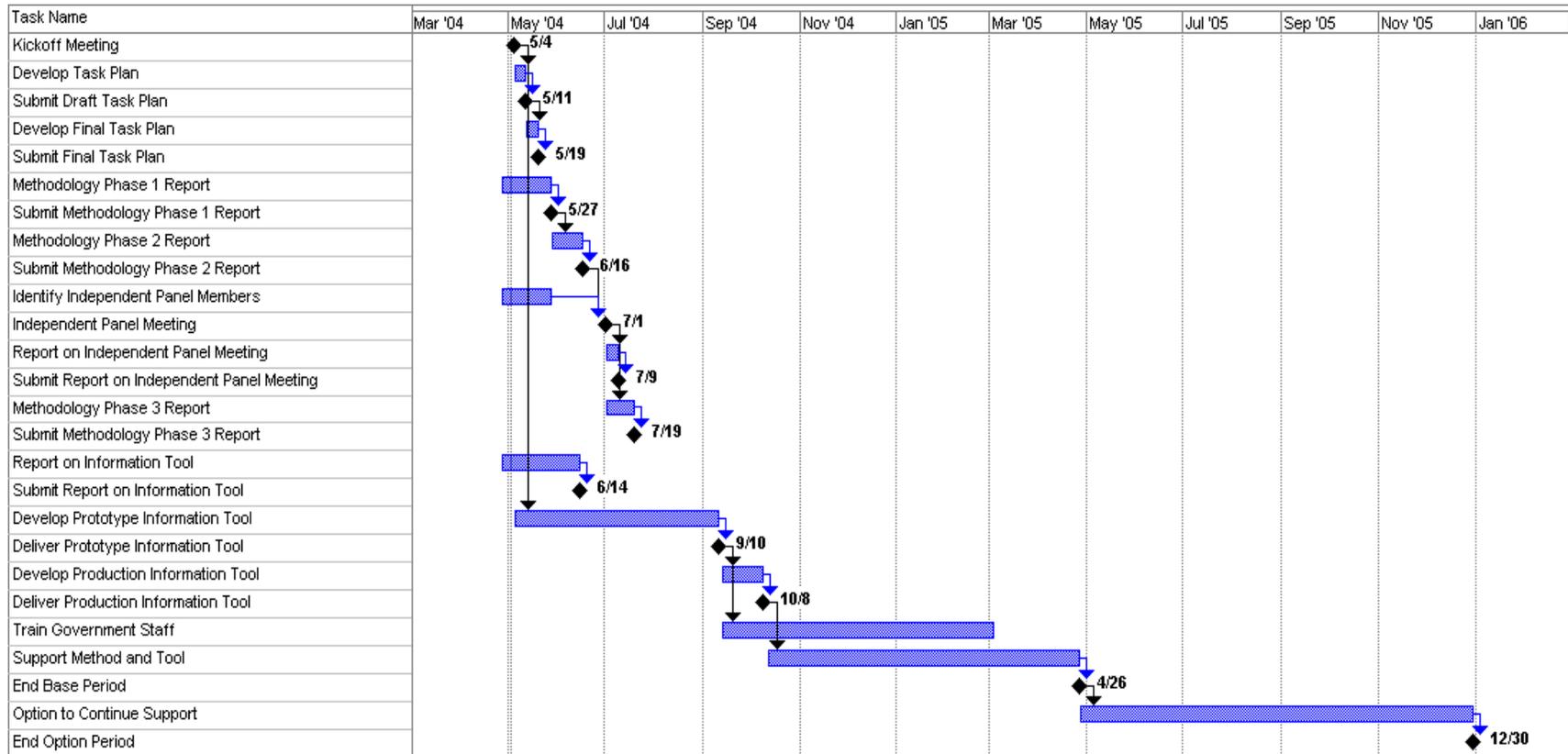
Independent Reviews

- ▶ Two conducted
 - One by panel early in process
 - 6 independent reviewers
 - Government and private sector
 - Reviewed and approved methodology
 - 1-day meeting
 - One by Commerce, late in process
 - Exchange of letters
- ▶ Paid huge dividends
- ▶ Helped prevented economic impact from emerging as an issue

Cumulative Economic Impact for BRACs 1995 & 2005

- ▶ During BRAC 1995, economic impacts from 1988, 1991, and 1993 rounds not complete
- ▶ Developed methods for estimating cumulative economic impact because actual economic impact could not be measured through official sources for calendar years 1994 through 2001
 - DoD estimated potential job changes in the economic area from the 1988, 1991, and 1993 BRAC rounds during this period
- ▶ For BRAC 2005, the rationale no longer exists for separate consideration of cumulative economic impact
 - All of the economic impacts from the prior BRAC rounds are reflected in current official data sources for the affected time periods

Project Schedule (Estimated)



Key Points of Contact

| Name | Telephone | email |
|----------------|----------------|------------------------|
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Questions & Comments?

COMPARISON BETWEEN *ECONOMIC IMPACT DATABASE 1995 BASE REALIGNMENT AND CLOSURE (LMI) DATED FEBRUARY 1995 AND ECONOMIC AREA PROFILES FOR DON BRAC-95 REGIONS OF INFLUENCE (CNA) DATED NOVEMBER 1995*

In essence, the Economic Impact Database (EID) developed by LMI on behalf of DoD considered the most controversial data element for affected communities - employment. As displayed in the summary below, the EID addressed aggregate job changes within an economic area. The EID did not refine the data to address employment sectors within the given Region of Influence (ROI) or address other economic factors. DON recognized that the economic impact of a base closure on a community extends well beyond employment. Consequently, CNA, on behalf of DON, employed the Economic Impact Forecasting System (EIFS – developed by University of Illinois and Army Corps of Engineers) to create installation profiles that considered a multitude of factors that could have a “ripple” effect on public infrastructure (e.g. schools, hospitals, employment sectors, etc.) The installation profiles, created from EIFS, were then used as a secondary, cross checking tool for every scenario. In general the profiles “corroborated” DoD BRAC 95 Economic Impact Model results.

Summaries of the EID and the EIFS follow.

LMI – Economic Impact Database (EID)

1. Economic impact measures
 - a. Total potential job change
 - b. Total potential job change as a percent of total area employment
2. Reports
 - a. Report 1 – direct job change by FY
 - i. Jobs out
 1. Relocated jobs
 - a. military
 - b. civilian
 2. Other jobs
 - a. military
 - b. civilian
 - ii. Jobs in
 1. Military
 2. Civilian
 - b. Report 2 – direct job change by installation (Jobs out/Jobs in)
 - i. Activity
 - ii. Military
 - iii. Students
 - iv. Civilian
 - v. Contractors
 - c. Report 3 – total job change by Installation (Jobs out/Jobs in)
 - i. Activity

- ii. Direct
 - iii. Indirect
 - iv. Total
 - v. % of Area jobs
 - d. Roll-up reports for State, Region and Nation
 - e. Pre/Post BRAC comparisons for Region, State and Nation
 - f. Pre/Post BRAC comparisons for direct employment, by nation and region, all services combined
3. Historic employment data

CNA – Economic Impact Forecasting System (EIFS)

Run as a secondary, cross checking tool for every scenario. Generally “corroborated” the DoD BRAC 95 Economic Impact Model.

CNA used the EIFS to collect and interpret the following data streams:

1. Demographics on age and education
2. Employment by occupation and industry
3. Duration of Employment
4. Average wage and salary rates by job classification
5. Area affordability
6. Government spending patterns
7. Migration rates
8. Lists of activities within a region
9. Maps
10. Summary Statistics on employment population, unemployment and income
11. Small business data
12. Characterizations of the area economy made by other federal agencies

Data was collected for Activity, Region and Nation level analysis.