

## **BRAC 2005 Economic Impact Joint Process Action Team**

### **Meeting Minutes of July 8, 2004**

The fourth meeting with JPAT 6 on the BRAC 05 Economic Impact Analysis (EIA) took place on July 8, 2004 at the Pentagon. Mr. Mike McAndrew chaired the meeting.

The main items on the agenda were selecting definitions of economic areas (i.e. 1993 vs. 2004 standards), selection and application of employment multipliers, and the review of the latest list of bases. A summary of the major discussion points and decisions are below.

**MSA Definitions:** The Booz Allen team presented a comparison between 1993 (based on the 1990 census) and 2004 (based on the 2000 census) definitions of economic areas (i.e., regions of influence – ROIs). The presentation slides (“Choosing an ROI MSA Set”) are attached as part of the meeting summary. The 2004 definitions were recommended because the BRAC05 economic analysis should be based on the most current and the state-of-the-art analytical tools. OMB would expect the BRAC05 process to use the latest standards and most updated data. In addition, the 2004 definitions use commuting patterns to define economic areas; i.e., one spends money where one works and lives. JPAT agreed to use the 2004 definitions, including the latest data updates (February 2004), for defining economic areas for the BRAC05 process. For those bases that fall outside of MSA (about 20 – 8 in Guam), the Booz Allen team will recommend mapping them to most logical economic areas.

**Multiplier Update:** Building from the JPAT’s decision to use an economic input-output model for estimating economic impact, the Booz Allen team recommended using an average of employment multipliers, which would be based on 10-15 industries that are similar to base activities, for each ROI under the BRAC05 analysis. This averaging process would eliminate the need to assign “high” or “low” to employment multipliers in given ROIs. The detailed average multiplier methodology is summarized in the attached slides (“Methodology Update) presented at the JPAT meeting.

JPAT expressed some concern that this averaging process would not differentiate economic impact of distinctly different professions, e.g., applying the same MSA-specific average employment multiplier to a base losing 50 medical doctors and gaining 50 low-skilled workers. In order to conduct a sensitivity analysis of the average multiplier methodology, the Booz Allen team will run a sample analysis using the IMPLAN tool, and report back to JPAT.

**List of Bases:** The Booz Allen team will circulate the updated list of bases to JPAT. Each service will check the list for completeness, accuracy (e.g., base ID numbers) and consistency with the COBRA system. The OSD-BRAC office will review and update the list of DoD stand-alone facilities.

#### **Next Steps:**

- Booz Allen will run and present a sample economic impact analysis using the average multiplier methodology and present to JPAT 6..
- Historical Data: Booz Allen will update JPAT at the next meeting.
- Navy’s CNA Report: Booz Allen will provide feedback to JPAT.

- Internal Control Plan (ICP): Booz Allen will develop and circulate a draft ICP.
- Independent Panel Review: Booz Allen will propose to JPAT potential members and the timeline for the independent panel meeting on July 22<sup>nd</sup>.
- Next Meeting: July 22, 2004 at 9:00-11:00 AM at the Pentagon.

Approved:   
Michael McAndrew  
Deputy Director, BRAC  
Chairman, Economic Impact JPAT

Attachments:

1. List of Attendees
2. Slides on Definition of Economic Areas
3. Slides on Multipliers

**Meeting 4: BRAC 2005 Economic Impact JPAT  
July 8, 2004, Pentagon**

**Attendees**

**JPAT Members:**

- Mr. Michael McAndrew, Deputy Director, OSD-BRAC / Chairman
- Army: Maj Dave Smith
- Navy: Jack Leather
- Air Force: Roy Murray

**Other(s):**

- OSD-BRAC: Alex Yellin
- OSD-BRAC: David Asiello
- GAO: Charles Perdue
- DoDIG: Lisa Such

**Booz Allen Hamilton:**

- Mike Berger: Project Manager
- Veena Murthy: IT Team
- Young-Min Shim: Project Management
- Dave Wilson: Economic Team



# Methodology Update

JPAT 6

July 8, 2004



# Minor Methodology Updates

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- We propose minor changes in the way multipliers are estimated for each MSA
  - Employment multipliers for each MSA will be an average of multipliers from ten to fifteen industries that are similar to base activities
  - Eliminates the need to have “High” and “Low” multipliers by MSA



## Base Activities Will Be Mapped To Ten To Fifteen NAICS Industries With Similar Activities (Preliminary List)

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| Joint Cross Service Group Functions | NAICS Industry Description  |
|-------------------------------------|---|
| Education and Training              | Educational Services  |
| Headquarters and Support Activities | Administration and Support Services   |
| Industrial                          | Aerospace Product and Parts Manufacturing, Ship and Boat Building, Ammunition Production and Storage, Electronic Repair and Maintenance |
| Intelligence                        | Scientific Research and Development Services  |
| Medical                             | Health Care and Social Assistance   |
| Supply and Storage                  | Warehousing and Storage   |
| Technical                           | Scientific Research and Development Services  |



## Indirect and Induced Employment Multipliers Will Be Averaged Across Similar Types of Industries In A MSA

- Employment Multipliers for each MSA will be an average of relevant industries mapped to base activities
- Where possible we will use data from the Manpower Database to weight employment by industry when calculating multipliers

| Possible Industry <sub>j</sub>                                    | Employment Multiplier for Area <sub>k</sub> |
|---|---|
| Education and Training  | 2.2   |
| Aircraft Maintenance  | 3.7   |
| Supply and Storage  | 2.1   |
| Average Employment Multiplier for Industries in Area <sub>k</sub> | 2.67  |



## Multipliers could be estimated using IMPLAN

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- MIG, Inc., the IMPLAN firm, can run IMPLAN to estimate employment multipliers for each economic area
  - Includes Metropolitan Statistical Areas, Metropolitan Divisions and smaller rural areas
- Advantage to this approach is employment multipliers will be specific for each economic area where military installations are located



## Other Needed Modifications

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- Impacts will differ depending on the type of personnel at each base.
- However, IMPLAN can not distinguish between different categories of personnel:
  - Military personnel
  - Civilian employees
  - Trainees
- To account for this limitation, Booz Allen will adjust the induced multiplier to account for differences in income levels and spending patterns for different labor categories



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# **BRAC 2005 JPAT 6**

# **Economic Impact**

Choosing an ROI MSA Set

July 8, 2004



# Purpose: Choose among standards for SAs

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- June 1990 (applied June 1993)
- June 2003
- Feb 2004 (+ errata Mar 2004)



# Definitions: 1990 vs. 2000

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## 1990 standards:

- 6 scenarios for linking outlying counties to central county
  - Commuting
  - Population density
  - Other measures of settlement
- Old area designations
  - Metropolitan Statistical Area (MSA)
  - Consolidated Metropolitan Statistical Area (CMSA)
  - Primary Metropolitan Statistical Area (PMSA)
  
  - New England city and town area (NECTA)
- Applied to 1990 Census in 1993

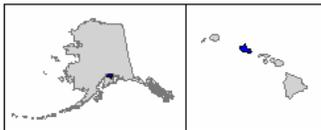
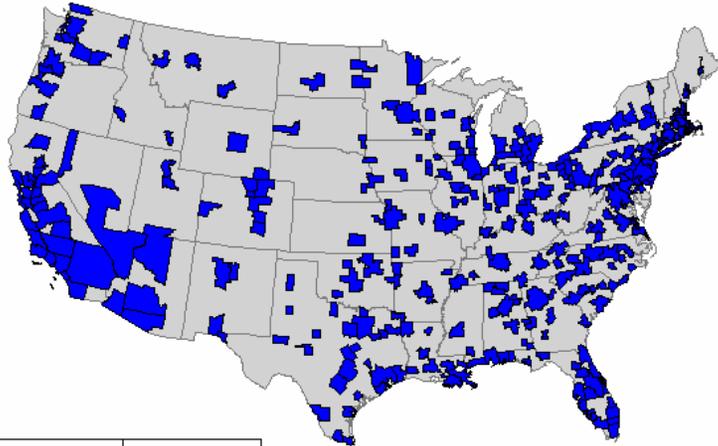
## 2000 standards:

- Only commuting considered for linking outlying counties to a central county
- New area designations:
  - Combined Statistical Area
  - Metropolitan Statistical Area
  - Micropolitan Statistical Area
  - Metropolitan Division (MD)
  
  - Metropolitan NECTA
  - Micropolitan NECTA
  - NECTA Division
- Applied to 2000 Census in 2003



# Coverage: 1990 vs. 2000

(1990 Metropolitan Area coverage = 818 counties outside New England; 578 New England MCDs)

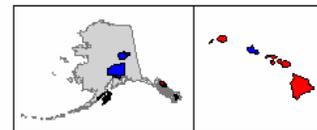
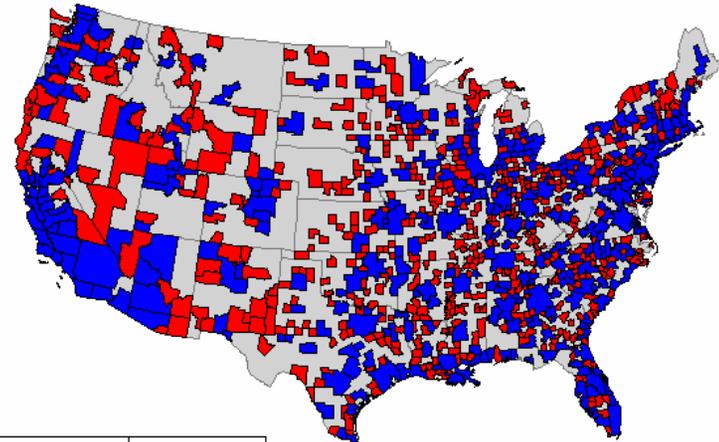


SOURCE: Department of Commerce Census Bureau  
NOTE: Areas in New England are MCDs based under the 1990 standards.  
Metropolitan Areas (MSAs/PMSAs)  
Outside 1990 coverage

1990

818 counties (outside New England)

(2000 Metropolitan and Micropolitan Area coverage = 1,780 counties)



SOURCE: Department of Commerce Census Bureau  
NOTE: Areas in New England are county-based under the 2000 standards.  
Metropolitan Areas  
Micropolitan Areas  
Outside 2000 coverage

2000

1,090 counties in  
362 Metropolitan SAs

674 counties in  
560 Micropolitan SAs



# Effects of February 2004 update

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- 2 Installations now in Micro SAs
  - Sierra Army Depot, CA
    - Susanville Micro SA = Lassen County
  - Milan Army Ammo Plant, TN
    - Humboldt Micro SA = Gibson County
  
- Name changes for 21 Installations' SAs
  - Example: Blue Grass Army Depot
    - Old SA: Richmond, KY Micropolitan
    - New SA: Berea-Richmond, KY Micropolitan



# Effects of March 2004 errata

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None relevant to any Installation



# Recommendations

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- Strongly recommend using 2003 or 2004 definitions
  - State-of-the-art for current federal economic analyses
  - Analytically sound – uses commuting to define area
- Include Feb 2004 changes
  - Conforms with most current naming conventions
  - Geographically identical to one-county ROI