

BRAC 2005 Economic Impact Joint Process Action Team

Meeting Minutes of September 2, 2004

The eighth meeting with JPAT 6 on the BRAC 05 Economic Impact Analysis (EIA) took place on September 2, 2004, at the Pentagon. Mr. Mike McAndrew chaired the meeting.

The main items on the agenda were debriefing JPAT members on the Independent Review Panel (IRP) meeting held on August 25th and the demonstration of the web application of the Economic Impact Tool (EIT). A summary of the major discussion points and decision are below.

Independent Review Panel Meeting: Booz Allen provided a summary of the IRP meeting that was convened on August 25, 2004 at Booz Allen's McLean campus. Overall, the IRP found that the proposed EIA methodology to be theoretically sound and defensible. To further strengthen the model, the panel made a number of recommendations. The attached document (at the end of meeting minutes) summarizes the panel's recommendations and JPAT's responses to these recommendations.

Economic Impact Tool (EIT): Booz Allen demonstrated a mock-up input screen of the proposed EIT web application. The JPAT provided the following guidance for moving forward with the web tool:

- Design a manual data entry screen for users; however keep and hide the data upload function that has already been developed
- On the input screen, only show the functions that are essential for running scenarios and generating reports
- For scenario-based reports, EIT should have the function to generate a single report for each action, and a cumulative report summarizing multiple actions.
- EIT should have a function to add bases. However, any base added should mirror the entry in OSD's scenario tracking system for consistency. In addition, the authority for adding bases could be limited to the EIT administrator.
- Because some scenarios may involve adding personnel currently assigned overseas, the tool needs to have a generic losing base designation (e.g., Base-MSA Europe and/or Base-MSA Asia) to balance the incoming and outgoing manpower figures.

Action items/ Next Steps (all for Booz Allen):

- Independent Review Panel: Summary of IRP recommendation & JPAT responses
- EIA methodology briefing slides for the Deputy Assistant Secretaries
- Report on spending patterns by different categories of military personnel
- Recommendation for substitute multipliers for Guam and Puerto Rico
- Recommend regions of influence (ROI) grouping of 7 individual counties (list their names for record) that are not part of the current list of MSAs
- Comparison report on Consumer Price Index (CPI) – Urban and “CPI-Superlative,” and implications of using one over the other for the EIA methodology
- Draft language for scenario-based contractor data call
- Draft of the BRAC 2005 Policy Memo

- Check for accuracy and consistence the final list of bases

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

Attachments:

1. List of Attendees
2. Briefing Slides
3. Summary of IRP Recommendations and JPAT Responses

**Meeting 8: BRAC 2005 Economic Impact JPAT
September 2, 2004, Pentagon**

Attendees

JPAT Members:

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

Other(s):

- GAO: Charles Perdue
- DoDIG: Marcia Kilby
- Air Force: Robert Bickel
- OSD-BRAC: David Asiello

Booz Allen Hamilton:

- Veena Murthy: IT Team
- Roger Ramia: IT Team
- Young-Min Shim: Project Management
- Dave Wilson: Economic Team



BRAC 2005 JPAT 6

Economic Impact

Briefing to the
JPAT 6

2 September 2004



Agenda

- Debriefing of the Independent Review Panel
- Economic Impact Tool: Mock-up Input Screen
- Data Call for Contractor Information

Recommendations from the Joint Process Action Team (Criterion 6)

Independent Panel Review of Proposed Economic Impact Analysis for BRAC 2005

Introduction and Background

On August 25, 2004, the Office of the Secretary of Defense, Base Realignment and Closure Office (OSD-BRAC) convened an Independent Review Panel (IRP) on the proposed economic impact analysis (EIA) methodology for the 2005 round of military base realignments and closure (BRAC 2005). OSD and the individual Services plan to use the EIA methodology to evaluate potential realignments and closures with respect to BRAC Criterion 6, “The economic impact on existing communities in the vicinity of military installations” (see *Federal Register*, February 12, 2004, vol. 69, number 29, page 6948). OSD-BRAC convened the IRP to ensure that the final EIA methodology is consistent with acceptable economic practices, and that it meets the objectives of the BRAC 2005 process.

Overall, the IRP found that the proposed EIA methodology meets the following criteria:

- Consistent with sound economic practices
- Treats all bases equally
- Respects cost of data collection and certification procedures
- Flexible for analyzing alternative scenarios
- Straightforward
- Credible and defensible

OSD established Joint Process Action Team 6 to develop the EIA methodology and an associated information technology tool. This report summarizes IRP’s suggestions toward further strengthening the proposed methodology, and JPAT 6’s responses to these suggestions.

Historical Context

IRP Comment: Consider an economic area’s real estate value (e.g. adjusted \$/ft² or \$/acre) as a proxy for measuring the stability of the local economy.

Recommendation: Non-concur. JPAT 6 proposes that the BRAC 2005 process consider per capita personal income, employment levels, and unemployment rates to describe the economic health of communities in the vicinity of military installations. Real estate values, if available, would add incrementally to the information already proposed for consideration. However, JPAT 6 is unable to locate a standard, national, authoritative data source on local real estate values. Some official U.S. data is published on housing prices and fair market rentals, and some private firms publish real estate values for selected local markets. However, these data sets present problems for BRAC 2005 use. Most do not cover the entire United States, are not updated regularly,

or are not developed using sound analytical methods (i.e., real estate values for a certain locality may reflect a single individual’s opinion rather than a statistically valid survey). Because of these data limitations, JPAT 6 recommends against using real estate values in the BRAC 2005 deliberative process.

IRP Comment: Consider an employment diversification index for additional perspective on the stability of the local economy.

Recommendation: Concur. The proposed EIA methodology model is examining base-related labor as a percentage of local employment and the top industries in the local economic region of influence (ROI).

Military Spending Patterns

IRP Comment: Conduct a more detailed analysis of spending and consumption patterns of different categories of military personnel to ensure that planned adjustments to income levels adequately reflect differences, if any, in civilian and military personnel’s spending patterns.

Recommendation: Concur if appropriate studies or data can be located. The EIA team will research previous studies on the topic, and examine potential information sources (e.g. Office of Management and Budget, Congressional Budget Office, military sources) for closer analysis of spending patterns by different categories of military personnel. The focus will be on income levels.

Employment Multipliers

IRP Comment: For each MSA, be sure that IMPLAN includes all relevant industries, and that they are assigned appropriate multipliers. For military unique activities, for which there are no comparable private sector activities in the economic area, develop and apply appropriate multipliers (e.g., using national averages) to ensure that no activity is reported as “zero” toward calculating the weighted average for the economic area.

Recommendation: Concur. All multipliers provided will be double-checked to ensure that no military-unique activities are excluded in estimating economic impact.

IRP Comment: IMPLAN does not have employment multipliers for Guam and Puerto Rico. Consider other Input/Output models (e.g. RIMS II) or other I/O models specific to Guam and Puerto Rico.

Recommendation: Concur. JPAT 6 will explore alternatives.

IRP Comment: Clearly define and distinguish the different types of multipliers (e.g. direct, indirect and induced).

Recommendation: Concur.

Individual Counties Outside of MSAs

IRP Comment: For the seven individual counties that are not part of the current list of MSAs, reevaluate their ROIs and consider possible groupings with nearby MSAs or with adjacent counties.

Recommendation: Concur. The counties will be reexamined (e.g. based commuting patterns of local residents) for possible grouping with adjacent counties or other MSAs.

Mission-based Contractors

IRP Comment: Use a scenario-based data call for estimating mission-based contractors. Though difficult to obtain accurate or complete data on contractors, their economic impact should be estimated and included in the impact analysis.

Recommendation: Concur. The EIA team will develop a clear definition of mission-based contractors, and provide specific instructions for a scenario-based data call.

Inflation Index

IRP Comment: Use the Consumer Price Index – Superlative (officially the Chained Consumer Price Index for all Urban Consumers, C-CPI-U) to convert nominal income to real income for historical analysis.

Recommendation: Concur if C-CPI-U data are available. The EIA team will examine the implications of using C-CPI-U by comparing the results from using the standard CPI-U.