

BRAC 2005 Economic Impact Joint Process Action Team

Meeting Minutes of September 23, 2004

The ninth meeting of JPAT 6 on the BRAC 05 Economic Impact Analysis (EIA) took place on September 23, 2004, at the Pentagon. Mr. Mike McAndrew chaired the meeting.

The main items on the agenda were to discuss elements of the EIA methodology (i.e., income deflator, potential modifications to regions of influence), output reports of BRAC actions, and administrative decisions on the Economic Impact Tool (EIT). A summary of the major discussion points and decision are below (briefing slides attached as part of the meeting summary).

Independent Review Panel (IRP): The JPAT reviewed and approved, with minor clarifying changes, the summary of the IRP meeting and its responses to the IRP recommendations. The final versions of the IRP meeting summary and the JPAT's responses are attached as part of these minutes.

Potential Modifications to ROIs: Booz Allen re-evaluated the economic region of influence (ROI) for eight counties (Mono-CA, Martin-IN, Aroostook-ME, Accomack-VA, King George-VA, Jefferson-WA, Monroe-WI and Pendleton-WV) that fall outside of the current listing of OMB-defined Metropolitan and Micropolitan Statistical Areas. Changes were recommended for two of the eight counties, which were small but adjacent to counties with relatively large populations: Booz Allen proposed adding Worcester County (VA) to the Accomack County (VA)-ROI, and adding Charles County (MD) and Stafford County (VA) to the King George County (VA)-ROI. The proposed changes were based on discussions with staff at the affected installations regarding base personnel housing and commuting patterns. The JPAT asked Booz Allen to contact the Naval Surface Combat Systems Center (NSCSC), Dahlgren, VA, staff to discuss the rationale for the proposed changes to the ROIs in which their installations are located. The JPAT agreed to defer decision on these proposed ROI modifications until additional discussions with NSCSC are complete.

Income Deflator: Based on an IRP recommendation, Booz Allen examined the feasibility and suitability of using the Chained Consumer Price Index - Urban (C-CPI-U) for conducting the historical income analysis vice using the traditional Consumer Price Index - Urban (CPI-U). The main difference between the CPI-U and C-CPI-U is that the latter takes into account substitution and observed consumer behavior. As a result the inflation rate based on C-CPI-U is lower than the rate based on CPI-U (e.g., during 2000-2003, the C-CPI-U inflation rate averaged 1.87% compared to the CPI-U average inflation rate of 2.52%). The net result is that using C-CPI-U yields higher real per capita income. The JPAT members found the rationale for using C-CPI-U convincing. However, because authoritative C-CPI-U data (from the Bureau of Labor Statistics) is available only from 2000, and the historical analysis requires data from 1983, the JPAT determined that using the C-CPI-U would not provide users with sufficient historical information regarding economic trends to make an informed decision regarding economic impact. Therefore, they decided to use the CPI-U for the EIA methodology.

Contractor Data Call: The JPAT then reviewed and suggested clarification on the proposed text for a scenario-based data call question that would obtain the contractor mission support figures. The main clarification to the language is:

- **Include:** Count contractor mission support employees who provide direct support to the installation and occupy working space at the installation.
- **Exclude:** Do not count contractors for “Sustainment” and “Base Operating Support”; expand the list of duties to be excluded.

Booz Allen will incorporate these changes, and present a new draft for review and approval at the next JPAT meeting.

Output Reports for BRAC Actions: The group then reviewed a proposed sample Economic Impact Tool (EIT) output report of BRAC actions (copy attached to the minutes). Detailed discussions ensued on the format and content of the summary tables and graphs illustrating economic impact of BRAC actions. Changes/corrections will be made to specific terms and dates (e.g., “trainees” will be changed to “students,” and “current base population 2004” to “authorized manpower for 2005”). There was discussion regarding the various terms for reporting historical data (e.g., 1988-2002 for Total Employment vs 1989-2003 for Unemployment Rates). The rationale for using different periods was based on the most current data available from the sources (BLS or BEA). Substantive discussion points included:

- **Summary Box:** Consider adding a short text to the ROI information and estimated job changes resulting from a BRAC action. For instance, a summary text could read: “The authorized manpower for Base X constitutes 4.9% of the ROI employment. Closing the base would result in a loss of 6.4% to the ROI’s total employment.”
- **Cumulative Job Changes over Time:** The JPAT discussed whether the estimate for eliminating mission contractor jobs should occur in one year or to spread that elimination over the 6 year implementation period. The JPAT agreed that the time phasing of mission contractor losses is immaterial to calculating the total indirect/induced job losses, therefore, the implementing guidance to the JCSGs/ MilDeps will allow them to choose when these losses would occur for their particular scenario.
- **Total Employment:** Use the years 1988-2002 for analysis (data: Bureau of Economic Analysis). Keep the scale to show the employment changes from 0.
- **Unemployment Rates:** Use the years 1989-2003 for analysis (data: Bureau of Labor Statistics).
- **Per Capita Income:** Use the years 1989-2003 (data: Bureau of Labor Statistics). Use 2003 dollars.
- **Output Reports:** EIT will be designed to produce three different types of reports:
 1. By individual actions (stand-alone reports for one specific action for the base)
 2. By Base (net result of multiple actions for the base)
 3. By ROI (net result of all actions for the economic area)

Primary users and audiences for scenario-based output reports will be OSD, the Services, the BRAC Commission, Congress, and the communities potentially affected by BRAC actions. They will require different types reports based on their specific needs and interests. Therefore, it is important for EIT to be equipped to generate all three types of reports for running BRAC scenarios.

EIT Web URL and Access: JPAT members were presented with various web links for accessing the EIT; they agreed upon www.JPAT6EIT.org as the preferred domain name for the EIT Web site.

Once the Secretary provides his BRAC recommendations to the Commission , the EIT will be made available to the public. The JPAT will work with the OSD BRAC office to define access policies/procedures. Ideas offered include:

- Open access. This may be constrained by number of users accessing at one time.
- Access by Registration. All public/commission users would be required to register prior to accessing the website. This could allow DoD to monitor who accesses, how often, etc.
- Format for access: web-based or by CD
- Period for public access (e.g., May 16 – December 31, 2005).

Briefing Slides for Deputy Assistant Secretaries (DASs) for BRAC: JPAT members were asked to review the attached briefing slides prepared for the BRAC DASs' review. Booz Allen will update some slides resulting from today's discussions.

Internal Control Plan (ICP): Booz Allen submitted for the JPAT's review a second draft of ICP that has incorporated suggested changes to date. Any additional suggestions will be incorporated into the next draft.

Next Steps/Actions:

- Booz Allen to contact the Naval Surface Combat Systems Centers to check on modifications to ROIs affecting their installations.
- Booz Allen to modify the contractor data call per JPAT's suggestions
- Booz Allen to modify the EIT output report per the meeting discussions
- JPAT to issue decision rules on estimating cumulative job changes on base
- Booz Allen will design EIT to general 3 different types of reports: by action, base and ROI.
- JPAT to review briefing slides for DASs: Booz Allen will update some slides following today's discussions.
- JPAT to review the second draft of ICP and provide input to Booz Allen
- Booz Allen to draft the BRAC 2005 Policy Memo for JPAT's review

Approved: _____


Michael McAndrew
Deputy Director, BRAC
Chairman, Economic Impact JPAT

Attachments:

1. List of Attendees
2. Briefing Slides
3. Final IRP Summary and JPAT Responses to Recommendations
4. Briefing Slides on Chained Consumer Price Index
5. Scenario Data Call Question Regarding Contractor Mission Support Workforce

6. Sample Economic Impact Tool Output Report
7. Draft Economic Impact Briefing Slides for BRAC DASs
8. Draft Internal Control Plan

**Meeting 9: BRAC 2005 Economic Impact JPAT
September 23, 2004, Pentagon**

Attendees

JPAT 6 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: Lisa Such
- OSD-BRAC: David Asiello
- OSD-BRAC: Alex Yellin

Booz Allen Hamilton:

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



BRAC 2005 JPAT 6 Economic Impact

Briefing to the
JPAT 6

23 September 2004



Agenda

- Chained-CPI-U ("CPI Superlative") vs. CPI-U
- Potential ROI Modifications
- Sample Output Report of BRAC Action
- Draft Language for Contractor Data Call
- Update on Economic Impact Tool
- Briefing Slides for Deputy Assistant Secretaries
- IRP Recommendations and JPAT Responses



Potential Modifications to Single ROIs

No	Name of County	State	Installation	Suggested Modification to ROI	Justification
1	Mono County	CA	Marine Corps Mountain Warfare Training Center	No Change	Nearest town to the base is Lee Vining which is located within this county. Next nearest town is Carson City, NV which is 2 1/2 hours away and likely not linked economically.
2	Martin County	IN	Naval Support Activity Crane	No Change	Installation appears to be self contained since it is over 100 square miles and adjacent to the Hoosier National Forest; nearest town is an hour away.
3	Aroostook County	ME	Defense Finance and Accounting Service	No Change	Former home of Loring AFB located near the Canadian border. Nearest communities are located within this county.
4	Accomack County	VA	Naval Surface Combat Systems Center	Add Worcester County to the ROI	Located on Virginia's eastern shore (Delmarva Peninsula) near the MD border; nearest large town Pocomoke City is only 14 miles away in Worcester County and likely linked economically to the study area.
5	King George County	VA	Naval Surface Warfare Center Division	Add Charles County, MD and Stafford County, VA to the ROI	Add the two adjacent counties with larger population centers to the ROI.
6	Jefferson County	WA	Naval Magazine Indian Island	No Change	Located on the Olympic Peninsula on the far eastern edge of the county. Nearest large town is Port Townsend which is located within the county.
7	Monroe County	WI	Fort McCoy	No Change	Not included in the LaCrosse, WI MSA by OMB which it adjoins. Appears to be self contained.
8	Pendleton County	WV	Naval Security Group Activity	No Change	Isolated facility; nearest town is over an hour away from the installation
9	Guam	GU/AP	Anderson AFB	Will address separately.	



EIT Web Site

■ Site Access

- Permissions for Public Users (access privilege)
- Open access versus user registration

■ Hosting

- Length of time site should be hosted for public



EIT Web Site

URL Selection for EIT Web Site

Possible Options:

1. www.JPAT6EIT.org
2. www.JPAT6EIT05.org
3. www.EITJPAT6.org
4. www.EIT2005.org
5. www.EITool.org

**INDEPENDENT REVIEW PANEL COMMENTS ON
PROPOSED ECONOMIC IMPACT ANALYSIS METHODOLOGY
FOR THE BRAC 2005 PROCESS
(AUGUST 25, 2004)**

INTRODUCTION AND BACKGROUND

On August 25, 2004, contractors for the Office of the Secretary of Defense Base Realignment and Closure (OSD-BRAC) Staff briefed an Independent Review Panel (IRP) on OSD-BRAC Staff's proposed economic impact analysis (EIA) methodology. 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" (69. F.R. 6948, February 12, 2004). OSD had 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. The IRP briefing slides are attached as part of the meeting summary.

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

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

To further strengthen the validity of the EIA model, the panel made the following recommendations:

HISTORICAL CONTEXT

A great deal of discussion occurred between the IRP and the Staff's Economics Team regarding the historical data that will be provided on each region of economic influence (ROI) to put the results of the impact analysis in perspective. The discussion focused on parameters that may provide more information on the stability of a local economy, and on its ability to respond to proposed BRAC actions. The IRP suggested adding three additional parameters.

1. **Real Estate Value:** The IRP suggested considering an economic area's real estate value as a proxy for measuring stability of the local economy. For instance, in addition to full-market value of real estate per capita and median home values, adjusted value of real estate (\$/sq² or \$/acre) could be used as a proxy for the health of the commercial and agricultural real estate markets. A robust economic area, measured by the real estate market value, might adjust and rebound more successfully to base closures than would a less robust area. There was not a consensus on how to

obtain consistent annual real-estate value data the over 250 ROIs being considered. (Note: median home values are available from 2000 census; other real estate value data is available from state tax and audit agencies, although data quality among states may vary. Commercial real estate information services cover MSA's. Sources such as "Homefair.com" and "realtor.com" permit comparisons in costs of living, housing costs, etc. among cities. The value of taxable real estate is pretty well standardized (with the use of assessment ratios) because of its use in municipal bond ratings (and within states because of use in aid formulas.

2. **Total Population** – One member of the IRP suggested that total population trends and forecasts for each ROI would provide additional valuable context for factoring an ROI's degree of sustainability from the potential impacts of a BRAC action.

3. **Diversification Index** – The IRP suggested that an employment diversification index could also provide additional perspective on a local economy's susceptibility for absorbing the potential economic impacts of a BRAC action. [Note diversification will be highly correlated with size or employment area].

ROIs OUTSIDE OF MSAs

The proposed methodology designates a base's County as its ROI if the base is not located within a Metropolitan District, a Metropolitan Statistical Area, or a Micropolitan Statistical Area. The IRP suggested that the Staff's Economics Team evaluate the validity of this approach for each of the bases so located. With so few "single" counties, the IRP suggested creating "mini-MSAs" based on inflow and outflow of workers. Another method is to evaluate retail sales per capita to get a feel for where shopping takes place. The IRP's concern was whether the multipliers estimated for individual counties would accurately capture the impacts of a BRAC action. For instance, excluding counties from an ROI may under estimate changes in employment due to action such as BRAC. One suggestion was to evaluate commuting patterns of local county residents, which provides information on the regional scope of economic interdependence.

MILITARY SPENDING PATTERNS

For measuring induced employment impacts, the IRP suggested conducting a more detailed analysis of spending and consumption patterns of different categories of military personnel. For instance, where do base personnel shop for food (e.g., base commissaries or off-base stores)? Do spending patterns (absolute amounts and types of expenditures) differ from one category of personnel to another? Obtaining payroll and allowance data would help with this analysis. [See note on "Mission-Based Contractors]

STANDARD DEFINITION OF MULTIPLIERS

The IRP suggested that the Staff's Economics Team clearly distinguish and describe the type of employment multipliers it and its contractors were estimating. A clear definition of direct, indirect and induced multipliers would help users to better understand the I/O Model results.

MULTIPLIERS FOR MILITARY-UNIQUE ACTIVITIES

The Staff's Economics Team proposed using private sector industries in IMPLAN to estimate employment multipliers for base activities. The proposed EIA model would map base activities to between 10 and 15 NAICS industries with similar activities and income levels. For military-specific activities for which there are no comparable private sector activities in the economic ROI (resulting in employment multipliers of zero in the ROI), the panel recommended that the Economics Team develop and apply appropriate and consistent multipliers (such as a national average) to ensure more accurate economic impact estimates. In mapping or developing multipliers for base activities, the IRP felt that equivalent income levels were a more important criterion than actual job functions. For instance, they recommended that the EIA model use relatively low multipliers for infantry personnel on base, whether or not a near-equivalent civilian (such as law enforcement) had high incomes locally. [Note: Consistent multipliers will be market-size sensitive, since small areas have a lot more leakage. In rural areas, where the Walmart is located will have a large impact on where the induced retail spending impacts are felt.]

MULTIPLIERS FOR GUAM AND PUERTO RICO

IMPLAN, the model used by the Staff's Economics Team to develop employment multipliers, does not provide multipliers for Guam or Puerto Rico. The IRP suggested finding employment multipliers for these areas from alternative models or sources. Some suggestions included obtaining advice of the IMPLAN contractor's staff, purchasing multipliers from the Bureau of Economic Analysis (BEA) from their Regional Input-Output Model System (RIMS-II) for these areas, or determining if a unique I/O model has been developed for Guam and Puerto Rico. For Puerto Rico, either Hacienda (Department of Finance) or the Development Bank of Puerto Rico will likely have some information on this issue.

AIMING HIGH

The IRP agreed that, for the purposes of Criterion 6, it was generally a sound approach to err in the direction of overestimating economic impacts. However, the panel cautioned against overusing over-estimation. One comment from the IRP raised the concern that induced effects are always suspect since they are so diffused and only start to make sense in very large areas (very large SMAs, states and regions).

DATA FOR MISSION-BASED CONTRACTORS

The Economics Team requested that the IRP comment on feasible and credible methods for estimating changes in mission-based contractor jobs under different BRAC scenarios. Three options that were presented were:

- 1) Requesting estimates from the field in a Scenario data call
- 2) Estimating contractor job changes from direct job changes with a proportionality index
- 3) Ignoring contractors altogether

After exploring the pros and cons of each option, and generating other options (such as counting security badges or parking permits), the IRP recommended using a scenario-based data call to obtain mission-based contractor job-change information. One possible scenario not discussed at

the meeting is detailed sampling at a select number of bases. A really good, detailed survey that collects information on 15 to 20 bases would be an improvement over receiving poor information on 300 or so bases for purposes of benchmarking. In any event, doing a reality-check of on-site work to understand the data limitations would be worthwhile.

INCOME DEFLATOR

The Staff's Economics Team discussed appropriate indexes to use when adjusting per-capita income (PCI) for inflation, such CPI-U and GDP-based deflators. The IRP recommended using the CPI-Superlative for this adjustment. BLS began issuing the new superlative index in 2002. For more information on this see Greenstein, *A Simple Proposal That Can Mean Substantial Savings over Time* (May 18,2004) at "www.cbpp.org"

Independent Review Panel:

- Dr. Grace Johns: Hazen and Sawyer, P.C.
- Mr. John Krause: ARD, Inc., Government Finance Group
- Prof. John Petersen: George Mason University
- Prof. Adam Rose: The Pennsylvania State University

Briefers:

- Dr. Lisa McDonald: Booz Allen Hamilton, BRAC05 Economic Impact Analysis Team
- Dr. Dave Wilson: Booz Allen Hamilton, BRAC05 Economic Impact Analysis Team

OSD-BRAC and JPAT Representatives:

- Mr. David Asiello: OSD-BRAC Office
- MAJ (Dr.) Robert Bickel: Dept of the Air Force Representative
- Mr. Jack Leather: Dept of the Navy Representative
- Mr. Alex Yellin: OSD-BRAC Office

Other Attendees:

- Veena Murthy: Booz Allen Hamilton, BRAC05 Economic Impact Analysis Team
- Young-Min Shim: Booz Allen Hamilton, BRAC05 Economic Impact Analysis Team

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.



BRAC 2005 JPAT 6

Economic Impact

Briefing on
Chained Consumer Price Index
September 2004



Definition: CPI Superlative

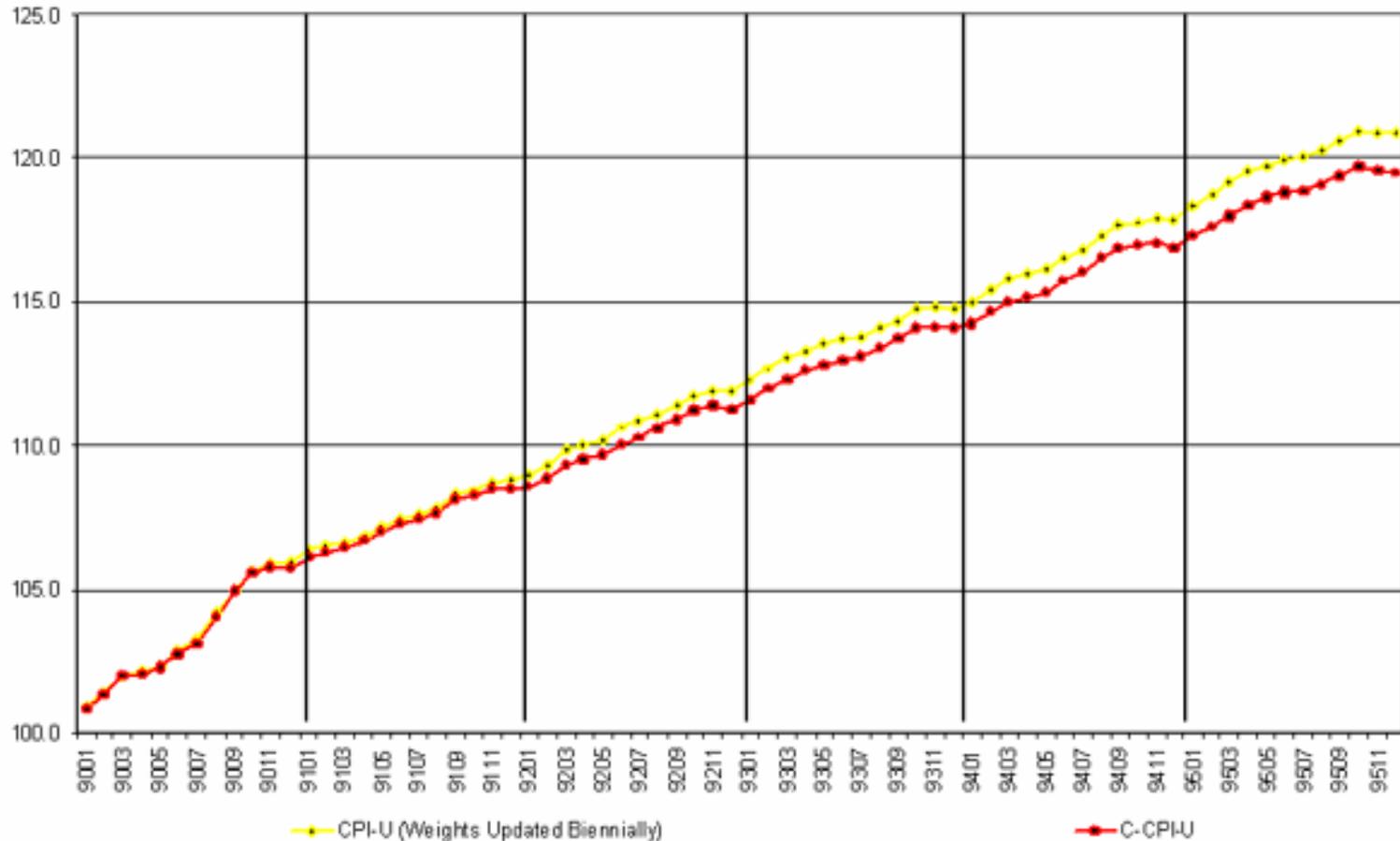
- Formally known as the Chained Consumer Price Index – Urban (C-CPI-U)
- Informally called CPI-Superlative because it uses a superlative formula to calculate inflation (i.e. Tornqvist formula)
- C-CPI-U data available at the Bureau of Labor Statistics (BLS)
- Reflects substitution in spending behavior (CPI-U does not):
 - uses spending behavior in both the current and a previous period (consumer behavior observed, not assumed)
 - reflects observed substitution



Comparison between C-CPI-U and CPI-U

INDEX SIMULATIONS

CONSUMER PRICE INDEXES FOR ALL ITEMS, U.S. CITY AVERAGE, RELATIVE TO DECEMBER 1989



Source: Bureau of Labor Statistics: www.stats.bls.gov/cpi/ccpi



Comparison of Inflation Rates

Year	CPI - U	C - CPI - U	Difference
1990	3.64%	3.52%	0.12%
1991	3.76%	3.69%	0.07%
1992	2.90%	2.58%	0.32%
1993	2.80%	2.67%	0.13%
1994	2.58%	2.49%	0.09%
1995	2.76%	2.46%	0.30%
Average	3.07%	2.90%	0.17%
2000	3.36%	2.00%	1.36%
2001	2.85%	2.25%	0.59%
2002	1.58%	1.25%	0.33%
2003	2.28%	1.99%	0.29%
Average	2.52%	1.87%	0.64%

Source: Bureau of Labor Statistics: www.stats.bls.gov/cpi/ccpi



Observations

- C-CPI-U inflation rate is lower than CPI-U inflation rate
- C-CPI-U uses observed consumer behavior (i.e. substitution when prices go up)
- Independent Review Panel recommends using C-CPI-U



Challenges

- C-CPI-U data is available only from 1999-2000
- For the purposes of BRAC 2005 historical analysis, authoritative C-CPI-U data is needed for the preceding 10 years



Recommendation

- If C-CPI-U data cannot be obtained from authoritative sources, such as the Bureau of Labor Statistics or the Bureau of Economic Analysis for the 10-year period of historical analysis (i.e. 1994-2003), the EIA team recommends using CPI-U.

Draft deliberative document
Do not release under FOIA

Draft Language for Scenario Base Contractor Data Call

Report the number of *contractor mission support employees* that would be *directly* affected by the proposed BRAC action.

Definition: “Contractor mission support employees” are contractor employees who perform one or more of the *military* missions on the base, and whose work tasks are virtually identical to government civil servants or military personnel. Such mission support contractors provide direct support to the installation mission, and typically occupy working space at the installation. Be sure to include mission support contractors that meet the definition but do not have fixed working space at the base.

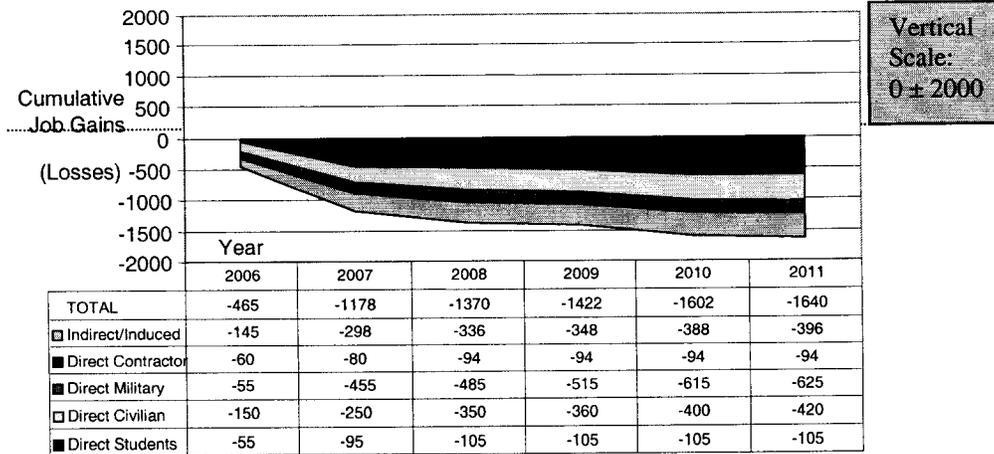
When counting mission support contractors, determine the number of full time equivalents (FTE). FTE is defined by 8 hours of work per working day.

Do Not Include: Following types of contractor personnel *should not* be included because they do not fit the definition of *contractor mission support employees*: Contractors for grounds keeping, plumbing, and general purpose utility work, and non-appropriated fund employees. (These personnel do not perform *military* missions. Their economic impact will be estimated separately as part of the BRAC 2005 economic impact methodology.)

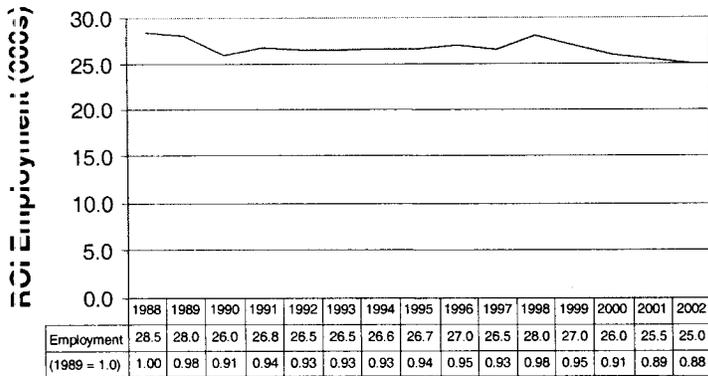
Scenario: Army– Consolidate Svc Schools
 Economic Region of Influence: Midsouth ROI
 Base: Camp Swampy
 Action: Close Swampy Field Artillery School

ROI population, 2002 actual: 300,000
 ROI employment, 2002 actual: 25,500
 Authorized Manpower, 2005: 1,244
 Authorized Manpower (2005)/ROI employment (2002): 4.9%
 Estimated direct and indirect/induced job change over Action period: -1640
 Estimated job change over period/ROI employment (2002): -6.4%

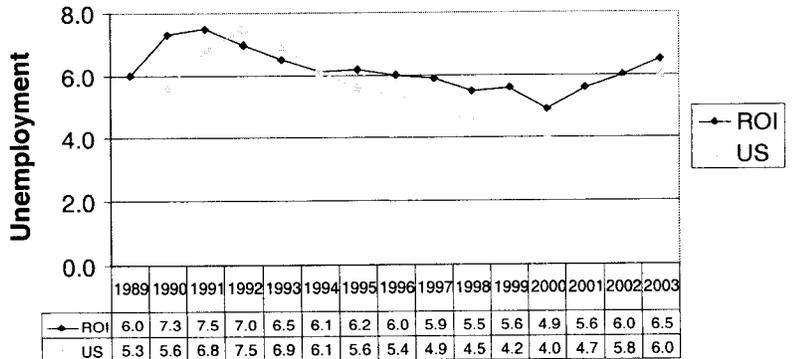
Cumulative Job Gains (Losses)



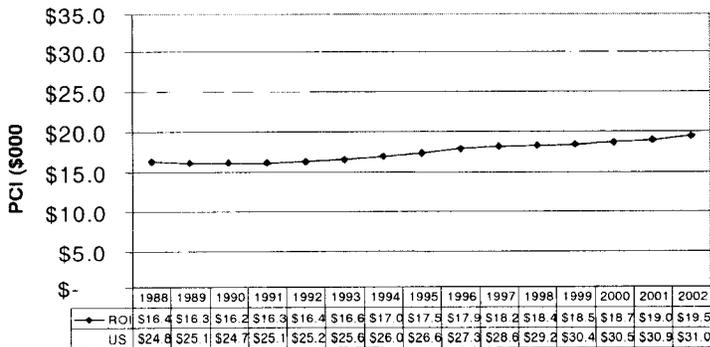
Total Employment



Unemployment



Per-Capita Income



Industry Sectors

Industry Sectors	ROI Employment (2002)	% of Total ROI Employment (2002)
Production	6,450	25%
Office and Administrative Support	6,330	25%
Transportation and Material Moving	4,840	19%
Sales and Related Occupations	4,650	18%
Installation, Maintenance and Repair	3,070	12%



BRAC 2005 JPAT 6 Economic Impact Methodology

Briefing to the
BRAC 2005 Deputy Assistant Secretaries
September 2004



Key Considerations

- Method must be appropriate for BRAC process
 - Treats all bases equally
 - Respects cost of data collection and certification procedures
 - Can analyze alternative scenarios on demand
 - Straightforward
 - Credible



Proposed Measures & Approach

■ Key measures

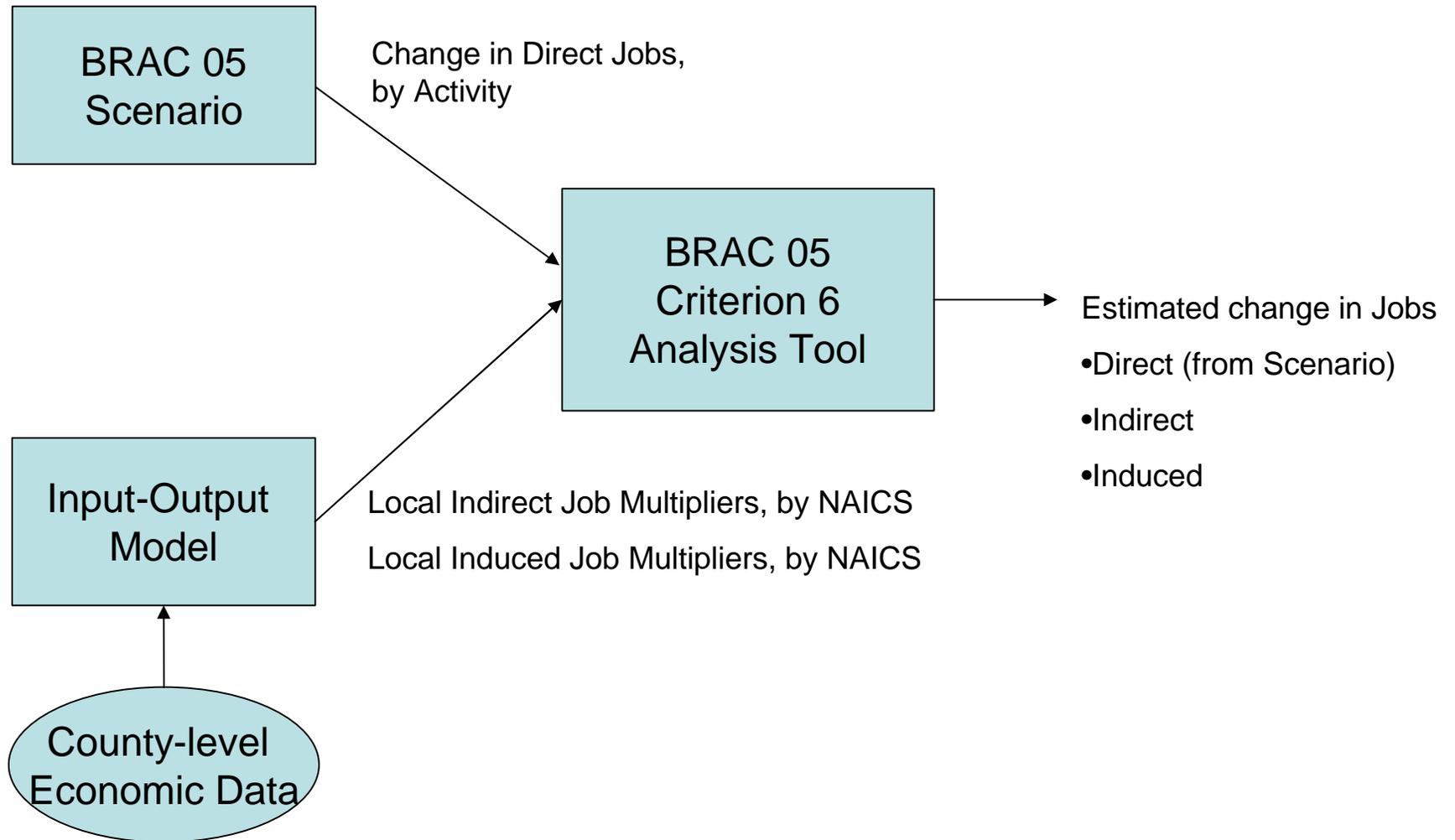
- Total potential job changes
- Total potential job changes as a percentage of total employment in the local economic area

■ General Approach

- Define economic regions of influence
- Obtain multipliers from an Input/Output model
- Map DoD jobs to civilian multipliers
- Take direct job changes as an input
- Use multipliers to estimate total job changes



Desired Output is the Change in Net Jobs





Key Elements of the Methodology

- Focus on *net job changes* from a BRAC Action
 - Direct
 - Indirect (e.g., base support)
 - Induced (e.g., households)
- Use historical trends for context
 - Employment
 - Unemployment rate
 - Per-capita income
 - Population
 - Top local industries

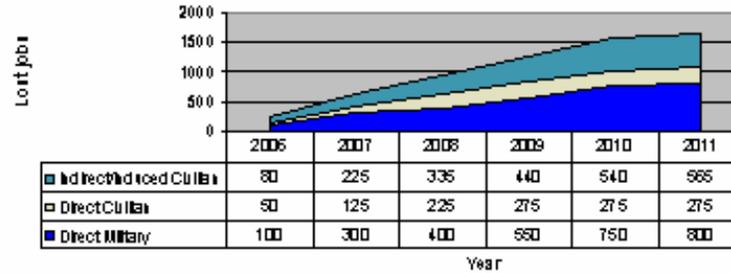


Notional Output

Activity: Camp Swampy
 Economic Region of Influence: Midsouth MSA

ROI population, 2004 est.:	300,000
ROI employment, 2003 actual:	20,000
Base direct employment:	1,075
Base/ROI employment:	5.4%
Estimated direct and indirect/induced job change over closure period:	-1640
Estimated job change/ROI employment	-8.2%

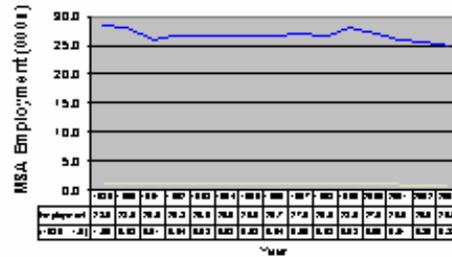
Cumulative Job Losses



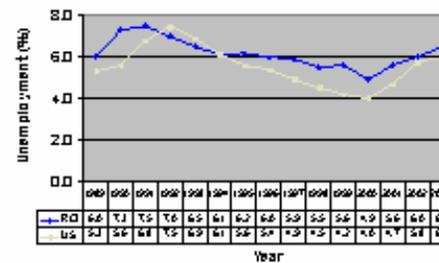
Job losses & context (tabular)

Job losses (graphical)

Total Employment

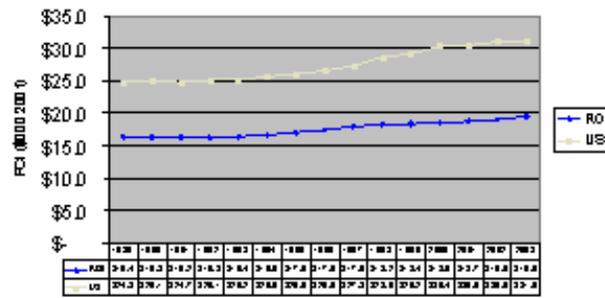


Unemployment rate



Context (graphical)

Per-capita income





Economic Impact Definitions

- **Total potential job change:** direct, indirect and induced job changes attributable to BRAC
- **Direct jobs:** military personnel, civilian employees, contractors performing the base's mission
- **Indirect jobs:** non-DoD employees supporting base services & infrastructure
- **Induced jobs:** jobs supported by households in the surrounding economic area
- **Total employment** = all military and civilian jobs
- **Economic areas** = Metropolitan Statistical Areas (MSAs) or Metropolitan Districts (MDs) for installations in MSAs, otherwise counties



Estimating Employment Multipliers using IMPLAN

- MIG, Inc., will run 250 independent IMPLAN models to estimate employment multipliers for:
 - Each economic area where a military installation is located
 - Includes Metropolitan Statistical Areas, Metropolitan Divisions and individual rural counties
 - All available NAICS (up to 509 per area)

Metropolitan/ Micropolitan Statistical Areas	Metropolitan Divisions*	Individuals or Groups of Counties
242	26	8

* *Metropolitan divisions are sub-areas within a metropolitan statistical area.*



Modifying Employment Multipliers

The Analysis team will modify employment multipliers estimated by IMPLAN to account for differences in:

- Principal base activity
- Category of personnel
 - ❑ Military
 - ❑ Civilian/Contractor
 - ❑ Trainee



Independent Review Panel

- Independent Panel convened in August to review the proposed methodology
- The panel found the methodology to be theoretically sound and defensible
- The panel made a number of suggestions to further strengthen the model



IRP Comment: 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. Authoritative data sources do not exist.



IRP Comment: Spending Patterns

- IRP Comment: Conduct a more detailed analysis of spending and consumption patterns of different categories of military personnel
- Recommendation: Concur (if data can be found). The EIA team will research previous studies on the topic, and examine potential information sources for closer analysis of spending patterns by different categories of military personnel.



IRP Comment: Contractor Data

- **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



IRP Comment: Inflation Index

- **IRP Comment:** Use the Chained Consumer Price Index – Superlative (C-CPI-U) to convert nominal income to real income for historical analysis
- **Recommendation:** Concur (if data is available). The EIA team will first examine the implications of using CPI-S by comparing the results from using the more traditional CPI-U. If the C-CPI-U is not available for historical analysis (e.g. going back 10 years), CPI-U will be used.



IRP: Summary

- The panel found the methodology to be theoretically sound and defensible
- JPAT-6 is reviewing and incorporating most of the IRP suggestions to further strengthen the model

JOINT PROCESS ACTION TEAM 6 ECONOMIC IMPACT

INTERNAL CONTROL PLAN FOR THE 2005 BASE REALIGNMENT AND CLOSURE PROCESS

PURPOSE

This guidance establishes the policies and responsibilities that constitute the Internal Control Plan (ICP) for Joint Process Action Team 6 (JPAT 6) and all contractors supporting its BRAC 2005 efforts. It is to be used to implement the Defense Base Closure and Realignment Act of 1990 (P.L.101-510 as amended) (BRAC) and the Secretary’s November 15, 2002, “Transformation Through Base Realignment and Closure” memorandum and all subsequent policy memoranda outlining the DoD BRAC 2005 process. It is designed to delineate the policies and procedures that will ensure data integrity for JPAT 6 actions during the BRAC 2005 process.

JPAT 6 is developing a methodology and information technology tool that will facilitate consideration, Department of Defense-wide, of the economic impact on existing communities in the vicinity military installations that could be affected by closures, realignments, or other BRAC actions. In accordance with P.L. 101-510 as amended, the Department of Defense published the final selection criteria for BRAC 2005 in the **Federal Register** on February 12, 2004.¹ In selecting military installations for closure or realignment, the Department of Defense, giving priority consideration to military value, must also consider: “The economic impact on existing communities in the vicinity of military installations.” A goal of JPAT 6 is to develop a common methodology and an associated information tool for BRAC 2005, principally for use by the Military Services, Defense Agencies, and Joint Cross Service Groups (DoD Components).

AUTHORITY

JPAT 6 operates as an integral part of the Department’s BRAC 2005 process under the oversight of the Infrastructure Executive Council and Infrastructure Steering Group.

GENERAL

JPAT 6 recommends using three types of information to estimate the potential economic impact of BRAC actions on existing communities in the vicinity of military installations. The different types of data require different treatment under this ICP.

¹ See **Federal Register** , Vol. 69, No. 29, February 12, 2004, page 6948.

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(1) **Direct job changes.** The number of military personnel, civilian employees, and, possibly, contract mission support employees, that would be directly affected by a potential BRAC action is required to estimate economic impact.² Under current plans, DoD Components will develop these estimates as part of the scenarios they develop and review. The scenario data calls that are required as part of the BRAC 2005 scenario development process will require the submission of certified data for military personnel and civilian employees.

At the time of the writing of this version of this ICP, JPAT 6 is still deliberating over how to address the number of contract mission support employees affected by a potential BRAC action. Options include (a) omitting consideration of this group of potential job changes, (b) entering estimates directly into COBRA, or (c) entering estimates directly into the economic impact information tool. This ICP will be updated to address contract mission support employees after JPAT 6 completes its deliberations on this topic.

Because data elements for military personnel and civilian employees will be certified and entered into the Cost of Base Realignment Alternatives (COBRA) model, actions taken under this ICP need only to ensure that DoD Components, and the information tools that they use, transfer or copy these data elements without change from COBRA to the economic impact information tool.

ICP requirements for contractor mission support employees will be developed after JPAT 6 determines how these jobs will be counted in its analysis, if at all.

(2) **Indirect job changes.** JPAT 6 currently plans to estimate the number of indirect job changes associated with a particular BRAC action by applying a multiplier value to the number of direct job changes. Under current plans, JPAT 6 will develop the BRAC 2005 multiplier values on the basis of the multiplier values provided by MIG, Inc., which is the supplier of IMPLAN, a commercial-off-the-shelf input-output economics model.

This ICP needs to ensure that the correct IMPLAN values are used as the basis for the calculations for the BRAC 2005 indirect multipliers.

(3) **Official Federal Government Economic data.** JPAT 6 currently plans to view direct and indirect job changes in the context of official federal government economic data for economic areas in the vicinity of military bases. This data includes employment levels, unemployment rates, per capita personnel income, and key industrial sectors. JPAT 6 plans to obtain the data from the U.S.

² – ‘Contractor mission support employees’ are contractor employees who perform one or more of the *military* missions on the base and whose work tasks are virtually identical to government civil servants or military personnel.

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Departments of Labor and Commerce, the official data sources. Actions under this ICP need to ensure that the official data has been obtained correctly from the official source (via Internet, CD-ROM, etc.) and mapped to the correct economic area in the information tool, and that reports from the information tool accurately display to correct information.

The remainder of this ICP discusses issues specific to the three types of data.

INTERNAL CONTROL MECHANISMS

The objective of the internal control mechanisms is to ensure the accuracy, completeness, and integrity of the information upon which the Secretary of Defense recommendations for base realignments and closures will be based. The two principal control mechanisms are organization and documentation.

Organization Controls

Under the oversight and guidance of the Secretary, there are two groups within the DoD which have primary responsibilities for assisting the Secretary: the IEC, chaired by the Deputy Secretary of Defense and the ISG, chaired by the Under Secretary of Defense for Acquisition, Technology and Logistics (USD(AT&L)). JPAT 6 operates under the direction of these two bodies. The ISG and IEC will review and approve the final methodology for economic impact for BRAC 2005.

The DoD Inspector General and ~~General Accountability Office (GAO)~~ advises the IEC, ISG, and JPAT 6. The Government Accountability Office (GAO) is an observer to the JPAT 6 decision-making process.

JPAT 6 also plans to conduct a review by independent economists of its general methodology for addressing economic impact. [The independent review was conducted on August 25, 2004.]

Documentation Controls

The following outlines document controls for data to perform analyses related criterion 6, “The economic impact on existing communities in the vicinity of military installations.” The goal of documentation controls is to ensure that the information used is certified for accuracy and completeness, where appropriate, and that the information is used consistently by OSD, the Military Departments, the Defense Agencies, and the Joint Cross Service Groups throughout the BRAC 2005 process. (The JPAT’s work, the technical expertise of its contractor support, and the review by independent economists will help ensure that the information will be used in appropriate ways to evaluate economic impact.)

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To protect the integrity of BRAC 2005 documentation prepared, handled, or processed, the economic impact methodology will adhere to the control elements described below. Representatives from the DoDIG and GAO may observe or validate these procedures, as appropriate.

Data collection and handling:

(a) Direct job changes. To begin the process of calculating the potential economic impact of a BRAC action or scenario, DoD Components will ~~electronically upload input~~ direct job changes for military personnel, ~~and civilian employees, contractors, and students~~ into the web-based economic impact information tool ~~from a COBRA model output file located on their network or hard drive~~. These direct job changes will originate in a scenario data call and will be certified before they are entered into COBRA. For these data elements, therefore, the economic impact process need only ensure that the data are being entered ~~exported~~ correctly from the COBRA model into the ~~COBRA output file and are uploading~~ correctly ~~(have not been altered)~~ into the economic impact information tool.

To validate that ~~COBRA is exporting the data correctly~~ COBRA data and economic impact data match, ~~users of the information tool~~ representatives from JPAT 6 will:

- ~~M~~ visually annually compare and review sample COBRA and economic impact data. ~~export files to validate, to the best of our ability, that the program will create an accurate data export.~~
- ~~Create 5 “dummy files” in COBRA with an appropriate entry in each data field.~~
- ~~Export the COBRA dummy files to a COBRA export file~~
- ◆ ~~Validate that the COBRA export file contains identical information to the associated COBRA dummy file~~

To validate that the economic impact information tool is ~~uploading the data correctly~~, ~~representatives JPAT 6~~ will:

- ~~Perform a data format check, which will confirm, for example, that numbers (not text) are uploaded to fields that should contain only numbers, etc. Uploading will not proceed unless the data format check is performed successfully.~~

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~~□ View scenario data through in the economic impact information tool. Analysts will perform a spot check of scenario data and compare entries in the COBRA export file to entries in the economic impact information tool.~~

~~□ For a small number of test cases, analysts will perform a 100 percent check to verify that the scenario test case data uploaded correctly into the information tool.~~

(b) Indirect job changes. JPAT 6 will create multipliers for indirect job changes for each economic area based on calculations on multipliers from the IMPLAN input-output model.

To assure the integrity of the multiplier data provided by IMPLAN, JPAT 6 representatives will:

- ◆ Review the IMPLAN data when it is first received from MIG, Inc., to check for general reasonableness of the multiplier values using professional judgment.
- ◆ Review the IMPLAN multipliers to identify multiplier values, if any, that are clearly in error, i.e., too high, too low, a negative number, etc.
- ◆ Resolve any discrepancies or questions directly with MIG.

To ensure the integrity of the calculations performed (i.e., the calculations that will be performed on the IMPLAN data), JPAT 6 will ensure that a review of the calculations is performed by qualified analysts, either DoD or contractor personnel, who did not participate in the initial calculations. Calculations will be performed in a spreadsheet or database. The review will ensure that the spreadsheet formulas or database commands are appropriate. As part of the review, a small sample of parallel calculations will be performed in a separate spreadsheet or database to confirm the calculations in the “production” spreadsheet or database.

Analysts will ensure that all of the multiplier data is uploaded correctly from spreadsheets or database tools into the economic impact information tool. They will spot check a small number of entries and perform “check sum” calculations to ensure that all numerical entries have migrated correctly.

(c) Official Federal Government Economic Data. Data for the BRAC Economic Impact Analysis is being obtained from a various federal government agencies. It

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is therefore important that a plan be in place to assure quality and accuracy of such data. The following explains the approach that will be used by JPAT 6 to insure data integrity.

Sources for historical data that will be used to describe different economic areas are summarized in the following table.

Data	Source	Agency	Notes
Base locations (county)	Spreadsheets from JPAT 6 representatives	Military Departments and Defense Agencies	
Metro/Micropolitan Areas and Metropolitan Districts	OMB Bulletin 04-03	OMB	
Total Population by County	Regional Economic Information System	BEA	Census Bureau midyear population estimates. Estimates for 2000-2002 reflect county population estimates available as of April 2004.
Total Employment by County	Regional Economic Information System	BEA	
Per Capita Income	Regional Economic Information System	BEA, BLS	Nominal Per Capita Income was obtained from the REIS database and converted to real dollars (2002) using the Annual U.S. City Average CPI (Not seasonally adjusted) for all items obtained from BLS
Total Earnings/Income by County	Regional Economic Information System	BEA	
Unemployment Rate, Labor Force and Employed by County		BLS	
Largest Industry by Metropolitan/Micropolitan Area			

Note BEA = Bureau of Economic Analysis, U.S. Department of Commerce; BLS = Bureau of Labor Statistics, U.S. Department of Labor; OMB = Office of Management and Budget, Executive Office of the President.

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JPAT 6 will obtain historical economic data from the Bureau of Economic Analysis (U.S. Department of Commerce) and Bureau of Labor Statistics (U.S. Department of Labor). Data will either be obtained by download direct from the Internet or by email from the above-mentioned agencies. These files will be converted to an Excel format where they will be further manipulated where necessary (e.g., convert nominal dollars to real dollars). ~~These Excel files will then be~~ and then uploaded into an MS Access database, where data will be aggregated and organized by economic area (such as Metropolitan Statistical Area, Micropolitan Statistical Area, Metropolitan Division, or county).

Base location data obtained from the JPAT 6 Military Service representatives will be verified for accuracy using the following protocol:

- ◆ An analyst will collect the heterogeneous service submissions into a single Excel file and identify missing data and anomalies.
- ◆ The analyst will ask the JPAT 6 Service Representatives to review the unified Excel document, to supply missing data, and to validate or correct anomalies.
- ◆ Review and validation will continue until the JPAT 6 Service Representatives concur that the lists and locations are accurate.

~~BUH~~

Data obtained from OMB, BLS, and BEA will be checked for accuracy using the following protocol:

- ◆ An analyst who was not materially involved in the original download will examine county-level data ~~in Excel format~~ to identify any apparent errors or omissions. The analyst will search for missing data, anomalies, and statistical outliers.
- ◆ JPAT 6 will follow-up with the applicable agencies to validate outliers and correct errors and omissions where possible.
- ◆ The analyst who was not materially involved in the data manipulation will independently perform this manipulation on a subset of the data to validate that the manipulation was performed correctly.
- ◆ After the transformation and upload of the Excel data into the information technology tool, an analyst will perform spot checks on each fields in the database to ensure that the upload procedure loaded the data in the proper fields and records. Analysts will also perform

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“sum checks” on selected fields with quantitative data to ensure that all data transferred correctly.

Certification: Any data files uploaded into the economic impact information tool by the Military Departments, Defense Agencies, and Joint Cross Service Groups will be certified in accordance with their respective internal control plans. Data and information gathered from authoritative or official sources external to DoD, such as OMB, BLS, or BEA, will be certified as to the source if the sources’ accuracy can be determined by the audit community to be in accordance with the U.S. GAO guidance.

Record Keeping: Minutes of all JPAT 6 deliberative meetings and attendance lists will be maintained. Minutes will include copies of materials circulated and discussed.

Outside Studies: No data from outside studies or briefings will be accepted for use by JPAT 6 unless such data is independently validated and certified in accordance with BRAC 2005 procedures.

Technical Experts: JPAT 6 has retained the services of Booz Allen Hamilton, to provide economics and information technology services. Booz Allen will work under the direction of JPAT 6 and coordinate regularly with its members.

Non-Disclosure Agreements: All individuals working within the JPAT 6 process, including contractor personnel, will be required to sign BRAC 2005 non-disclosure agreements.

ACCESS TO BRAC 2005 INFORMATION

To protect the integrity of the BRAC 2005 process, all files, data, and materials relating to that process are deemed deliberative and internal to DoD. All requests for release of BRAC 2005 data and materials, including those under the Freedom of Information Act, received prior to the Secretary forwarding his realignment and closure recommendations to the Defense Base Closure and Realignment Commission shall be forwarded to the Military Department BRAC authority concerned, or the DUSD(I&E). All BRAC 2005 documents, including electronic media, will have the following statements either as a header or footer, as appropriate:

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or

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The members of JPAT 6 and its contractors are entrusted to have access to BRAC 2005 data and information that originated from OSD, the IEG, ISG, the Military Departments and the Defense Agencies. Consistent with the organization controls set forth in this and other ICPs, access will not be granted to any individual, to include technical experts or outside consultants; without the consent of the JPAT 6 Chair. Such access carries a responsibility for ensuring that BRAC 2005 data and information is treated as sensitive and pre-decisional. The members of the JPAT 6 and its supporting contractors are required to protect the BRAC 2005 process from either improper or unofficial disclosures. The JPAT 6 Chair will ensure all assigned and substitute members of his or her group are informed that no internal deliberations or data will be discussed or shared with anyone outside their group without specific Chair approval. The group members must also take precautions to prevent the acceptance of information that is not certified or may be forwarded to JPAT 6 through channels other than those identified in this document and BRAC 2005 policy guidance.

AUDIT ACCESS TO RECORDS

The Comptroller General is required to submit a report to Congress and the Commission containing a detailed analysis of the Secretary's recommendations and selection process shortly after the Secretary provides his BRAC recommendations to the Commission. To facilitate this review, the Department will allow the GAO auditors full and open access to all elements of the DoD process, except for deliberative meetings, and to all data supporting the Secretary's final recommendations, as they are being developed and implemented. Copies of the deliberative meeting minutes will be made available to the GAO as they are signed by the Chair.

Full and open access to the BRAC 2005 process and data will be granted to the Inspector General of the Department of Defense. Furthermore, the audit agencies of the Military Departments and Defense Agencies participating in BRAC 2005 will review and validate data collected and analyzed by their Departments and Agencies. GAO, the DoD Inspector General, and the relevant audit agencies will coordinate their efforts to avoid duplication of effort.

DISSEMINATION

All members of the IEC, ISG, JCSGs, Military Departments, Defense Agencies and JPAT 6 must use every precaution to prevent the improper release of and/or access to BRAC 2005 data and information. Not only is access restricted to those individuals officially approved to take part in the BRAC 2005 process, care must also be taken to avoid inadvertent dissemination through telephone conversation, facsimile "FAX", or electronic "E-mail" transmission. Dissemination of information that is not discussed in this ICP will only be made with the expressed documented approval of the USD(AT&L).

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The JPAT 6 Chair will disseminate this ICP as appropriate. The Military Departments and Defense Agencies will incorporate this guidance in their ICPs for use within their Departments or Agencies. The USD(AT&L) will be advised of any control violations or weaknesses that are identified through application of this ICP.

This ICP will be modified as required to conform to the final ISG and IEC approval of the proposed methodology for addressing economic impact in BRAC 2005.

COMMUNITY RELATIONS/INTERACTIONS

The BRAC 2005 round will motivate local communities to solicit information from the DoD on the process and data used to develop recommendations. Protecting the integrity of the DoD BRAC 2005 process requires OSD, Military Departments, and Defense Agencies to designate key individuals and processes that will address community and congressional inquiries. Members of JPAT 6 and its contractors will not address community or congressional inquiries regarding economic impact in BRAC 2005 without the express approval of the JPAT 6 Chair.

CHANGES TO ICP

As the USD(AT&L) issues supplemental guidance that affects this ICP, JPAT 6 will incorporate this guidance into its ICP.