

## Flaws in Economic Impact Analysis

Criteria Six of the Department of Defense BRAC Selection Criteria mandates that consideration must be given to the economic impact on existing communities in the vicinity of military installations. This impact has not been fully assessed by DOD, nor has the data used been accurate. Not only did the DOD fail to accurately assess the economic impact, the information they did have appears not to have been considered in their closure decision. This is a violation of Criteria Six of the Base Realignment and Closure legislation.

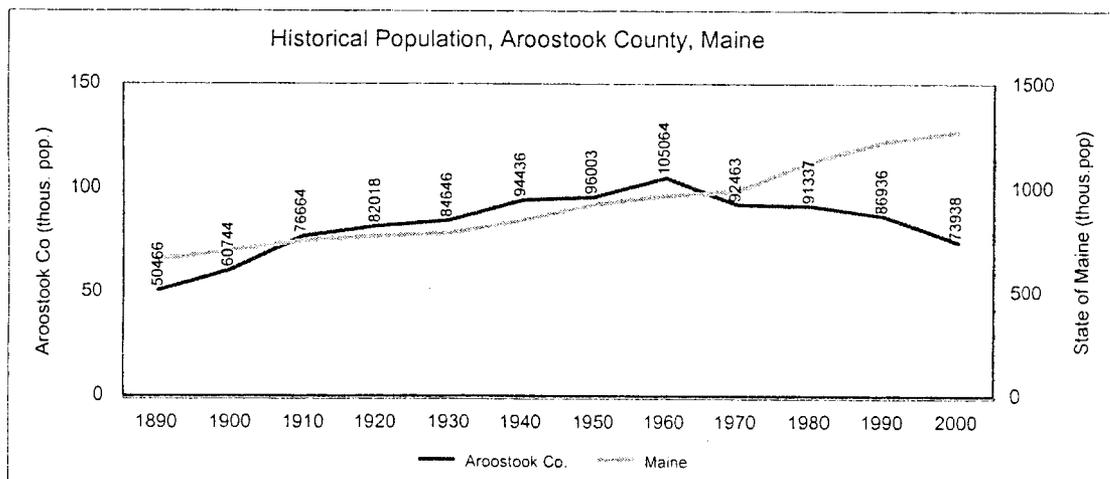
The one piece of economic impact data that the DOD included in their Closure recommendation was the percent of the area's employment effected by the closure. Using this ratio, Aroostook County suffers the greatest under the DFAS consolidation plan. At 1% of the area's population, the region significantly more than the other sites – 15 of which are .1% or less of the area's population. Unfortunately, there is no evidence that this factor was considered in the DOD's closure criteria.

### Criteria Six Violations:

#### **Flawed Assumption – Closure has No Impact on Population Losses**

With any business closing that results in significant job loss, it is not just the worker but also the entire family that is impacted. When workers must relocate in order to find work, whole families leave.

Aroostook County has had a long history of out migration, largely due to its remote location and to hard times in the agriculture and forestry industries that dominate the region. This was exacerbated in the 1990s with the closing of Loring Air Force Base, which removed 4,500 military personnel plus family members from the area and put more than a 1,100 civilians employed on the base out of work. Population decline in the county accelerated.



**Flawed Data - Operational Costs and Expenditures of DFAS**

Secondary impacts of closing the DFAS center include not only the indirect effect of jobs lost at the facility, but also the effects of spending by the facility that occurs in the region. To date very little information has been released concerning expenses.

**Flawed Data - DOD Baseline Employment Figure for Limestone DFAS Center**

DOD estimates the impact of closing the Limestone DFAS center to be a loss of 353 jobs in Aroostook County, based on 241 employed at the center. *2005*

However, the center currently employs just over 360 workers. The impact, using DOD's method of measuring job loss would be much greater if the current employment figures had been used.

**Flawed Analysis - Economic Impact**

A comparison of DOD's estimates of the impact of closing the Limestone DFAS facility to other assessments show important differences. Had DOD used the current employment figures for the center, their results would have shown a greater impact. The RIMS II and REMI forecasting models capture more of the impact of a closure, in spite of the obstacle of missing and unavailable data, than do bare IMPLAN multipliers employed by DOD,

DFAS - Limestone, Maine Area Profile	
Effect of Closing DFAS on Employment	
Population Estimate (2003 Census)	73,390
Civilian Labor Force (Apr. 2005)	37,030
Employment (Apr. 2005)	34,240
DFAS Employment (DOD)	241
Pct of Employment (DOD)	NA
DFAS Employment Impact (DOD)	391
Pct of Employment Impact (DOD)	- 1.0
DFAS Employment	364
Pct of Employment	1.1
DFAS Employment Impact (RIMS II)	530
Pct of Employment (RIMS II)	1.5
DFAS Employment Impact (REMI)	582
Pct of Employment Impact (REMI)	-1.7
Unemployment Rate (Apr. 2005)	7.5
Poverty Rate (2002 Census)	15.3

*BLS? DOD used BIA's job data.*

*0.75%*

## Maine's Assessment of Economic Impact

The economic impact of closing the Limestone DFAS center was measured by the Maine State Planning Office and the Muskie Institute, University of Southern Maine, using two separate economic models (RIMS II and REMI).

Inaccurate data on the number employed, lack of information on the actual amount of current payroll, and lack of data on operational expenditures of the center made it difficult if not impossible to fully assess the impact of closing the DFAS center.

The output of the two economic models is based on the effect of losing 360+ jobs at the DFAS center. The results are slightly different due to the different methods the models employ. RIMS II measures effects of payroll and of direct spending (purchases) by the establishment while REMI measures the effects of job change (losses) and computes the effects of further population impacts due to out-migration of a portion of the workforce over time. REMI multipliers were also available to measure both Statewide and County impacts.

### Economic Modeling Results

Since RIMS II measures indirect impacts based on two criteria - the size of the payroll, and the expenditures of the establishment, both of which were unavailable, the 2003 payroll, which is lower than the current payroll after the increase in personnel that occurred at the center in 2004, was used. As a result, the impacts of the payroll are conservative and understated. Since no data was available on purchases or on operating expenditures to local businesses, the impact of \$1 million in spending was used to determine an approximate amount.

The results show job loss to the state of 546 positions, including 530 direct and indirect jobs due to loss of payroll and another 16 jobs lost for each \$1 million in direct spending by the Center.

Impact	RIMSII Model Output:		
	Direct	Indirect	Total
Earnings (\$millions)	10	4.9	14.9
Employment	364	166	530
Operations (per \$million)			
Output (\$millions)	1.0	0.757	1.757
Earnings (\$millions)		0.465	0.465
Employment (jobs)		15.8	15.8

The REMI forecasting model not only measures the results of lost jobs, but also estimates population loss that results over time from a business closing. The added impact of out migration indicates that over time the effect will be somewhat greater.

The results show a loss of 582 jobs in the region and a statewide loss of 600 jobs. This loss will increase as out migration occurs. The labor force is also forecast to decline as people leave the labor force or move away in search of jobs.

	Impact	REMI Model Output:				
	year	2007	2008	2009	2010	2011
<b><u>Aroostook County</u></b>						
Total Employment		-581.9	-598.5	-607.9	-612.1	-613.9
Total GRP (Bil Chained 96\$)		-30.29	-30.96	-31.39	-31.64	-31.8
Total GRP (Bil Fixed 96\$)		-33	-34.17	-35.1	-35.85	-36.5
Pers Inc (Bil Nom \$)		-28.18	-30.99	-33.45	-35.69	-37.81
Population		-120.4	-214.3	-293	-358.7	-413.8
Labor Force		-134	-220.9	-284.5	-331.3	-365.7
<b><u>MAINE</u></b>						
Total Employment		-600.3	-619.4	-630.6	-635.7	-638
Total GRP (Bil Chained 96\$)		-31.06	-31.85	-32.37	-32.67	-32.86
Total GRP (Bil Fixed 96\$)		-33.84	-35.15	-36.19	-37.01	-37.72
Pers Inc (Bil Nom \$)		-29.35	-32.4	-35.08	-37.48	-39.75
Population		-128.8	-229.9	-315.2	-386.6	-446.5
Labor Force		-143.1	-236.8	-305.5	-356.3	-393.9

Overall, the two models show similar results, A job loss of between 550 and 600 is indicated once the conservative results of the RIMS II model due to lack of current payroll data is considered. Out migration of population in general, and especially of skilled workers will make recovery very difficult in isolated Aroostook County.

08/04/2005 09:12 5055326624

## FACSIMILE

TO: Duke Tran  
Senior Economist  
BRAC Commission  
(703) 699-2735, fax

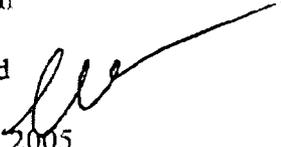
FROM: Erin Ward  
Clovis Community Concerns/Economic Impact  
(505) 646-2020, fax  
(505) 644-2583, cell

DATE: August 3, 2005

SUBJECT: Information, as you requested

## FACSIMILE

TO: Duke Tran

FROM: Erin Ward 

DATE: August 2, 2005

SUBJECT: Community Concerns about Cannon AFB Economic Impact Data

Duke,  
Thank you very much for speaking with me Monday on the phone. At your request, I am faxing the information that we talked about.

There are two issues of concern to the community regarding economic impact:

- (1) In reviewing the EIT runs, we find the employment impact varies substantially from -28.24% to -20.47%. The percentage varies depending on the day the EIT was run (See attachments for the details).

The difference between 28.24% and 20.47% for area job impact seems large. Do you know an explanation for this?

- (2) In the Air Force calculations for employment impact (-20.5%), the denominator and numerator seem to have been altered. On the denominator side, the Air Force's certified database reports area employment of 22,015 for 2002. However, the Air Force actually used a larger number of 23,348 for 2002. On the numerator side, the Air Force used the number 2,385 for active duty manpower at the base in its calculations, while existing databases show a figure closer to 4,000.

Data Point	Air Force's Certified Database	Air Force Number Used
Area Population	44,921	44,921
Area Employment	22,015	23,348
Direct Manpower (active duty military only)	2,385	3,919 <sup>1</sup>

This poses two questions:

- 1) Where did the Air Force find the additional jobs?
- 2) Where are the missing airmen and civilian personnel? (These airmen are missing prior to the BRAC recommendation to close the base)

The changes in the denominator and numerator have the effect of reducing the impact from approximately -30% to -20.5%. The smaller percentage, as you know, is actually very large in terms of impact to a community. If you can find an

<sup>1</sup> Number certified for FY 2005

explanation for either change in the denominator or numerator, we would greatly appreciate it.

Thank you for your guidance and help in responding to these community concerns. I am available at (505) 644-2583 or via email at [erinward@nctzero.com](mailto:erinward@nctzero.com)

ATT: Two (2) Air Force EIT runs found in COBRA files.

As of: Mon May 02 17:06:46 EDT 2005

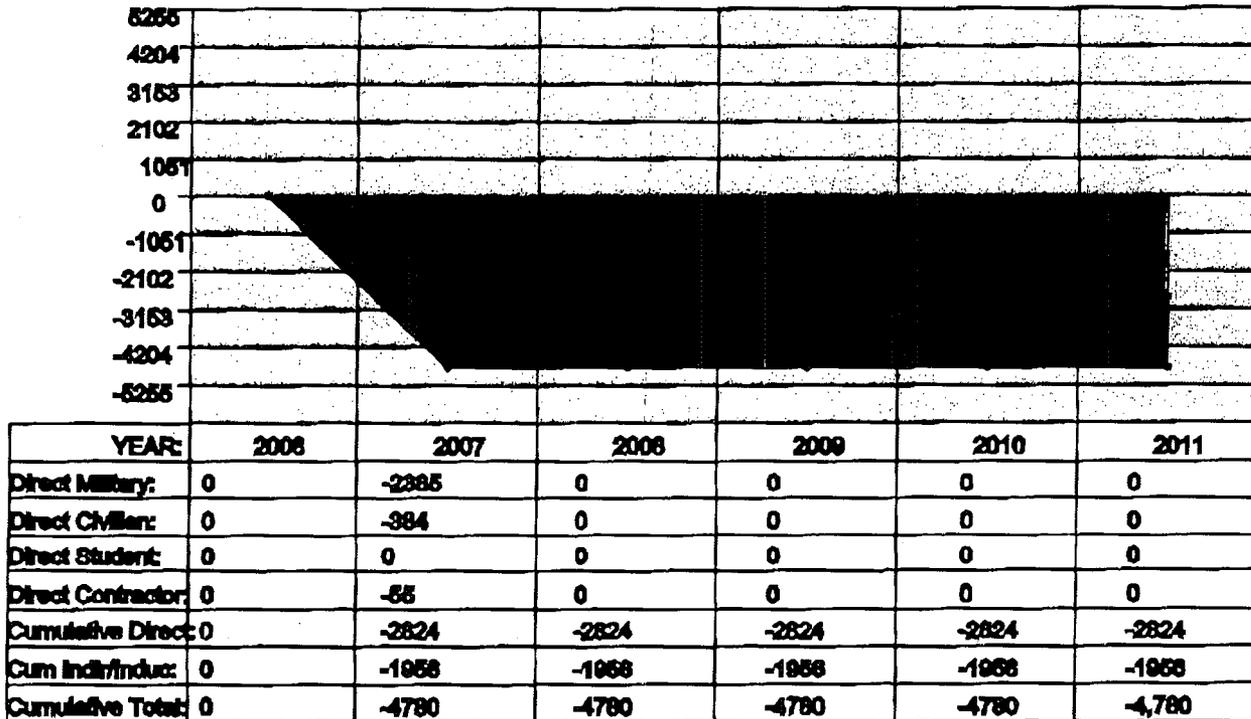
**ECONOMIC IMPACT DATA**

Scenario: All Selected (see title page)  
 Economic Region of Influence(ROI): Clovis, NM Micropolitan Statistical Area  
 Base: All Bases  
 Action: All Actions

**Overall Economic Impact of Proposed BRAC-05 Action:**

ROI Population (2002):	44,921
ROI Employment (2002):	23,348
Authorized Manpower (2005):	3,919
Authorized Manpower(2005) / ROI Employment(2002):	16.79%
Total Estimated Job Change:	-4,780
Total Estimated Job Change / ROI Employment(2002):	-20.47%

**Cumulative Job Change (Gain/Loss) Over Time:**





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# S100: Close Cannon

Scenario Team	CAF	Deliberative	Approve for Candidate Recommendation Proposal
<b>COBRA (Criterion 5)</b> 1. Total One-Time Cost: \$118M 2. MILCON: \$24M 3. NPV: \$-1,228M 4. Payback Yrs/Break Even Yr: 0 years/2011 5. Steady State Savings: \$128M 6. MI/Civ Eliminated: 881/228 7. MI/Civ Reassigned: 2549/489		<b>Environmental (Criterion 8)</b> <ul style="list-style-type: none"> <li>■ Cannon - No significant impact</li> <li>■ Truax - No significant impact</li> <li>■ Kirtland - No significant impact</li> <li>■ Carswell - No significant impact</li> <li>■ Eielson - No significant impact</li> <li>■ Elmendorf - No significant impact</li> <li>■ Homestead - No significant impact</li> </ul>	
<b>Economic Impact (Criterion 6)</b> <ul style="list-style-type: none"> <li>■ Total Job Change -6,594                             <ul style="list-style-type: none"> <li>■ Direct Job Change -3,906</li> <li>■ Indirect Job Change -2,688</li> </ul> </li> <li>■ Total Job Change ROI % -28.24%</li> <li>■ Employment Trend Index 1.2</li> <li>■ Unemployment Percent 3.93%</li> </ul>		<b>Community (Criterion 7)</b> <ul style="list-style-type: none"> <li>■ No community infrastructure issues affecting scenario recommendation:                             <ul style="list-style-type: none"> <li>■ Receiving locations have a higher cost of living than the Cannon community</li> <li>■ For 2003, the Cannon community offers greater job availability than 5 of 6 receiving communities (exception: Truax)</li> <li>■ 6 of 7 communities have higher crime report indexes than US average (exception: Truax)</li> </ul> </li> </ul>	

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# S100 Close Cannon

## One-Time Cost

(All values in 2005 Constant Dollars)

Category	Cost	Sub-Total
Construction		
Military Construction	23,437,000	
Total - Construction		23,437,000
Personnel		
Civilian RIF	4,184,048	
Civilian Early Retirement	873,405	
Eliminated Military PCS	4,002,257	
Unemployment	320,472	
Total - Personnel		9,380,182
Overhead		
Program Management Cost	11,390,228	
Support Contract Termination	5,105,000	
Matchball / Shutdown	245,828	
Total - Overhead		17,741,056
Moving		
Civilian Moving	13,875,288	
Civilian RIF	1,832,816	
Military Moving	11,119,288	
Freight	3,900,000	
Information Technologies	2,721,100	
One-Time Moving Costs	24,653,500	
Total - Moving		57,077,704
Other		
ICAP / RIF	4,227,228	
Environmental Mitigation Costs	2,535,000	
Mission Contract Startup and Termination	0	
One-Time Unique costs	3,188,000	
Total - Other		9,950,228
Total One-Time Costs		110,205,617

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DEFENSE BASE CLOSURE AND REALIGNMENT COMMISSION

2521 South Clark Street, Suite 600  
Arlington, VA 22202  
Telephone: 703-699-2950

August 4, 2005

Mr. Bob Meyer  
Director  
BRAC Clearinghouse  
1401 Oak St.  
Roslyn VA 22209

Dear Mr. Meyer:

I respectfully request a written response from the Department of Defense concerning the enclosed information:

x JPAT 6: Personnel Data at Cannon AFB, NM

Please verify the discrepancies of personnel data for Cannon AFB

	EIT's Direct Job Losses	COBRA's Base Population	Cannon AFB's Input
Military	2,385	3,515	3,443
Civilian	384	404	403
Contractor	55	--	--
<b>TOTAL</b>	<b>2,824</b>	<b>3,919</b>	<b>3,846</b>

Why, based on COBRA's data, are there still 1,095 jobs unaccounted for as DoD's recommendation for closing Cannon AFB?

I would appreciate your response by August 10, 2005. Please provide a control number for this request and do not hesitate to contact me if I can provide further information concerning this request.

Yours sincerely,

Duke Tran  
Senior Economic Analyst  
Review & Analysis  
703.699.2924

Enclosures (5): Questions for the record to the Secretary of Defense, Secretary of the Army, Secretary of the Navy, Secretary of the Air Force and the Under Secretary of Defense (Acquisition and Technology).

Chairman: Anthony J. Principi

Commissioners: The Honorable James H. Bilbray, The Honorable Philip E. Coyle III, Admiral Harold W. Gehman Jr., USN (Ret), The Honorable Jim Hansen, General James T. Hill, USA (Ret), General Lloyd Newton, USAF (Ret), The Honorable Samuel K. Skinner, Brigadier General Sue Ellen Turner, USAF (Ret)

Executive Director: Charles Battaglia

## **Economic Impact Report**

**This report depicts the economic impact of the following Scenarios:**

**BRC AF0114: Cleaning out Cannon AFB**

**The data in this report is rolled up by Action**

**ECONOMIC IMPACT DATA**

**Scenario:** Cleaning out Cannon AFB  
**Economic Region of Influence(ROI):** Clovis, NM Micropolitan Statistical Area  
**Base:** Cannon AFB  
**Action:** Closing Cannon AFB Completely, Based on COBRA Base Pop

**Overall Economic Impact of Proposed BRAC-05 Action:**

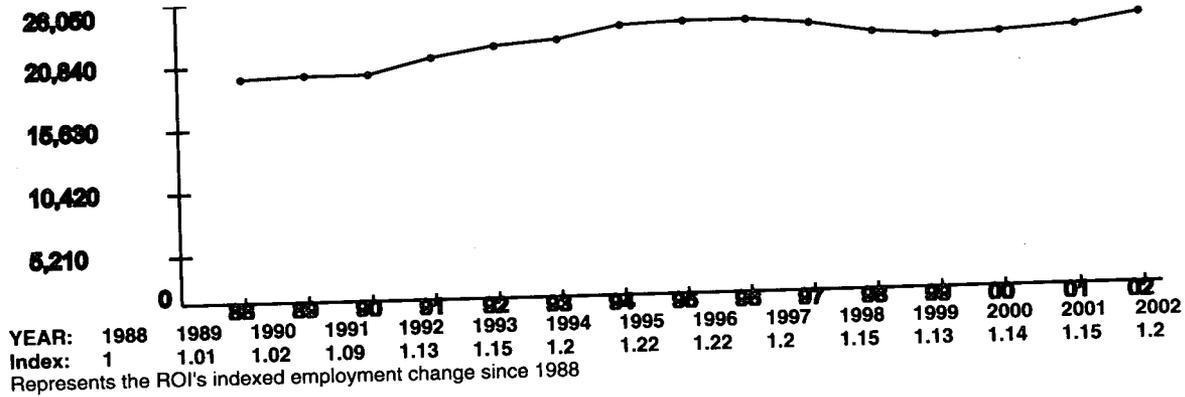
ROI Population (2002):	44,921
ROI Employment (2002):	23,348
Authorized Manpower (2005):	3,919
Authorized Manpower(2005) / ROI Employment(2002):	16.79%
Total Estimated Job Change:	-6,703
Total Estimated Job Change / ROI Employment(2002):	-28.71%

**Cumulative Job Change (Gain/Loss) Over Time:**

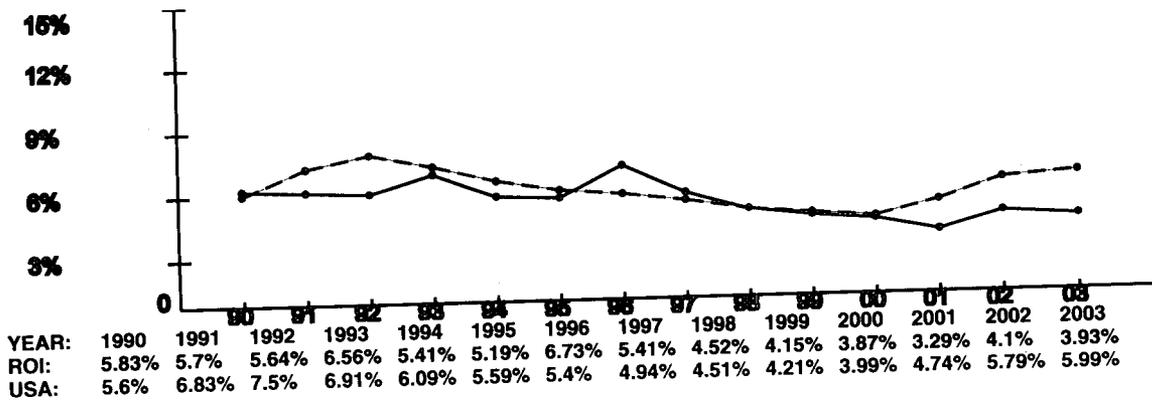
7370						
5896						
4422						
2948						
1474						
0						
-1474						
-2948						
-4422						
-5896						
-7370						
<b>YEAR:</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>Direct Military:</b>	0	-3615	0	0	0	0
<b>Direct Civilian:</b>	0	-404	0	0	0	0
<b>Direct Student:</b>	0	0	0	0	0	0
<b>Direct Contractor:</b>	0	-55	0	0	0	0
<b>Cumulative Direct:</b>	0	-3974	-3974	-3974	-3974	-3974
<b>Cum Indir/Induc:</b>	0	-2729	-2729	-2729	-2729	-2729
<b>Cumulative Total:</b>	0	-6703	-6703	-6703	-6703	-6,703

## Clovis, NM Micropolitan Statistical Area Trend Data

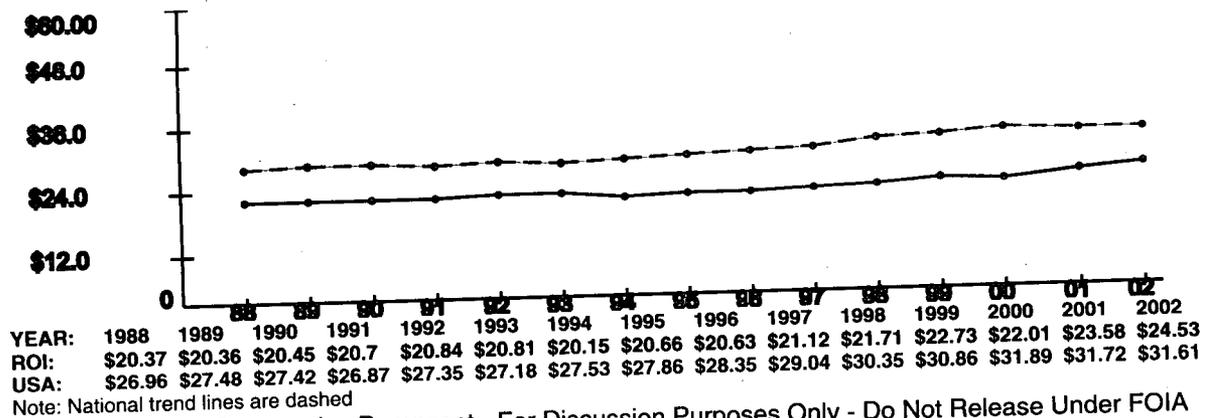
### Employment Trend (1988-2002)



### Unemployment Percentage Trend (1990-2003)



### Per Capita Income x \$1,000 (1988-2002)



COBRA TOTAL PERSONNEL SUMMARY REPORT (COBRA v6.10)  
 Data As Of 5/20/2005 2:01:21 PM, Report Created 5/31/2005 12:32:56 PM

Department : USAF  
 Scenario File : S:\R & A\COBRA Analysis Team\Official COBRA Files\Air Force COBRA\100 - Cannon Air  
 Force Base, NM\COBRA USAF 0114V3 (125.1c2) Close Cannon.CBR  
 Option Pkg Name: COBRA USAF 0114V3 (125.1c2) Close Cannon  
 Std Fctrs File : S:\R & A\COBRA Analysis Team\COBRA 6.10 April 21 2005\BRAC2005.SFF

TOTAL SCENARIO POPULATION (FY 2005):			
Officers	Enlisted	Students	Civilians
4,590	22,361	210	18,950

TOTAL PROGRAMMED INSTALLATION (NON-BRAC) CHANGES, ENTIRE SCENARIO:							
	2006	2007	2008	2009	2010	2011	Total
Officers	0	-88	-20	-3	-10	0	-121
Enlisted	160	-999	27	42	-69	0	-839
Students	0	0	0	0	0	0	0
Civilians	563	-65	-3	-17	-9	-3	466
TOTAL	723	-1,152	4	22	-88	-3	-494

TOTAL SCENARIO POPULATION (FY 2005, Prior to BRAC Action):			
Officers	Enlisted	Students	Civilians
4,469	21,522	210	19,416

TOTAL PERSONNEL REALIGNMENTS, ENTIRE SCENARIO):							
	2006	2007	2008	2009	2010	2011	Total
Officers	0	34	0	0	0	0	34
Enlisted	0	426	0	0	0	0	426
Students	0	0	0	0	0	0	0
Civilians	0	60	0	0	0	0	60
TOTAL	0	520	0	0	0	0	520

TOTAL SCENARIO POSITION CHANGES, ENTIRE SCENARIO:							
	2006	2007	2008	2009	2010	2011	Total
Officers	0	-134	0	0	0	0	-134
Enlisted	0	-1,702	0	0	0	0	-1,702
Civilians	0	-168	0	0	0	0	-168
TOTAL	0	-2,004	0	0	0	0	-2,004

TOTAL SCENARIO POPULATION (After BRAC Action):			
Officers	Enlisted	Students	Civilians
4,335	19,820	210	19,248

PERSONNEL SUMMARY FOR: Cannon AFB, NM (czqz)

BASE POPULATION (FY 2005):			
Officers	Enlisted	Students	Civilians
266	3,249	0	404

PROGRAMMED INSTALLATION (NON-BRAC) CHANGES FOR: Cannon AFB, NM (czqz)							
	2006	2007	2008	2009	2010	2011	Total
Officers	-5	-79	0	0	0	0	-84
Enlisted	-94	-952	0	0	0	0	-1,046
Students	0	0	0	0	0	0	0
Civilians	28	-45	-3	0	0	0	-20
TOTAL	-71	-1,076	-3	0	0	0	-1,150

BASE POPULATION (Prior to BRAC Action) FOR: Cannon AFB, NM (czqz)			
Officers	Enlisted	Students	Civilians
182	2,203	0	384

PERSONNEL REALIGNMENTS:							
To Base: Nellis AFB, NV (rkmf)							
	2006	2007	2008	2009	2010	2011	Total
Officers	0	18	0	0	0	0	18
Enlisted	0	230	0	0	0	0	230

*Handwritten notes:*  
 = 3,919 } BASE Population  
 - 1,150 } Pre Brac Program Changes  
 2,769 } BRAC Population

Students	0	0	0	0	0	0	0
Civilians	0	12	0	0	0	0	12
TOTAL	0	260	0	0	0	0	260

- 260

To Base: BASE X (AIR FORCE), US (xusaf)

	2006	2007	2008	2009	2010	2011	Total
Officers	0	0	0	0	0	0	0
Enlisted	0	0	0	0	0	0	0
Students	0	0	0	0	0	0	0
Civilians	0	38	0	0	0	0	38
TOTAL	0	38	0	0	0	0	38

- 38

520 Realign

To Base: Hill AFB, UT (krsm)

	2006	2007	2008	2009	2010	2011	Total
Officers	0	16	0	0	0	0	16
Enlisted	0	196	0	0	0	0	196
Students	0	0	0	0	0	0	0
Civilians	0	10	0	0	0	0	10
TOTAL	0	222	0	0	0	0	222

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TOTAL PERSONNEL REALIGNMENTS (Out of Cannon AFB, NM (czqz)):

	2006	2007	2008	2009	2010	2011	Total
Officers	0	34	0	0	0	0	34
Enlisted	0	426	0	0	0	0	426
Students	0	0	0	0	0	0	0
Civilians	0	60	0	0	0	0	60
TOTAL	0	520	0	0	0	0	520

2249

SCENARIO POSITION CHANGES FOR: Cannon AFB, NM (czqz)

	2006	2007	2008	2009	2010	2011	Total
Officers	0	-148	0	0	0	0	-148
Enlisted	0	-1,777	0	0	0	0	-1,777
Civilians	0	-324	0	0	0	0	-324
TOTAL	0	-2,249	0	0	0	0	-2,249

- 2249

Eliminate

0

BASE POPULATION (After BRAC Action) FOR: Cannon AFB, NM (czqz)

Officers	Enlisted	Students	Civilians
-----	-----	-----	-----
0	0	0	0

PERSONNEL SUMMARY FOR: Andrews AFB, MD (ajxf)

BASE POPULATION (FY 2005):

Officers	Enlisted	Students	Civilians
-----	-----	-----	-----
1,180	4,693	25	2,053

PROGRAMMED INSTALLATION (NON-BRAC) CHANGES FOR: Andrews AFB, MD (ajxf)

	2006	2007	2008	2009	2010	2011	Total
Officers	7	1	1	0	0	0	9
Enlisted	58	3	3	0	0	0	64
Students	0	0	0	0	0	0	0
Civilians	15	14	4	0	0	0	33
TOTAL	80	18	8	0	0	0	106

BASE POPULATION (Prior to BRAC Action) FOR: Andrews AFB, MD (ajxf)

Officers	Enlisted	Students	Civilians
-----	-----	-----	-----
1,189	4,757	25	2,086

SCENARIO POSITION CHANGES FOR: Andrews AFB, MD (ajxf)

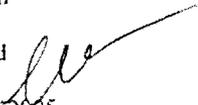
	2006	2007	2008	2009	2010	2011	Total
Officers	0	3	0	0	0	0	3
Enlisted	0	31	0	0	0	0	31
Civilians	0	79	0	0	0	0	79
TOTAL	0	113	0	0	0	0	113

BASE POPULATION (After BRAC Action) FOR: Andrews AFB, MD (ajxf)

Officers	Enlisted	Students	Civilians
-----	-----	-----	-----
1,192	4,788	25	2,165

FACSIMILE

TO: Duke Tran

FROM: Erin Ward 

DATE: August 2, 2005

SUBJECT: Community Concerns about Cannon AFB Economic Impact Data

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- 1) Where did the Air Force find the additional jobs?
- 2) Where are the missing airmen and civilian personnel? (These airmen are missing prior to the BRAC recommendation to close the base)

The changes in the denominator and numerator have the effect of reducing the impact from approximately -30% to -20.5%. The smaller percentage, as you know, is actually very large in terms of impact to a community. If you can find an

<sup>1</sup> Number certified for FY 2005

explanation for either change in the denominator or numerator, we would greatly appreciate it.

Thank you for your guidance and help in responding to these community concerns. I am available at (505) 644-2583 or via email at [erinward@netzero.com](mailto:erinward@netzero.com)

ATT: Two (2) Air Force EIT runs found in COBRA files.

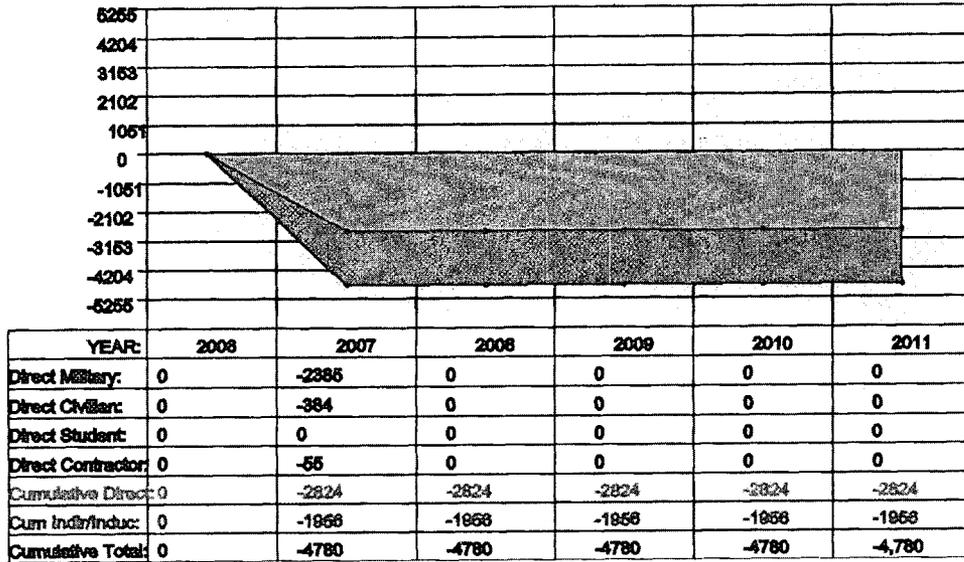
ECONOMIC IMPACT DATA

Scenario: All Selected (see title page)  
 Economic Region of Influence(ROI): Clovis, NM Micropolitan Statistical Area  
 Base: All Bases  
 Action: All Actions

Overall Economic Impact of Proposed BRAC-05 Action:

ROI Population (2002):	44,921
ROI Employment (2002):	23,348
Authorized Manpower (2005):	3,919
Authorized Manpower(2005) / ROI Employment(2002):	16.79%
Total Estimated Job Change:	-4,780
Total Estimated Job Change / ROI Employment(2002):	-20.47%

Cumulative Job Change (Gain/Loss) Over Time:





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## S100: Close Cannon

Scenario Team:	CAF	Deliberative:	Approve for Candidate Recommendation Proposal
<b>COBRA (Criterion 5)</b> 1. Total One-Time Cost: \$118M 2. MILCON: \$24M 3. NPV: \$-1,228M 4. Payback Yrs/Break Even Yr: 0 years/2011 5. Steady State Savings: \$128M 6. Mil/Civ Eliminated: 891/228 7. Mil/Civ Realigned: 2549/459		<b>Environmental (Criterion 8)</b> <ul style="list-style-type: none"> <li>■ Cannon - No significant impact</li> <li>■ Truax - No significant impact</li> <li>■ Kirtland - No significant impact</li> <li>■ Carswell - No significant impact</li> <li>■ Eielson - No significant impact</li> <li>■ Elmendorf - No significant impact</li> <li>■ Homestead - No significant impact</li> </ul>	
<b>Economic Impact (Criterion 6)</b> <ul style="list-style-type: none"> <li>■ Total Job Change -6,594               <ul style="list-style-type: none"> <li>■ Direct Job Change -3,906</li> <li>■ Indirect Job Change -2,688</li> </ul> </li> <li>■ Total Job Change ROI % -28.24%</li> <li>■ Employment Trend Index 1.2</li> <li>■ Unemployment Percent 3.93%</li> </ul>		<b>Community (Criterion 7)</b> <ul style="list-style-type: none"> <li>■ No community infrastructure issues affecting scenario recommendation:               <ul style="list-style-type: none"> <li>■ Receiving locations have a higher cost of living than the Cannon community</li> <li>■ For 2003, the Cannon community offers greater job availability than 5 of 6 receiving communities (exception: Truax)</li> <li>■ 8 of 7 communities have higher crime report indexes than US average (exception: Truax)</li> </ul> </li> </ul>	

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## S100 Close Cannon One-Time Cost

(All values in 2005 Constant Dollars)

Category	Cost	Sub-Total
Construction		
Military Construction	23,657,000	
Total - Construction		23,657,000
Personnel		
Civilian RIF	4,164,068	
Civilian Early Retirement	673,402	
Eliminated Military PCS	4,003,257	
Unemployment	320,472	
Total - Personnel		9,161,200
Overhead		
Program Management Cost	11,990,929	
Support Contract Termination	5,125,600	
Methuen / Shutdown	329,824	
Total - Overhead		17,446,353
Moving		
Civilian Moving	13,673,239	
Civilian PPP	1,422,816	
Military Moving	11,118,108	
Fragrans	3,308,800	
Information Technologies	2,711,400	
One-Time Moving Costs	24,622,000	
Total - Moving		57,876,704
Other		
HAD / ASE	4,327,923	
Environmental Mitigation Costs	2,533,000	
Mission Contract Startup and Termination	0	
One-Time Startup Costs	9,129,000	
Total - Other		6,990,923
<b>Total One-Time Cost</b>		<b>126,020,617</b>

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10





**UNIVERSITY OF ALASKA ANCHORAGE**  
**INSTITUTE OF SOCIAL AND ECONOMIC RESEARCH**  
College of Business and Public Policy  
3211 Providence Drive • Anchorage, Alaska 99508-8180

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Memo

To: Save Eielson Committee

From: Scott Goldsmith  
Professor of Economics  
University of Alaska  
Afosg2@uaa.alaska.edu

Date: June 14, 2005

Subject: **THE DOD ECONOMIC ANALYSIS OF EIELSON  
REALIGNMENT IS SERIOUSLY FLAWED**

The DOD analysis of the economic impact on Fairbanks of the realignment of Eielson air base concludes that the net loss of 2,940 military and civilian jobs at Eielson would result in the loss of 1,770 additional jobs in the Fairbanks MSA (Fairbanks North Star Borough). This would represent a loss of 8.6% of all jobs, based on an estimate of 54,469 total jobs in the Borough.

The loss of 8.6% of all jobs represents the 4<sup>th</sup> largest hit as a percentage among all 234 regions that would be effected by implementation of the BRAC recommendations. Netting out those bases recommended for closure, and thus available for redevelopment, the negative economic impact on Fairbanks would be exceeded in only one other region (Clovis, New Mexico).

Deficiencies in the DOD analysis fall into the following areas:

- **DOD ESTIMATE OF JOB LOSS IS TOO LOW AND MISLEADING--  
Eielson jobs are anchor for fragile frontier economy of Fairbanks and  
simple job count undervalues them**
  - Military pay among highest in region
  - Many industries like tourism only offer seasonal employment—military is year round
  - Many industries like mining are subject to cyclical fluctuations (remote mines first to close when price drops)—military is non-cyclical
  - Many jobs are part time—retail and services

- Many "jobs" (19%) are low paying "proprietors" (consisting of self employed and trustees]. Only about ¼ of this category represents the primary job of the worker. In Fairbanks these pay only half the national average for proprietors
- Fairbanks population is young and most work. It lacks a large population base not linked directly to current employment opportunities (senior citizens). This further adds to the fragility of the economy by making it more vulnerable to conditions in a few industries.

So each military job is more valuable to the economy than the average job. Adjusting for lower value seasonal, cyclical and part time jobs by converting all jobs to full-time equivalents (FTE) would be a better measure of the relative importance of military jobs and would push the percent job loss estimate over 10%. Furthermore, since military jobs pay more than the average in the community, an expansion of the analysis to show the percent loss in worker compensation in the community would be much larger than 8.6%. In fact the DIRECT loss of compensation of base employees is about 8.8% (\$188 million) even before the INDIRECT and INDUCED losses in the rest of the Fairbanks economy have been included.

### • DOD IMPACT METHODOLOGY INVALID FOR MEASURING LARGE IMPACTS IN SMALL REGIONS

- The DOD methodology employing the IMPLAN input-output model (IO) is appropriate for virtually all the 234 regions that would be effected by the BRAC recommendations because their net impacts are less than 2% of total jobs
- IMPLAN (or any regional input-output model) is inappropriate to use when the economic impact is large enough, as is the case in Fairbanks, to result in structural changes to the economy
- IMPLAN assumes no structural change including:
  - Prices of goods and services are not impacted by the change
  - The supply of all inputs to production is unconstrained (infinitely elastic)
  - There are no economies of scale when business expands (linear production functions)
  - There is only one combination of inputs for production of goods and services in each industrial sector (linear production functions)
  - The share of inputs purchased locally vs. outside the region is fixed
  - The share of jobs taken by residents vs. non-residents is fixed
- When the size of the regional market shrinks in a small economy with capital intensive industries (high fixed costs), prices are likely to rise as the fixed costs are shared across a smaller customer base
- Refining, rail transportation, coal mining, all important in the Fairbanks region, are examples of these capital intensive industries with high fixed costs
- Shrinkage of the market could also lead to the elimination of other industries that would invalidate the use of the input-output methodology

Fairbanks is a small economy and the number of businesses in each industry is limited, sometimes to a single establishment. Furthermore it is isolated from other regional economies that can absorb and share in economic changes that impact the region. The IO model assumes the cost of doing business does not change for businesses when regional demand changes. That assumption works when the expected change is small, but when it is large and negative, there

will inevitably be cost increases in businesses with high fixed costs. The loss of a significant customer can drive up the cost for everyone because the fixed costs must then be borne by a smaller number of customers. In an extreme case, the sharing of fixed costs could become prohibitively expensive and a business, even an industry, could leave the market and region entirely.

This is partially due to the fact that Alaska is a small state in the early stages of economic development. Much of the economic infrastructure, supporting the expanding economy, is operating on a thin margin, by which we mean there are just barely enough customers to cover operating costs. The expectation is that continued economic growth will expand the customer base and eventually lower costs as the economy matures.

The isolation of the economy also limits the ability of the infrastructure sector to spread fixed costs and make other operational adjustments that could minimize the impact of loss of a customer. Eielson is interconnected to the electric power grid adjacent to the railroad (which is not interconnected with the rest of the US) so that realignment would change the characteristics of the grid. Compensating for that change would have to be done within the isolated confines of Alaska without the opportunity to spread the necessary adjustments across the entire interconnected grid in the rest of the US.

### • **DOD ANALYSIS IGNORES OTHER SERIOUS DIMENSIONS OF IMPACTS**

- Population loss—the loss of more 10% or more of workers would lead to comparable out migration of population
- Housing market—loss of population would lead to excess vacancies in the housing stock so the residential housing market would shut down for several years, resulting in :
  - Job losses in construction, finance, trade and other businesses serving that market
  - Further job losses from the related multiplier effect
  - Decline in property values
  - Loss of household wealth and related drop in household consumption negatively impacting trade and service businesses
  - Deterioration of the quality of the housing stock as homes stand vacant
  - Loss of skilled labor force as workers leave the region when their jobs are eliminated
- Commercial real estate market will also experience excess vacancies which will result in similar negative effects on the economy
- Labor market—The loss of military spouses, which are a captive supply of skilled labor, will make it more difficult and expensive to attract workers in certain occupations to this frontier region
- Isolation –unlike other regions the closest economic center with over 100 thousand population is Anchorage—357 miles away according to the DOD analysis. This isolation of the Fairbanks economy means that local residents and businesses will feel the full impact of the private job loss without the opportunity to look for and find substitute employment and business opportunities in surrounding regions.

- Cumulative effect on state of 4 rounds of base closures—Adak, King Salmon, and McGrath have not redeveloped to any significant extent
- Public revenue decline—Local revenues from property taxes will fall with the drop in property values. Local revenues from sales taxes will fall with the drop in aggregate household incomes.
- Public services—schools and other public facilities will become underutilized. Criteria 7 of the BRAC evaluation states “Ability of infrastructure of both the existing and potential receiving communities to support forces, missions, and personnel”. This criteria ignores the problems associated with the excess capacity of public facilities that would result from population DECLINE.

• **DOD ESTIMATES LACK DOCUMENTATION TO ALLOW INDEPENDENT VALIDATION OF RESULTS**

- The IMPLAN model has no military sector so private sector employment wage rate proxies for military occupations may not be valid
- Military wages are higher in Fairbanks than other locations in DOD analysis suggesting the INDUCED impact should be higher, but the economic “multiplier” in the Fairbanks analysis is lower
- Facility upgrades and new capital construction at Eielson may have been excluded from the analysis
- The job losses from cutbacks in state and local public services due to a 10% population decline may have been excluded from the analysis.

• **DOD ANALYSIS OF REGIONAL ECONOMIC CONDITIONS IS SUPERFICIAL AND LACKS CONTEXT—DOD reports the regional unemployment rate, per capita income, and employment growth rate, but provides no interpretation**

- Fairbanks unemployment rate has always been above US
- Growth in per capita personal income has lagged the US and its level is below the US average after the cost of living is taken into account
- Employment growth has been strong in recent years but continued growth in the Fairbanks economy is expected to be slower due to reductions in federal and state spending—two important sources of recent economic growth

• **A STRONG FAIRBANKS ECONOMY IS A LYNCHPIN FOR THE CONTINUED DEVELOPMENT OF THE ALASKA ECONOMY**

- Base realignment does not allow for redevelopment
- Redevelopment options are limited in remote regions
- Fairbanks is the economic center for all of Northern Rural Alaska—a region that includes not only the North Slope oil and gas fields and other energy and mineral resources, but also dozens of smaller communities composed primarily of Alaska Natives. Any weakening of the Fairbanks economy that negatively effects the ability to deliver goods and services to this vast region could have wide ranging

- negative effects on both private and public economies (Indian Health Service and other federal agencies are working to bring economic development to the region)
- Fairbanks provides a source of employment opportunities for a rapidly growing young Alaska Native population

A number of the contracts at Eielson are with corporations owned by Alaska Native Corporations. One of the greatest challenges for the state economy in Alaska is absorbing the growth in the number of Alaska Natives entering the labor market. Part of any successful strategy to accomplish this is to be able to provide a range of opportunities for young Native men and women in the workplace. It is much easier to bring Alaska Natives into the work place if the economy is growing than if it is stagnant or declining. And it is much cheaper to provide jobs than deal with the consequences of high secular unemployment in Native American regions. Fairbanks is one of the most attractive urban locations for bringing Alaska Natives into the work force because of its close proximity to rural Alaska.

# PETRO STAR INC.

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3900 C Street, Suite 401  
Anchorage, Alaska 99503-5966

DOUGLAS L. CHAPADOS  
CEO / President

June 13, 2005

The Honorable Ted Stevens  
United States Senate  
Washington, D.C. 20510

Re: BRAC Recommendations – Eielson AFB

Dear Senator Stevens:

As you are well aware, in its third round of base closure and realignment recommendations, the Defense Base Closure and Realignment Commission (BRAC) included an USAF proposal that would place Eielson Air Force Base in “warm” status and withdraw all thirty-six of its assigned fighter and ground attack aircraft to “Lower-48” installations.

This proposal implicitly places a low value on the ability of Eielson-based aircraft to respond more quickly to Northern Hemisphere emergencies than those based in the “Lower-48.” More subtly, the proposal assumes that by keeping Eielson in “warm” status, the Air Force will be able to retain without penalty the unparalleled tactical and training benefits conferred by Eielson’s location. Focusing on the latter assumption, it appears the BRAC and USAF largely have ignored the fact that “realigning” Eielson may have consequences that would greatly impede any degree of reactivation or its intermittent use as a training facility.

It would be difficult to overstate the role that Eielson plays in the local economy. Simply stated, Eielson is not a small part of a large, complex economy: It is a large part of a very small economy. Many support industries and businesses were built or grew to their present size in order to provide Eielson with goods and services. The Fairbanks economy may be too small to allow many of these businesses to continue to thrive if Eielson is placed in “warm” status. As a result, if the current proposal is fully implemented, Fairbanks area businesses may not maintain the ability to provide the same level of support to Eielson in the future that they do now.

The Petro Star North Pole Refinery provides a specific example of the interrelation between Eielson and local industry. Although the refinery was first commissioned in 1985 largely with an eye toward providing diesel fuel for use in oil and gas development on the North Slope, it has grown to be Eielson’s principal fuel supplier. Over the years, the North Pole Refinery has expanded from 4,500 barrels per day of crude oil processing capacity at

The Honorable Ted Stevens  
July 13, 2005  
Page 2 of 2

start-up to 18,000 barrels per day today, and in 2005, as much as 35% of the refinery's production is dedicated to Eielson's needs for jet and diesel fuels.

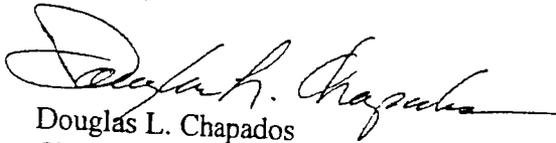
Eielson's loss as a customer would threaten the North Pole Refinery's viability. There are no large replacement customers waiting in the wings to purchase the fuel Eielson now consumes. Petro Star may already sell more fuel in the Alaska interior than its ten-times larger neighbor refinery, and a lack of infrastructure would preclude its North Pole refinery from serving large commercial airline customers at the Fairbanks International Airport, even if air traffic through this facility increases. Moreover, if Petro Star somehow was able to develop replacement customers, it likely could do so only by entering into long-term supply commitments that would make supplying fuel to Eielson in the future difficult.

More likely, Petro Star would have to absorb the lost sales and the inefficiencies that inevitably would follow when operating at lower fuel production rates. These impacts would pile on to the huge costs associated with compliance with the Environmental Protection Agency's Clean Fuels Program, as well as very large recent cost increases for refineries that ship oil through TAPS.

It would be ironic if, after the President identified the shortage of refining capacity in the United States as a major problem that should be fixed, "realignment" of Eielson helped hamstring the Petro Star North Pole Refinery and jeopardized Petro Star's ability to continue as a dependable fuel supplier on which the Air Force, other branches of the military and Homeland Security agencies have come to rely.

Your efforts to reverse this poorly considered recommendation are well justified and, as always, greatly appreciated. If there is anything Petro Star can do to assist in this effort please do not hesitate to ask.

Sincerely,



Douglas L. Chapados  
CEO/President  
Petro Star Inc.



# CO\_MCLB\_BARSTOW\_CA, CA

## Demographics

The following tables provide a short description of the area near the installation/activity. CO\_MCLB\_BARSTOW\_CA is 70.9 miles from San Bernadino, CA, the nearest city with a population of 100,000 or more. The nearest metropolitan statistical area (MSA) is

MSA	Population
Riverside-San Bernardino, CA PMSA	3,254,821

The following entities comprise the military housing area (MHA):

County/City	Population
San Bernardino	1709434
Total	1,709,434

## Child Care

This attribute captures the number of nationally accredited child-care centers within the local community: 14

## Cost of Living

Cost of Living provides a relative measure of cost of living in the local community. General Schedule (GS) Locality pay provides a relative scale to compare local salaries with government salaries and Basic Allowance for Housing (BAH) is an indicator of the local rental market. In-state tuition is an indicator of the support provided by the state for active duty family members to participate in higher-level education opportunities. For median household income and house value, the basis of the data (either MSA or number of counties in the MHA or the county of the installation) is indicated.

Median Household Income	(US Avg \$41,994)	\$42,404	Basis: MSA
Median House Value	(US Avg \$119,600)	\$138,500	
GS Locality Pay	("Rest of US" 10.9%)	20.1%	
O-3 with Dependents BAH Rate		\$1,059	
In-state Tuition for Family Member		Yes	
In-state Tuition Continues if Member PCSs Out of State		No	

## Education

This attribute defines the population in local school districts and identifies capacity. The pupil/teacher ratio, graduation rate, and composite SAT I/ACT scores provide a relative quality

indicator of education. This attribute also attempts to give communities credit for the potential intellectual capital they provide.

NOTE: "MFR"--means a Memorandum For Record is on file at the installation/activity/agency to document problems in obtaining the required information. Reasons for not being able to obtain information may be that the school district refused to provide the information or the school district does not use or track the information. For each entry, the number of school districts for which data are available of the total number of school districts reported, and the number of MFRs is indicated.

		Basis
School District(s) Capacity	12,190	2 of 2 districts
Students Enrolled	9,542	2 of 2 districts
Average Pupil/Teacher Ratio	24.0:1	2 of 2 districts
High School Students Enrolled	2,311	2 of 2 districts
Average High School Graduation Rate (US Avg 67.3%)	90.7%	2 of 2 districts
Average Composite SAT I Score (US Avg 1026)	967	2 of 2 districts
Average ACT Score (US Avg 20.8)	23	1 of 2 districts, 1 MFR
Available Graduate/PhD Programs	0	
Available Colleges and/or Universities	1	
Available Vocational and/or Technical Schools	0	

## Employment

Unemployment and job growth rates provide an indicator of job availability in the local community. National rates from the Bureau of Labor Statistics are also provided. For each entry, the basis of the data (either MSA or number of counties in the MHA or the county of the installation) is indicated.

The unemployment rates for the last five years:

	1999	2000	2001	2002	2003
Local Data	5.1%	5.1%	5.0%	5.9%	5.9%
National	4.2%	4.0%	4.7%	5.8%	6.0%
Basis:	MSA	MSA	MSA	MSA	MSA

The annual job growth rate for the last five-years:

	1999	2000	2001	2002	2003
Local Data	5.5%	5.0%	3.7%	4.0%	2.9%
National	1.5%	2.4%	.03%	-.31%	.86%

Basis:	MSA	MSA	MSA	MSA	MSA
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## Housing

This attribute provides an indication of availability of housing, both sales and rental, in the local community. Note: According to the 2000 Census, Vacant Sale and Vacant Rental Units do not equal total Vacant Housing Units. Vacant housing units may also include units that are vacant but not on the market for sale or rent. For each entry, the basis of the data (either MSA or number of counties in the MHA or the county of the installation) is indicated.

Total Vacant Housing Units	151,231	Basis: MSA
Vacant Sale Units	22,464	
Vacant Rental Units	28,161	

## Medical Providers

This attribute provides an indicator of availability of medical care for military and DoD civilians in the local community. The table reflects the raw number of physicians/beds and ratio of physicians/beds to population. The basis of the data (either MSA or number of counties in the MHA or the county of the installation) is indicated.

	# Physicians	# Beds	Population	Basis: MSA
Local Community	5,037	6,001	3,254,821	
Ratio	1:646	1:542		
National Ratio (2003)	1:421.2	1:373.7		

## Safety/Crime

The local community's Uniform Crime Reports (UCR) Index for 2002 per 100,000 people and the national UCR based on information from the Federal Bureau of Investigation (FBI) for 2002 is provided. The basis of the data (either MSA or state) is indicated.

Local UCR	4,236.4	Basis: MSA
National UCR	4,118.8	

## Transportation

Distance to an airport shows convenience and availability of airline transportation. Public transportation shows potential for members and DoD civilians to use it to commute to/from work under normal circumstances and for leisure.

Distance from CO\_MCLB\_BARSTOW\_CA to nearest commercial airport: 77.3 miles  
Is CO\_MCLB\_BARSTOW\_CA served by regularly scheduled public transportation? No

## Utilities

This attribute identifies a local community's water and sewer systems' ability to receive 1,000 additional people.

DoN-0165K  
S&S-0051R

Economic Area Installation	Action	Out		In		Net Gain/(Loss)		Net Mission Contractor	Total Direct	Indirect Changes	Total Job Changes	Economic Area Employment	Changes as Percent of Employment
		Mil	Civ	Mil	Civ	Mil	Civ						
<b>Riverside-San Bernardino-Ontario, CA Metropolitan Statistical Area</b>													
Defense Finance and Accounting Service, San Bernardino	Close	0	(120)	0	0	0	(120)	0	(120)	(121)	(241)	1,479,524	0.0%
Naval Support Activity Corona	Close	(6)	(886)	0	0	(6)	(886)	0	(892)	(904)	(1,796)	1,479,524	-0.1%
March Air Reserve Base	Realign	(71)	(44)	0	4	(71)	(40)	0	(111)	(90)	(201)	1,479,524	0.0%
Marine Corps Logistics Base Barstow	Realign	(140)	(330)	0	0	(140)	(330)	51	(419)	(396)	(815)	1,479,524	-0.1%
<b>Total</b>		(217)	(1,380)	0	4	(217)	(1,376)	51	(1,542)	(1,511)	(3,053)	1,479,524	-0.2%
<b>Rockingham County-Strafford County, NH Metropolitan Division</b>													
Doble U.S. Army Reserve Center Portsmouth	Close	(39)	(5)	0	0	(39)	(5)	0	(44)	(29)	(73)	238,671	0.0%
Armed Forces Reserve Center Pease Air Force Base	Gain	0	0	20	28	20	28	0	48	40	88	238,671	0.0%
<b>Total</b>		(39)	(5)	20	28	(19)	23	0	4	11	15	238,671	0.0%
<b>Rome, GA Metropolitan Statistical Area</b>													
Inspector/Instructor Rome GA	Close	(9)	0	0	0	(9)	0	0	(9)	(3)	(12)	50,944	0.0%
<b>Total</b>		(9)	0	0	0	(9)	0	0	(9)	(3)	(12)	50,944	0.0%
<b>Salinas, CA Metropolitan Statistical Area</b>													
Defense Finance and Accounting Service, Seaside	Close	(10)	(51)	0	0	(10)	(51)	0	(61)	(61)	(122)	235,299	-0.1%
Fort Hunter Liggatt	Gain	0	0	25	18	25	18	0	43	41	84	235,299	0.0%
<b>Total</b>		(10)	(51)	25	18	15	(33)	0	(18)	(20)	(38)	235,299	0.0%
<b>Salt Lake City, UT Metropolitan Statistical Area</b>													
Deseret Chemical Depot	Close	(186)	(62)	0	0	(186)	(62)	0	(248)	(143)	(391)	701,532	-0.1%
Fort Douglas	Realign	(15)	(38)	0	0	(15)	(38)	0	(53)	(41)	(94)	701,532	0.0%
<b>Total</b>		(201)	(100)	0	0	(201)	(100)	0	(301)	(184)	(485)	701,532	-0.1%

This list does not include locations where no changes in military or civilian jobs are affected. Military figures include student load changes.

## Community Marine Corps Logistics Base Barstow, CA

The Barstow community argued DoD's recommendation concerning ground depot maintenance performed at Marine Corps Logistics Base Barstow substantially deviated from BRAC Selection Criteria 1, 3 and 6; as well as from the Force Structure Plan. They claimed Marine Corps and Army models of ground combat maintenance are fundamentally and qualitatively different, and these differences significantly impact combat-readiness and combat-effectiveness. The community said DoD erred by leaving cycle time (turnaround time) out of the computation of military value, incorrectly based comparisons on a commodity-to-commodity rather than depot-to-depot basis, and that adopting the Army model of depot maintenance for Marine Corps equipment would greatly increase cycle times. The community stated the Marine Corps, not the Army, is America's "9-1-1 Emergency Response Force" and that the recommendation, if adopted, would violate the National Military Strategy and the 20-Year Force Structure Plan. Barstow representatives also claimed DoD sought savings at the expense of readiness. The community said The community asserted DoD substantially deviated from Criteria 6 in assessing local economic impact; estimating the impact at 8 percent of Barstow's labor force rather than the one-tenth of one percent estimated by DoD.

*Economic Duke*

Lastly, Barstow advocates opposed the idea of closing two Marine Corps depots and transferring the workload to Red River Army Depot, Texas as an alternative to the DoD recommendation to close Red River Army Depot. The combined workload from two Marine Corps depots would not make a significant difference in Red River's capacity utilization rate and Army depots do not have the facilities, equipment or workforce to handle the Marines' unique amphibious vehicle requirements.

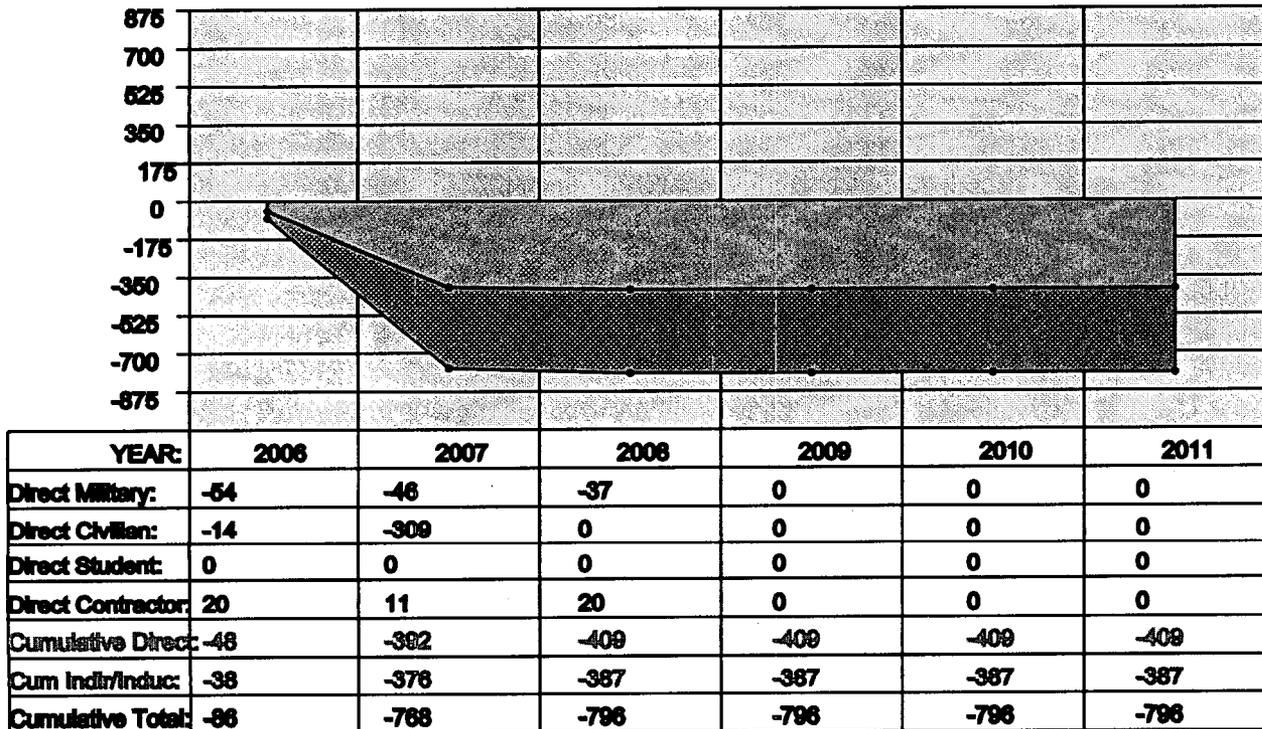
**ECONOMIC IMPACT DATA**

**Scenario:** Barstow Realignment  
**Economic Region of Influence(ROI):** Riverside-San Bernardino-Ontario, CA Metropolitan Statistical Area  
**Base:** CO MCLB BARSTOW  
**Action:** Realign Barstow

**Overall Economic Impact of Proposed BRAC-05 Action:**

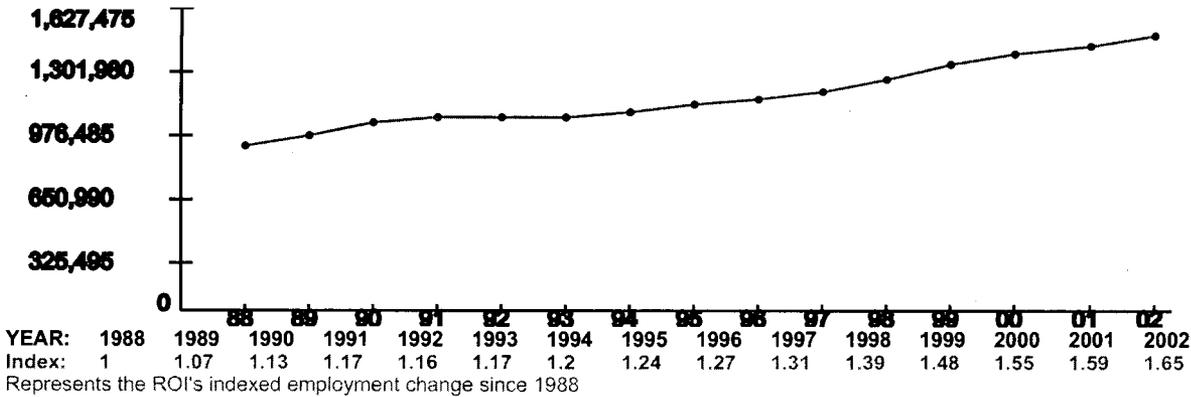
ROI Population (2002):	3,501,819
ROI Employment (2002):	1,479,524
Authorized Manpower (2005):	1,655
Authorized Manpower(2005) / ROI Employment(2002):	0.11%
Total Estimated Job Change:	-796
Total Estimated Job Change / ROI Employment(2002):	-0.05%

**Cumulative Job Change (Gain/Loss) Over Time:**

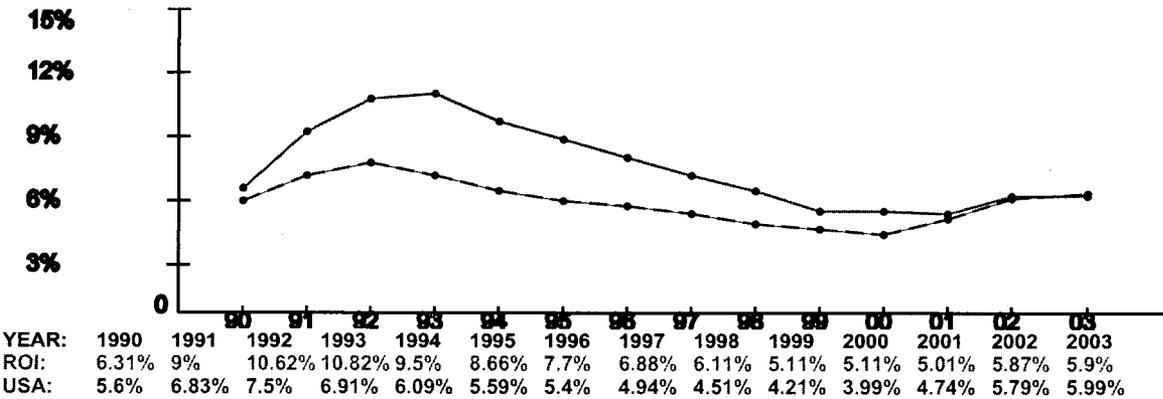


Riverside-San Bernardino-Ontario, CA Metropolitan Statistical Area Trend Data

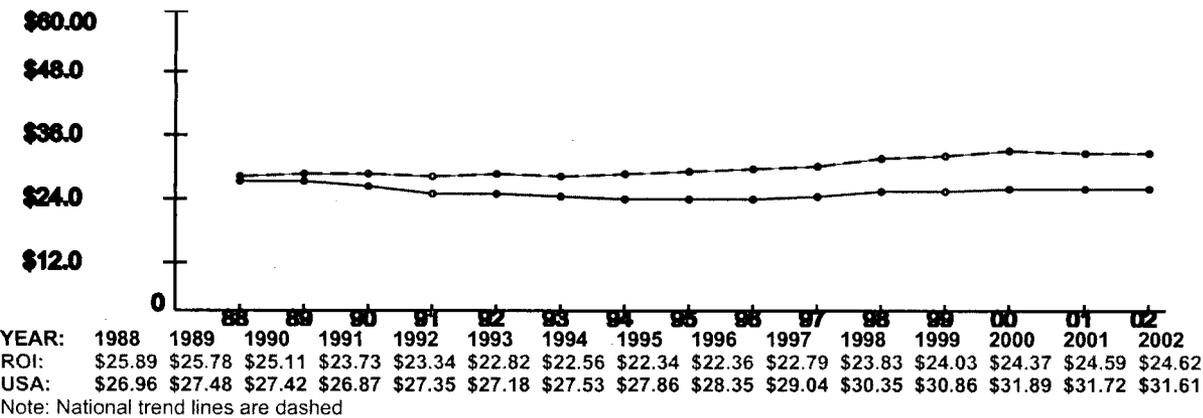
**Employment Trend (1988-2002)**



**Unemployment Percentage Trend (1990-2003)**



**Per Capita Income x \$1,000 (1988-2002)**



**DRAFT FOR REVIEW AND COMMENT  
BY GOVERNOR'S OFFICE, STATE PLANNING OFFICE, DECD  
AND BNAS TASK FORCE**

**Economic Impact: Realignment of the  
Brunswick Naval Air Station**

**Summary:**

The economic impact to Brunswick and the surrounding Bath/Brunswick region as determined by the Department of Defense is flawed.

1. The Department of Defense has calculated the economic impact based on the assumption that all 5,000+ military personnel at BNAS are active duty. Of the total military positions at BNAS, 2,317, or less than half are ACTIVE duty military. The remainder includes 1,341 reservists (SELRES) which are included in the full-time military payroll count along with 400+ SUPSHIP Naval personnel and 702 civilian positions.
2. The Department of Defense has assumed that Brunswick is located within the Portland Standard Metropolitan Statistical Areas (SMSA) for purposes of economic impact analysis. Brunswick is not located in the Portland SMSA and the numbers are flawed. The use of the Portland SMSA greatly impacts the analysis.
3. The Department of Defense has not considered the geographic location of the base in the Town. The base is located in the center of the Town of Brunswick and divides the community into two areas. By de facto "mothballing" the base, the inability of the community to seek redevelopment and reuse opportunities will substantially impact business, recreational, residential and job replacement opportunities.

The following should be specifically considered:

- BNAS realignment will result in a loss of 2,317 full time *active duty military* employees leaving the area. *This is a reduction of 85% of the total current active duty military.*
- Lost opportunity costs will greatly impact the areas ability to recover job losses and revenue. The current plan to "realign" the base will be a de facto "mothballing" and will not enable the community to pursue reuse

alternatives for recreation, industrial development, open space and other appropriate uses for the area.

- Unemployment will increase to between 10-11% based upon the indirect jobs that will be impacted by the realignment.
- Rental housing vacancies of 1,500 units represent about 30% of the regional supply and 50% of the Brunswick of multifamily rental housing.
- The local real estate market will decline and real estate valuations will decrease, especially in the multi-family and smaller home single family market.
- Navy Housing Privatization issues impact Town funding.
- School student loss reduces the quality of education for all.

This information is provided to encourage the Department of Defense to reconsider the recommendation for realignment of Brunswick Naval Air Station. A preliminary REMI economic analysis has been run however a number of issues involved in the measurement of military employment pre and post realignment need to be resolved before the model can be fully employed to understand the economic consequences.

This report is intended to capture major issues only and is organized with the following information:

- Labor Market Impact
- Payroll Impact
- Real Estate Impact
- School/Education Impact
- Retail Sales Impact
- Lost Opportunity Costs
- Military Retiree Community
- Spousal Impact
- Quality of Life Indices

### **Labor Market Impact:**

*Note: The following labor market information is specifically for the Town of Brunswick as the local area and the Bath/Brunswick Labor Market as a regional area.*

- BNAS employment (both civilian and military) represent over 33% of the Town of Brunswick labor force and 13% of the Bath/Brunswick Labor Market.
- Unemployment rates, as a result of realignment, would increase from 4.7% in February, 2005 to between 10% and 11% of the Bath/Brunswick Labor market, depending on base data used.
- The number of people employed in the Bath/Brunswick Labor Market would decrease by 7%.

<b>Town of Brunswick and Bath/Brunswick Regional Labor Market Impacts</b>		
	<b>NASB</b>	<b>Percent</b>
<b><i>Town of Brunswick Labor Market:</i></b>		
Total BNAS Jobs	5,227	
Total Non-BNAS Jobs in Town of Brunswick Labor Market	10,687	
Total BNAS and Non-BNAS Jobs in Town of Brunswick Labor Market	15,914	
<b>Percent of BNAS Jobs in Town of Brunswick Labor Market</b>		<b>33%</b>
Percent of Non-BNAS Jobs in Town of Brunswick Labor Market		67%
Total Percent BNAS and Non-BNAS employees		100%
<b><i>Bath/Brunswick Labor Market:</i></b>		
Total BNAS Jobs	5,227	
Total Non-BNAS Jobs in Bath/Brunswick Labor Market	35,610	
Total BNAS and Non-BNAS Jobs in Bath/Brunswick Labor Market	40,837	
<b>Percent of BNAS Jobs in Bath/Brunswick Labor Market</b>		<b>13%</b>
Percent of Non-BNAS Jobs in Bath/Brunswick Labor Market		87%
Total Percent BNAS and Non-BNAS employees		100%
<b><i>Impact of BNAS Realignment on Labor Markets:</i></b>		
Civilian Job Losses (source: DOD)	61	
Indirect Job Loss Projections (source: SPO)	1,194	
Total Civilian and Indirect Job Loss	2,255	
Resulting Unemployment Rate in Bath/Brunswick Labor Market		10%
Resulting Bath/Brunswick Civilian Labor Market? Realignment	37,905	
Percent Decrease in Bath/Brunswick Labor Market Participation		7%

- BNAS realignment will result in a loss of 2,317 full time *active duty military* employees leaving the area. This is a reduction of 85% of the total current active duty military.
- Military Reserves will be reduced, leaving 1,075 Reserves at BNAS. These reserves operate on a weekend and reserve training basis only, with up to 50% residing outside the state. The Reserves are primarily ground based reserves; no flight related staff will remain.
- Civilian Jobs Loss: The military identifies 61 civilian jobs that are to be

cut. That is the "low projection". If the present ratio of military to civilian support were to remain, the civilian job loss number may grow to as many as 615. That would more than double the present unemployment rate (including indirect job elimination).

- Summary: Overall, jobs will continue decline as a result of the decline in military jobs through 2009 (REMI Model, May 2005). The result will be a depressed job market in the local economy.

### Payroll Impact:

BNAS produces \$295 million in direct and indirect payroll per year. To place this in context with the local area, that monetary amount is over half of all payrolls produced by employees in Sagadahoc County on an annual basis. Projections, (which do not include the high projection for lost civilian jobs) suggest a loss of \$136.2 million in payroll from the BNAS realignment, or over 50% of the BNAS present payroll.

<b>BNAS Payroll and Payroll Impacts Before Realignment</b>				
		Direct	Indirect	Total
BNAS Payroll	Civilian	\$22,000,000	\$10,800,000	\$32,800,000
	Military	\$125,000,000	\$53,400,000	\$178,400,000
Procurement		\$0.00	\$84,500,000	\$84,500,000
Total Earnings		\$147,000,000	\$148,700,000	\$295,700,000
Employment		5,227 employees	4,918 employees	10,145 employees
Earnings Per Employee		\$28,123	\$30,236	\$29,1147
Procurement			\$2,736	\$2,736
<b>BNAS Payroll Realignment Impacts</b>				
		Direct Loss	Indirect Loss	Total Loss
BNAS Payroll	Civilian	\$2,000,000	\$1,000,000	\$3,000,000
	Military	\$67,500,000	\$19,400,000	\$86,900,000
Procurement		\$0	\$46,300,000	\$46,300,000
Total Earning Lost		\$69,500,000	\$66,700,000	\$136,200,000
Decrease after Realignment		-53%	-55%	-44%

Source: Brunswick DECD, State Planning Office, 2005

- Salaries can range (including salary and housing assistance) from \$42,990 to \$74,250. These salaries are within the median income range of the region; there loss will negatively impact average median salary.

- The preliminary REMI model calculating impact on various economic sectors in the region shows the following:
  - Retail sales loss of \$15.5 million annually.
  - Real estate and rental losses exceeding \$12.5 million annually.
  - The financial and insurance markets will decrease by almost \$12 million annually.
  - The construction industry will decline by almost \$10 million annually
  - Declines occur to 17 different sectors in the economy and are projected to continue through at least the next ten years.

**Real Estate Impact:**

The impact to the Brunswick area real estate market is dramatic. It should be viewed in three areas; impact on the Town government due to the privatization of military housing in November of 2004, impact on landlords/renters and impact on the home owner market.

*1. Navy Housing Privatization Impact on BNAS Realignment*

In November 2004 Brunswick and Topsham both entered into Agreements with GMH Communities Trust (Northeast Housing LLC) a partner with the Navy, which acquired housing units while enabling the Navy to retain the underlying land. As a result of this "military housing privatization", Brunswick and Topsham started providing some services to the military housing in exchange for a payment in lieu of taxes.

In Brunswick, the Town expects to receive \$544,000 per year to provide negotiated services to 463 housing military housing units which are located "outside the fence". The Town has anticipated receipt and expenditure of those funds as part of the budgeting process.

Loss of \$544,000 yearly income to the Town of Brunswick used to fund municipal services is significant. The Town of Topsham.....

*2. Off Base Home Ownership Housing Impact:*

Military representatives estimate that up to 2,000 personnel live off base, with the majority residing in the towns of Brunswick, Bath and Topsham. Of the total off-base personnel, it is estimated that 500 own their own homes and 1,500 are in rental units. Up to 2,000 housing units within the core housing market area are at-risk for becoming vacant. Most of these units are at the middle to lower end of the housing market.

The flow of BNAS personnel from the housing market will depress the local housing market and significantly depress the local construction industry. It is

estimated that 56% of the military families live in Brunswick, suggesting that as many as 149 homes may be owned by military personnel. Approximately one fifth of those homes purchased each year are new construction, therefore, the loss of annual construction revenue to Brunswick is \$5.9 million.

The housing market will see a flood of homes put on the market which will have a negative impact on the number of properties sold and total sales, resulting in substantial losses to the local, regional and state real estate economy. Assuming that military families make up 149 home purchases in any one year in Brunswick, the loss of buyers could impact the number of properties sold, reducing the number of sales by between 31% and 54% annually.

Residential Property		
Year	# Of Properties Sold	Total Sales
2001	276	\$42,307,896
2002	390	\$59,370,250.40
2003	453	\$82,550,781
2004	482	\$114,112,534
2005	71 (1 <sup>st</sup> Quarter)	\$15,989,210 (1 <sup>st</sup> Quarter)

Source: Brunswick Assessing Office: 2005

### 3. Rental Market Impact:

The impact on rents and price levels in the community would be substantial. It is estimated that Navy personnel living in private housing in the communities account for 30-35% of those living in multifamily units. Taking privatization and off base housing together, current Navy plans would result in 50% of the apartments becoming vacant. This will result in a dramatic loss of rental income to landlords, devaluation of property values and loss of tax income to the towns, the potential for disinvestment and other social and economic impacts.

### School/Education Impact:

Children of military employee at BNAS average approximately 20% of the student population in the Town of Brunswick School Department each year. In the past ten years, between 595 to 671 military-dependent children have been included in the approximate 3,300 total school population. In addition to the numbers positive social benefits that these children have brought to the community, the School Department receives approximately \$1.1 million in Federal Education Aid.

Lost students and lost funding would all decrease the quality of education

provided to the remaining residents of Brunswick by reducing the diversity of students and the programs that can be offered.

#### **Impact on Local Colleges**

- University of Maine-Augusta (located in Bath) currently enrolls approximately 400 students. Of that total, 20 - 25% are active duty or dependents of active duty military, which calculates to 80 -100 students. Base realignment would result in the loss of approximately \$400,000 in revenue, reduced class offerings and loss of employment.
- Southern Maine Community College estimates a decline in student enrollment by 10-15%. The college would correspondingly reduce classes and professors.

#### **Lost Opportunity Costs:**

The geographic location of BNAS is significant. The over 3,000 acres which make up the base bisect the Town of Brunswick into two separate commercial and residential areas. Any decision to de facto "mothball" the base will deprive the community and the state of the opportunity to reuse portions for recreation, open space, industrial development, housing, job replacement activities and may other uses that contribute to the health and vitality of a community. As an operational base, the personal significantly contribute to the community. As a "mothballed" base, the land, and resulting lack of activity will divide the community. The lost redevelopment, joint reuse, should be considered as a significant economic and social impact.

#### **Retail Sales Impact:**

It is estimated that 83% of BNAS military personnel live in Brunswick, or its immediate surround communities. With a payroll reduction of \$69.5, it can be expected that the impact in retail sales will be significant. The preliminary REMI model) suggests that there would be a decrease of \$22.9 million in retail trade venues throughout Cumberland County. The Brunswick area would be hardest hit

Assuming that 50% of the military payroll is spent in Brunswick and applying an average disposable income figure for military families of 33%, the annual retail sales loss would be approximately \$11 million per year. This would likely apply across all retail categories. Its impact on the local economy is substantial.

#### **Military Retiree Community**

An estimated 5,700 military retiree's and family members live in the area to take advantage of the region and BNAS. The impact of base realignment on

this group is unknown however; it is known that currently the 60% of all commissary customers are military retirees. Of the total commissary customers, 33% are active duty, 7% are reserves and the remainder is retirees.

### **Spousal Impact:**

Between 60-75% of all full-time active duty military spouses work in the local job market. The role of spouses in the local economy can not be overstated. Recent surveys of the job center suggests that military spouses play an important role in participating in local part time jobs as well as participating to fill both part time and full time teaching needs in the school system. They are also active volunteers.

### **Quality of Life Indices:**

The national media views Brunswick as a great location to live. The cultural and natural amenities it offers attract many looking to relocate to a unique and special place. Among the military, Brunswick is a very popular place to retire, with the existing base being a critical reason for that choice. Over 5,700 military retirees and their families have chosen to live in the Brunswick area (Census, Town of Brunswick).

Other populations that find Brunswick a great place to live are:

- Cyclists: AARP (Nov. /Dec. issues) identified Brunswick as the 8<sup>th</sup> best place to cycle in the nation.
- Money magazine identifies Brunswick as the 3<sup>rd</sup> best place to retire (July, 2000).
- Outside Magazine identifies Brunswick as one of the Top 40 College Towns in the Country.
- Brunswick has been featured as a top retirement community in *Where to Retire* (November, 2003), *The New Retirement: The Ultimate Guide to the Rest of Your Life* (Cull inane, Fitzgerald), and *Where to Retire in Maine* (Doudera).

The popularity of Brunswick as a place to live extends to the military as well. Expansion Management published the results of a survey in its magazine in November of 2004. Among the 354 metropolitan areas that house military bases, Brunswick was ranked 74, or in the upper 20%. The report, which tested for a variety of quality of life indices, ranked Brunswick high in quality of life, education, lack of crime, housing availability, recreation and leisure, among others. Brunswick ranked number one in its population group for have the lowest crime rate. These and many other characteristics make Brunswick one of the top places for military personnel to live or retire.

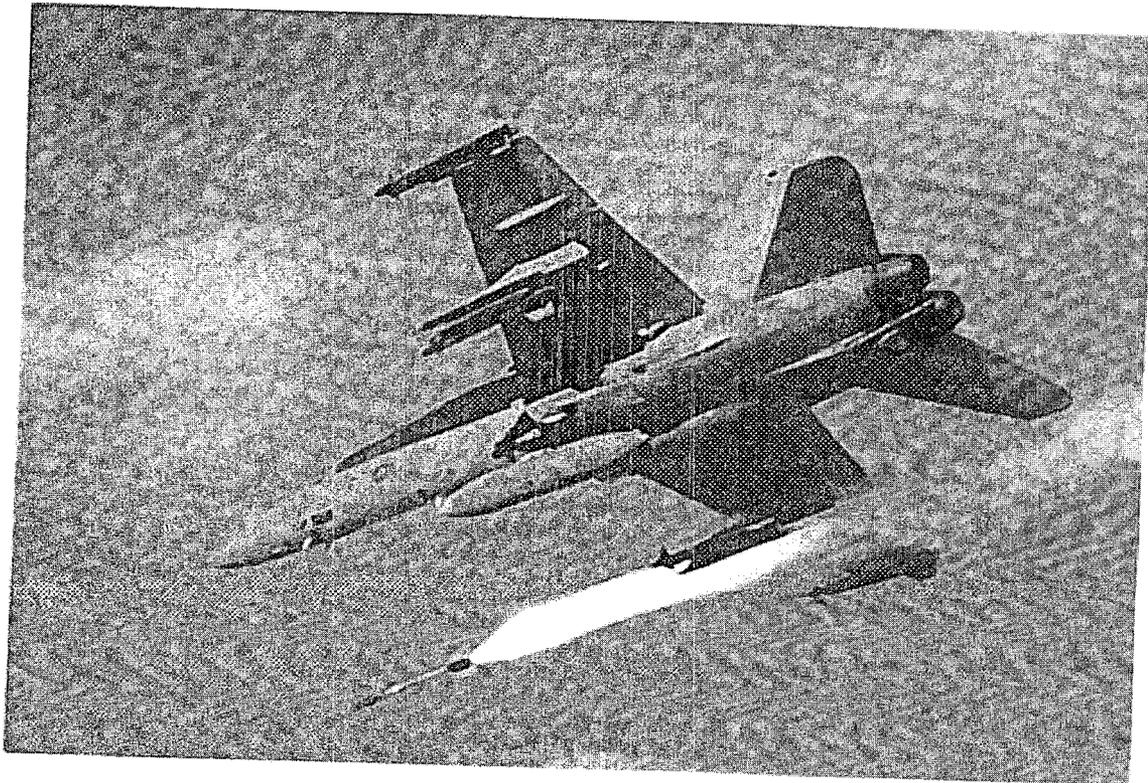


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DCN 5164  
Community Input

# NAVAL AIR WEAPONS STATION CHINA LAKE

## COMMUNITY COMMENTS AND RECOMMENDATIONS TO BRAC COMMISSION



China Lake Defense Alliance  
Ridgecrest, California  
July 14, 2005

national warfare assets.

China Lake is located in the Mojave Desert at the foot of the Sierra Nevada Range in a sparsely populated area with clean air and freedom from encroachment from residential, commercial and aviation elements. A comment in the TCSWG report of poor air quality is out of date and in error. Contrary to the report, China Lake is in attainment for 24-hour ozone.

China Lake, partly because of recruiting advantages from the Personnel Demonstration Program, is a successful recruiter. It has developed a process using recent alumni as recruiters that is very effective.

**ARE EACH OF THE RECOMMENDED FUNCTIONAL TRANSFERS IN ACCORDANCE WITH MILITARY VALUE CRITERIA, SECRETARY'S GOALS AND WERE COSTS ASSESSED CONSISTENTLY, FAIRLY AND PROPERLY WITH CERTIFIED DATA?**

We believe that each recommended functional transfer met all military value criteria and conformed to the Secretary of Defense's transformation goals. There was one instance in which a decision was made-- that of excepting the move of Program Executive Offices and Management Offices -- with no documentation other than a terse statement that the Navy objected to the move, and no documentation on the reason for accepting the Navy's objection.

**IS EACH OF THE RECOMMENDED FUNCTIONAL TRANSFERS IN ACCORDANCE WITH THE "OTHER" (5-8) CRITERIA?**

Criteria 5 through 8 cover issues on implementation costs, the economic impact on affected communities and community infrastructures, and environmental issues. The TJCWG's conclusion that China Lake can accept transfers of function and personnel within the context of criteria 5-8 is correct.

**Criteria 5 - Implementation Cost and Payoff.**

The cost data and payoff periods for the Integrated Weapons and Armaments RDT&E Center were calculated consistently with BRAC norms and based on certified data. The results indicate a payoff that supports the decision, especially considering the high military value payoff.

**Criteria 6 - Economic Impact**

The TJCSG report<sup>1</sup> shows the host community, Ridgecrest, as part of the Bakersfield Metropolitan Statistical Area in accordance with policy. Ridgecrest is largely separated from Bakersfield and to assess economic impact on Bakersfield or the ability of Bakersfield to accommodate BRAC recommendations makes no sense. Ridgecrest and the Indian Wells Valley within which it is located should be considered as a separate Micropolitan Statistical Area. Ridgecrest and the Indian Wells Valley economy is about 80 percent dependent on China Lake. Thus any change in the employment of China Lake will impact the community proportionally.

### **Criteria 7 - Community Infrastructure**

The TJCSW report on Weapons and Armaments RDAT&E in Volume XII finds China Lake capable of accepting the functions and people associated with creation of an integrated center.

Ridgecrest and Kern County are fully prepared to accept the additional families. The critical infrastructure elements such as water, waste treatment and medical facilities are already available, the schools can pick up the additional students, and the city and county have plans in place to accommodate growth. A detailed document accompanying this one is included in the package supplied to the Commission and its staff.

China Lake's host community, the City of Ridgecrest and surrounding unincorporated are isolated from the Bakersfield metropolitan area by distance (110 highway miles), the Sierra Nevada Mountain Range and desert landscape. Its isolation, climate and terrain are reasons that China Lake was selected as the Navy's principal weapons RDT&E center in the first place.

The host community grew because of China Lake, and it has adapted itself to accommodate the Naval Air Weapon Station's needs. In considering the ability of the community's infrastructure to handle an influx of 2,469 direct jobs and 3,191 contractor and community service jobs and their families, one can begin by reminding oneself that this influx doesn't represent a growth at all by historic standards. At its peak before the 1990s drawdown, China Lake's civilian work force was actually a bit larger than it will be if all of the BRAC recommendations are accepted and followed. The support contractor complement was also larger than now. The town will be larger than its earlier peak because of retirees who settled there and other normal growth factors, but not by a significant amount.

The City of Ridgecrest and surrounding unincorporated area is fully capable of supporting the increase in population associated with the recommended BRAC moves and associated indirect job growth. The arrival of 2,500 base employees would not represent a new condition for the base or the host community. There has been some offset to the local community's population loss by retirees from China Lake and out of area, but

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<sup>1</sup> Volume 1, Appendix B *BRAC 2005 Closure and Realignment Impacts by Economic Area*

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residential space and community infrastructure are more than adequate to accept a larger influx than that associated with BRAC.

A rapid population expansion isn't new for Ridgecrest. Up until the 1960s China Lake was designated as a "remote area" and, consequently, base housing rents and utility fees were kept very low. Most of the employees lived on the base with Navy commissary and exchange privileges. Lifting of the remote area designation caused a mass exodus from the base. At around the same time of former Corona employees caused a surge in population that compares in many ways to that that would occur from the BRAC 2005. The table on the next page shows the Ridgecrest population history.

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**City of Ridgecrest Population**  
(Figures from 1982 on include NAWS Population/Housing)

Year	Population	Housing Units	% Change
Pre 1940	--	32	
1950	2028		
1960	5467	1536	
1970	7629	3030	
1971	7900		
1972	9024		
1973	12950		
1974	13050		
1975	13500		
1976	13600		
1977	13750		
1978	14610		
1979	15050		
1980	15750	6347	
1981	16148	6831	
1982	20704	8284	
1983	21315	8415	3%
1984	22162	8702	4%
1985	22967	9102	4%
1986	23716	9731	3%
1987	24973	10460	5%
1988	26836	10670	8%
1989	28639	11049	6%
*1990	28295	11166	-1.20%
*1991	28700	11483	1.40%
1992	29000	11640	1%
1993	29400	11777	1.40%
1994	29250	11849	-0.50%
1995	28900	11899	-0.10%
1996	28773	11776**	-0.40%
1997	28741	11786	-0.30%
1998	28077	11802	-0.20%
1999	27373	11537	-0.02%
***2000	24927	11309	-0.09%
2001	25217	11310	0.01%
2002	25555	11313	0.01%
2003	25798	11342	0.01%
2004	25842	11382	0.00%
2005	26493	11419	0.02%

\* Adjusted for 1990 Census

\*\* Difference in housing units reflect demolition project at China Lake

\*\*\* Adjusted for 2000 Census

Part of the growth in 1981-82 occurred from the annexation of China Lake.

Incidentally, despite "I won't go" comments, the majority of the Coronal employees came to China Lake and integrated successfully. The following table shows the population history of Ridgecrest including bursts of growth in the early 1970s and another in the 1980s.

### **Criteria 8 - Environmental Impact.**

The statements on poor air quality in Volume XII are inaccurate, and statements on environmental issues might be taken out of context.

The Defense Department data in the TJCSG is in error concerning air quality. At one time, Ridgecrest-China Lake was included with the San Joaquin Valley Environmental Control District in spite of being isolated from the Valley by the Sierra Nevada Range. The Environmental Protection Agency has since accepted petitions by Kern County and the State of California to carve out Eastern Kern County from the San Joaquin Valley District into a separate air quality zone. Air quality data showing compliance with the 24-hour ozone standards was supplied and accepted, and the Environmental Protection Agency recognizes Ridgecrest-China Lake and other East Kern communities as being in compliance.

The China Lake ranges have a number of plants and animals recognized as threatened or endangered as well as Native American archeological sites that must be protected. This must be taken in context with the enormous area of the China Lake Air Weapons Station, over 1.1 million acres. Range facilities and impact areas, roads, laboratories and the administrative and housing areas actually occupy less than 10 percent of this vast area. China Lake has won awards for its environmental program. Accommodating the added functions and personnel will not affect the environmental sanctity of species or archeological treasures.

Detailed discussions are contained at TAB D.

### **CHALLENGE TO EXEMPTION OF LOCATING PROGRAM MANAGERS AT CHINA LAKE**

The TJCSWG agreed to a last minute Navy objection to locating Program Executive Offices and Program Management Offices at the Naval Integrated Weapons and Armaments RDT&E Center. The objection was cited in a brief statement in the April 26, 2005 minutes of the Technical Joint Cross Service Group weekly conference without documenting the basis of the Navy's objection. In the May 2, 2005 minutes there was a notation that the "TJCSG Principals agreed to eliminate from TECH-0018 the relocation of PEO/PMs from Naval Air Station Patuxent River to Naval Air Weapons Station China Lake."

There was no documentation on the basis for the Technical Joint Cross Service Group's decision.

The community challenges this decision on several grounds as listed below. It recognizes that there are some benefits to placing the management function near the headquarters, and believes that the Commission might consider a compromise by moving the Program Management Offices to China Lake while leaving Program Executive Offices at the headquarters area in Patuxent River. We firmly believe that co-locating Program Management Offices and the Integrated Weapons and Armaments RDAT&E Center is essential to the most effective and efficient arrangement for the following reasons:

1. The location of program managers with the weapons and armaments technical work force enhances consideration of technical factors in decision-making. Program management separation from expertise leads to lack of balance in program decisions.
2. Separation of program managers from technical performers leads to staff duplication and higher costs. Staff layering is inevitable and headquarters staff members set up communications and reporting with corresponding field staff members that aren't needed if management and field are co-located.
3. Though there was no documentation for the Navy's objection to locating program management offices at the integrated center, one might assume that the Navy argued that the management office must be located close to Washington headquarters for the day to day contacts between programs and higher authority. Perhaps the Navy pointed to daily visits to the Pentagon which would require an enormous number of trips between China Lake and Washington DC at a cost that would more than offset the cost of trips of China Lake technical personnel to Patuxent River under the current system. Of course this assumes a business as usual approach, and ignores the availability of communications options that don't require face-to-face contact. China Lake and headquarters highly capable video teleconferencing facilities and e-mail communications are far more efficient than coping with the distance and traffic involved with drives between Patuxent River and the Pentagon.
4. Perhaps the Navy argued that the weapons offices had to be close to the aircraft and other program offices for daily conferences. This argument has some validity, but suffers from some of the issues referred to in Point 3 above. Communications options today exist to assist platform-weapon communications.
5. The point about the need for manager-headquarters and weapons-platform communications is further eroded by joint service program considerations. Most new weapons programs and the Joint Strike Fighter are joint between the Navy and Air Force. Over half the joint weapons program offices are at Eglin Air Force Base and the Joint Strike Fighter program office is at Wright Patterson Air Force Base. Locating program offices at Patuxent River has little impact on these joint programs. Presumably the communications issue is being handled for these programs.

6. The Air Force and Army weapons and armaments RDAT&E centers are located in the field. They seem to be functioning quite well. It should be pointed out that the Navy has a West Coast program office operation well away from Washington DC in San Diego. In fact the entire Space and Naval Warfare Systems Command operates quite effectively away the Beltway.
7. It was clearly the original intent of the Technical Joint Cross Service Group to co-locate program management at the integrated RDAT&E centers. The "Acquisition" in the title implies this as well as analyses and recommendations prior to April 26<sup>th</sup>. The decision to exempt the Navy was limited to the Navy integrated center and was made at the last minute.
8. It must be reiterated that this last minute change was made without documentation available to the Commission and the public.

A more detailed analysis with a discussion of cost and other implications is located at TAB E.

### **NEED TO FOLLOW INTEGRATION RECOMMENDATION IN ITS ENTIRETY**

The recommendation to create an integrated RDAT&E center assumes that the center will in fact house the Navy's weapons and armaments RDAT&E capability in its entirety with the exception of functions assigned to specialty sites for guns and ammunition, energetics, and shipboard systems. Communities and centers realigning components to the integrated center will no doubt object to the moves and try to build cases for retaining as many sub-functions and personnel as possible.

**We urge the Commission to reject requests to dilute the integration.** If portions are held back for whatever reason, the effectiveness of the new center will be eroded and the opportunity will arise to creep back over time to the old fragmented Navy effort.

The implementation phase also presents the danger of mission dilution of the integrated center, but at least the mission of the integrated center will be clear, and the potential mitigation of capability will be subjected to critical examination within the services.

## **PART A**

### **THE RECOMMENDATION TO CREATE A NAVY INTEGRATED WEAPONS AND ARMAMENTS CENTER AT CHINA LAKE SHOULD STAND AS RECOMMENDED BY THE SECRETARY OF DEFENSE**

#### **TCSWG Justification.**

The justification given by the Technical Cross Service Working Group, in recommending creation of the integrated center, is “consolidating the Navy’s air-to-air, air-to-ground and surface launched missiles would create an efficient integrated RDAT&E center. This recommendation enables technical synergy, and positions the Department of Defense to exploit center-of-mass scientific, technical and acquisition expertise with weapons and armament Research, Development & Acquisition that currently resides at 10 locations into the one Integrated RDAT&E site, one specialty site, and an energetics site”.

Further TCSWG justification: “The Integrated RDAT&E Center at China Lake provides a diverse set of open-air range and test environments (desert, mountain, forest) for W&A RDAT&E functions. Synergy will be realized in air-to-air, air-to-ground, and surface launched mission areas. This recommendation enables technical synergy, and positions the Department of Defense to exploit center-of-mass scientific, technical and acquisition expertise with weapons and armament Research, Development & Acquisition that currently resides at 10 locations into the one Integrated RDAT&E site, one specialty site, and an energetics site.”

The complete section of the Technical Joint Cross Service Group on the Naval Weapons and Armaments RDAT&E Center in Volume XII of the BRAC Recommendations Report is located at TAB F.

#### **Recommendation Supports Secretary of Defense Transformation Goals.**

In establishing the structure for the BRAC 2005 assessments the Secretary of Defense stated goals for realignment and closure of the military base infrastructure “to maximize both warfighting effectiveness and efficiency”. He also tasked the Department of Defense BRAC team to “examine and implement opportunities for greater joint activity” Pertinent excerpts from the Secretary of Defense’s memorandum is included at TAB A.

At the present time, in spite of four previous BRAC rounds, the Navy’s weapons RDT&E programs are scattered across 10 sites with consequent inefficient use of scarce intellectual and physical resources. The skills, knowledge and facilities required for research, development, & acquisition and test & evaluation are similar for weapons launched from air, surface and subsurface platforms and are amenable to consolidation at a single site. In the air launched weapons arena, aggregating these skills and knowledge

at a site with the requisite assets improves the opportunity to develop and test the best possible weapons for joint service application, a goal of defense transformation.

### **China Lake Ranks Highest in Overall Military Value.**

Overall military value is the primary consideration established by the enabling legislation, and the Technical Cross Service Working Group developed a set of factors to evaluate the overall military value of bases working in weapons and armaments RDAT&E and listed them in order of rankings in three categories – Development and Acquisition, Research, and Test and Evaluation. China Lake ranked in top three of all service bases in each of these categories and was the highest-ranking Navy base in all three.

**TJCSG Rankings.** The rankings of the Navy facilities involved in the weapons and armaments RDAT&E center scenario are shown in the following table:

<b>Development &amp; Acq.</b>		<b>Research</b>		<b>Test and Evaluation</b>	
China Lake	0.4982	China Lake	0.5062	China Lake	0.6391
Dahlgren	0.4669	Indian Head	0.3336	Pt. Mugu	0.6238
Patuxent River	0.3660	Dahlgren	0.2834	Dahlgren	0.4055
Port Hueneme	0.3103	Patuxent River	0.1826	Patuxent River	0.1074
Indian Head	0.2782	Pt. Mugu	0.1770	Crane	0.0930
Crane	0.2292	Crane	0.1754	Indian Head	0.0787
Pt. Mugu	0.2252	Port Hueneme	0.1156	Port Hueneme	0.0622
Seal Beach	0.1424	Seal Beach	0.0375	Seal Beach	0.0564

China Lake's ranking in each of the three categories were the highest among all of the Navy's activities and in the top three for all three services. Taken together, China Lake has the highest overall ranking of all bases in the country among all three services doing work in weapons and armaments RDAT&E.

**Transformation.** In addition to a clear lead in all phases of Naval weapons and armaments RDAT&E, China Lake is experienced in supporting programs for all services and foreign allies, support the Secretary of Defense's goal for joint service activity.

Transformation considerations for weapons extends beyond the items that fly off launchers through the air. China Lake's expertise in integration of weapons on air platforms is an important factor as well. Engineers at China Lake are responsible for the weapon system integration of present Navy fixed and rotary wing combat aircraft including the AH-1, AV-8B and all variants of the F/A-18. Recently China Lake was awarded the highest rating by the Software Engineering Institute, placing it in the top few percent of all software developers in the United States, public or private.

## **MILITARY VALUE CRITERIA**

The specific criteria supporting siting the Integrated Weapons and Armaments RDAT&E Center at China Lake:

### **Specific Military Value Criterion**

**Criterion 1 - The current and future capabilities and the impact on operational readiness of the Department of Defense's total force, including the impact on joint warfighting, training and readiness.** The Integrated Weapons and Armaments RDAT&E Center consolidates the Navy's technical resources into a cohesive and capable resource for fielding capable weapons to enhance the readiness of warfighters in the joint arena. Failing to consolidate will foster a diffuse, less focused weapons and armament program for the Navy, our joint forces and allies thereby enhancing warfighting capability and readiness.

China Lake is the appropriate site for the Integrated Weapons and Armament RDAT&E Center and is supported by the BRAC assessment criteria and process and the Secretary of Defense's Goals. Seven sites were identified to be consolidated into the integrated center – China Lake, Point Mugu, Port Hueneme, Indian Head, Dahlgren, Crane and Seal Beach. The selection of China Lake was based on its unique capability to accept the mission, personnel and facilities its superior military value across the board, operating cost advantages and the fact that the consolidation was had financial as well as functional payoff.

**Criterion 2 - The availability and condition of land, facilities and associated airspace (including training areas suitable for maneuver by ground, naval, or air forces throughout a diversity of climate and terrain areas and staging areas for the use of the Armed Forces in homeland defense missions) at both existing and potential receiving locations.** China Lake's ranges and military and technical staff furnish the needed land and airspace for joint training by air and land forces. The terrain, weather and facilities are ideal in and of themselves, and with the nearby complex of training bases for all of the services, the totality of capabilities for force capabilities are unmatched. Integration of China Lake's capabilities with that of the other components migrating to China Lake enhances the capability to provide the highest available expertise to assist operational forces in training and developing joint operational concepts.

China Lake is the largest Navy activity by far, and its 1.1 million acres cover a diversity of terrain and climate features. Its laboratories and outdoor ranges are the most diversified in the weapons and armaments arena including the ability to conduct research, development and test of all weapon systems components. Its ranges are used by other activities throughout California for training, and its 18,000 sq. mi. airspace shared with

Edwards Air Force Base and the National Training Center, Fort Irwin is the largest restricted airspace in the United States.

China Lake's land ranges are used by Edwards Air Force base for weapon system testing, an important contribution to joint service activities.

None of the other bases in contention for the integrated site approaches the capabilities of the China Lake facilities and work force.

**Criterion 3. The ability to accommodate contingency, mobilization, surge, and future total force requirements at both existing and potential receiving locations to support operation and training.** As RDAT&E installations China Lake and the other sites contributing to the integrated center are not directly involved with mobilization or the operations for which this criterion was established. Nevertheless, because of its integrated mission, size and location, an Integrated Weapons and Armaments RDAT&E Center at China Lake, contributes a major training capability. The simulation and analysis centers at China Lake, combined with expertise migrating from the other installations can play an important role in developing joint doctrine and in supporting tactics development. China Lake has been contributing in this area for many years, and as an integrated RDAT&E center could contribute even more. The enormous area of China Lake and its enhanced work force of an integrated center would enhance responsiveness to contingencies.

**Criterion 4. Cost of operations and manpower implications.** Consolidation at China Lake will allow a reduction of the total Navy weapons and armament work force and consolidate the technical and military resources. The Pt. Mugu consolidation will have a salutary effect on the efficiencies and cost of doing business for the Naval Air Warfare Weapons Division. The present double siting of many of the Naval Air Warfare Center Weapons Division operations places a significant drain on managers' and workers' time involved in many aspects of base programs as well as transportation and per diem costs. The need for travel between sites will be greatly reduced through consolidation at China Lake in most areas, and the consequent stress and costs will be accordingly reduced.

Any consolidation involving organizational changes and personnel moves will have near-term cost implications, which is why net present value is a factor in recommendations and decisions. The long-term savings in cost of operations and manpower is the basis for base realignments and closures and in many, but not all, cases is an important factor to consider. In the case of consolidation to China Lake, substantial operating cost savings are expected. The TJSCG's calculations show an annual recurring savings to the Department after implementation of \$59.7M with a payback expected in 7 years.

The exception to China Lake's ability to accommodate all weapons and armaments RDAT&E is lack of a sea range. The Navy has the required sea range capability a short flying distance from China Lake at Point Mugu, and retention and use of the Pt. Mugu Sea Range is strongly supported by the China Lake host community. Target support, aircraft and associated handling equipment and range management personnel stationed at China Lake can easily handle much of the Sea Range needs, but range instrumentation,

San Nicolas Island and its facilities, and the stationing of adequate personnel to operate the range at Point Mugu and San Nicolas are essential.

#### **“Other” Criteria**

**Criterion 5 - The extent and timing of potential costs and savings, including the number of years, beginning with the date of completion of the closure or realignment, for the savings to exceed the costs.** The final COBRA report for the Naval Integrated Weapons and Armaments RDATE Scenario shows a total one-time cost \$358.1 million with payback in expected in 7 years. The net present value of the costs and savings to the Department of Defense over 20 years is a savings of \$433.4 million.

**Criterion 6 - The economic impact on existing communities in the vicinity of military installations.** Clearly, the greatest economic impact of the proposed consolidation will be on the City of Ridgecrest and nearby unincorporated communities in the vicinity of China Lake. Although the analyses covering the BRAC scenario show China Lake to be in the Bakersfield metropolitan area, it is in reality a desert base separated from Bakersfield by 110 highway miles and the Sierra Nevada range. The economy and population base is largely independent of Bakersfield.

The projected growth for China Lake if the recommendations were accepted in their entirety would bring the base civilian work force approximately back to its prior peak value before the 1990s drawdown. Ridgecrest's economy, which is 80 percent dependent on the base, suffered a major recession with the loss of roughly 40 percent of the workforce over the 1990s decade, although there was a degree of offset from base and other retirees choosing to settle in the community. BRAC actions would bring the work force back to conditions a decade and a half ago but with a population in the 40,000 ranges.

Restoration of China Lake's work force would have a clear and obvious positive effect on the economy of Ridgecrest and the surrounding area.

The impact on losing communities is summarized in the Technical Cross Service Working Group's reports. With the exception of losses by Pt. Mugu, which are partially offset by an influx from the Corona workforce, most of the bases involved will see a relatively small loss in jobs from this scenario.

The Oxnard-Thousand Oaks-Ventura area housing Pt. Mugu would experience a net loss of 0.8 percent according to DOD's standard factors from all actions. Although the loss of jobs always has stresses, the economy of this metropolitan area is in a growth mode and could absorb the losses relatively easily.

**Criterion 7. The ability of both the existing and potential receiving communities' infrastructure to support forces, mission and personnel.** The material in the TJCSG's

report is based on the Bakersfield Metropolitan Statistical Area, which is completely unrelated to the infrastructure issues of Ridgecrest, and the surrounding area. Ridgecrest is a small town, but a town that has been preparing for BRAC and a resulting population expansion. One scenario for the City's General Plan called for a growth to 50,000 and key infrastructure investments such as waste treatment have already been made. The City of Ridgecrest has prepared a complete package for the BRAC Commission. A copy of that document accompanies this document.

### Sea Range Considerations

The TJCSG's recommendation assumes that the Point Mugu Sea Range will remain operational. We strongly support that recommendation. An instrumented sea range with low encroachment on the Pacific Coast is vital for joint test and evaluation and training. The Point Mugu Sea Range is approximately 130 air miles from China Lake, and the combined land, sea and air ranges of the China Lake-Point Mugu complex are jointly managed. Instrumentation development and packaging, test aircraft, data assessment and range management personnel can and should be stationed at China Lake, but range instrumentation, San Nicolas Island and its facilities, and the stationing of adequate personnel to operate the range at Point Mugu and San Nicolas are essential.

**Criterion 8. The environmental impact, including the impact of costs related to potential environmental restoration, waste management, and environmental compliance activities.** The TJCSG concluded that, "The aggregate environmental impact of all recommended BRAC actions affecting the bases in this recommendation has been reviewed. There are no known environmental impediments to implementation of this recommendation."

We agree with the conclusions that there are no environmental impediments to implementation, but we take issue with a couple of statements that are in error or need contextual amplification.

First, a statement in the report on air quality is out of date and in error. China Lake and its host community are in compliance for ozone concentration.

China Lake is situated in the Mojave Desert in an area that is not impacted by air quality issues. In past years it was classified as part of the San Joaquin Valley Ozone Nonattainment Area although it is isolated from the California Central Valley by the Sierra Nevada Range. After petitions by the California Air Resources Board, Kern County and the public, the Environmental Protection Agency approved separating Eastern Kern County, where China Lake is located, from the San Joaquin Valley Ozone Nonattainment Area. Air quality ratings for China Lake are measured as part of the Kern Kern Air Quality Management District, which encompasses Eastern Kern County in the Mojave Desert. China Lake's area is now rated in attainment on the 24-hour ozone regulation.

(Need to get a rundown on the status for PM 10-attainment status. Last I heard it was an issue of collecting data.)

DCN 5164  
Community Input

There were statements about endangered and threatened species and cultural artifacts that were true but need to be considered in the context of the size of China Lake's range areas.

China Lake has enormous land holdings – over 1.1 million acres. Nearly all of the range areas are untouched by base operations - less than 10 percent is actually used for roads and range operating areas. Species and archeological are fully protected without appreciable impact on the availability of test sites, impact areas or roads and facilities.

Except in the area of air quality, which is out of date and incorrect, the community accepts the environmental impact assessments in the Technical Cross Service Working Group's report, with the understanding that the size of the land area is such that additional work associated with the scenario can be easily accommodated without adverse environmental impact. Of all of the bases affected China Lake has the least cause for environmental concerns.

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**Mayor Pro-Tem**  
KEVIN DUNCAN

**Commissioners**  
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ISIDRO GARCIA  
JUAN F. GARZA  
CATHARINE J. HAYNES  
ROBERT SANDOVAL  
FRED VAN SOELEN  
LUNELL WINTON

**LETTER OF CERTIFICATION**

July 26, 2005

Mr. Kenneth Small  
Air Force Team Leader  
Defense Base Closure and Realignment Commission  
2521 South Clark Street, Suite 600  
Arlington, VA 22202

Dear Mr. Small:

In response to your request, the City of Clovis submits this letter to certify the data provided in the document *Regional Economic Impact of Cannon Air Force Base*. The document was prepared at the request of our community for the purpose of responding to the May 13 recommendation by the U.S. Department of Defense to close Cannon AFB.

By this letter, I certify that data in the document mentioned above contains no critical discrepancies or inaccuracies. I also certify that all sources of data can be referenced or are available from public reports or websites.

If you have further questions related to the document, I invite you to contact Randy Harris at (505) 769-9000 or Erin Ward at (505) 644-2583.

Sincerely,

David Lansford  
Mayor

cc: Duke Tran



"Serving Our Community"

# Regional Economic Impact Of Cannon Air Force Base

*July 2005*

## *INTRODUCTION*

On May 13, 2005, the State of New Mexico learned that Cannon Air Force Base, eight miles west of Clovis on the state's high eastern plains, was recommended for closure under the 2005 Base Realignment and Closure (BRAC) process. Within days, the state's congressional delegation and its governor, Bill Richardson, vowed to combat the recommendation and offered assistance to community leaders to mount a review of the criteria that led to the recommendation. This report addresses the impact of Cannon AFB on local employment (jobs), labor income (payroll), and total industry output (materials, services, labor, and inter-industry dependencies). The report responds to an analysis published by the U.S. Department of Defense (DoD) showing a potential loss of one in every five local jobs if Cannon were to close.

## *OBJECTIVE*

The objective of the report is to provide information on the economic impact of Cannon AFB on the communities of Clovis and Portales (Curry and Roosevelt

counties) and compare the employment findings with those of the Department of the Air Force as published in DoD's May 13 *Base Closure and Realignment Report*.<sup>1</sup>

### *BACKGROUND*

The 2005 BRAC process represents the fifth round of military realignments and closures. It is the latest round in a process that began in the early 1960's when then-Secretary of Defense Robert McNamara determined it was necessary to downsize the nation's inventory of military installations created during World War II and the Korean Conflict. Without consulting Congress, the Office of the Secretary of Defense established the criteria for the selection of bases and closed 60 installations.

In the 1970's Congress intervened in the process. In August 1977 President Jimmy Carter approved Public Law 95-82. It required DOD to notify Congress when a base was a candidate for reduction or closure; to prepare studies on the strategic, environmental, and local economic consequences of such an action; and to wait 60 days for a congressional response.

Congress has enacted two laws since 1977 that provide for closure of military installations within the continental United States: P.L. 100-526 enacted in 1988 and P.L. 101-510 in 1990. The laws allow the realignment of facilities, in part or in whole, and provide guidance on the process.

The principal mechanism for implementing base closures and reductions in both statutes has been an independent, bipartisan commission, nominated by the President and confirmed by the Senate. Under the BRAC process, the Secretary of Defense makes recommendations to the commission. The commission reviews these recommendations and makes its own recommendations to the President. The President then reviews the recommendations and either sends those back to the commission for additional work or forwards them, without changes, to Congress. The

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<sup>1</sup> Report found at website: [www.defenselink.mil/brac](http://www.defenselink.mil/brac)

recommendations then go into effect unless disapproved by a joint resolution of Congress.

Since 1988, there have been four bipartisan Defense Base Closure and Realignment Commissions that recommended the closure of 125 major military facilities and 225 minor military installations and the realignment in operations and functions of 145 others. By another accounting, the four BRAC rounds achieved 97 base closings and 55 major realignments. This has resulted in net savings to taxpayers of more than \$16 billion through 2001 and more than \$6 billion in additional savings annually.<sup>2</sup>

In reference to the 2005 closure and realignment recommendations, cost savings, if fully implemented, would equal or exceed the past four BRAC rounds combined.

#### *2005 BRAC*

Although the 2005 BRAC process is similar in many respects to previous rounds (1988, 1991, 1993, and 1995), the legislation authorizing the 2005 BRAC made a number of changes. Significant to this report, the law obligates the Secretary of Defense to provide an economic analysis of the impact to the local community when a base is considered for realignment or closure. The new law narrows the guidance on economic analysis to determining the impact “on existing communities in the vicinity of the military installations.”

The law authorizing the 2005 BRAC provides guidance on a number of other issues, many of which are reflected in the current BRAC criteria for evaluating military installations (See Attachment A). A comparison of the 2005 BRAC criteria to earlier rounds is provided in Table 1.

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<sup>2</sup> Reference found at [www.globalsecurity.org/military/facility/brac.htm](http://www.globalsecurity.org/military/facility/brac.htm)

**Table 1. Comparing 2005 BRAC Criteria to Previous Criteria**

2005 Criteria	Previous Criteria <sup>3</sup>	Change
The current and future mission capabilities and the impact on operational readiness of the Department of Defense's total force, including the impact on joint warfighting, training, and readiness.	The current and future mission requirements and the impact on operational readiness of the Department of Defense's total force.	Replaces "requirements" with "capabilities."  Emphasizes the importance of jointness.
The availability and condition of land, facilities and associated airspace (including training areas suitable for maneuver by ground, naval or air forces throughout a diversity of climate and terrain areas and staging areas for the use of the Armed Forces in homeland defense missions) at both existing and potential receiving locations.	The availability and condition of land, facilities and associated airspace at both existing and potential receiving locations.	Explicit recognition of the need for staging areas for homeland defense missions.  Explicit recognition of training areas as an important criterion and greater detail on the need for diversity in training areas.
The ability to accommodate contingency, mobilization, and future total force requirements at both existing and potential receiving locations to support operations and training.	The ability to accommodate contingency, mobilization, and future total force requirements at both existing and potential receiving locations.	Clarifies need for future options for both operations and training.
The cost of operations and manpower implications.	The cost and manpower implications.	Sharpens the distinction between the cost of operations and manpower implications.
The extent and timing of potential costs and savings, including the number of years, beginning with the date of completion of the closure or realignment, for the savings to exceed the costs.	The extent and timing of potential costs and savings, including the number of years, beginning with the date of completion of the closure or realignment, for the savings to exceed the costs.	No change.
The economic impact on existing communities in the vicinity of military installations.	The economic impact on communities.	Narrows the definition of economic impact.
The ability of both the existing and potential receiving communities' infrastructure to support forces, missions, and personnel.	The ability of both the existing and potential receiving communities' infrastructure to support forces, missions, and personnel.	No change.
The environmental impact, including the impact of costs related to potential environmental restoration, waste management, and environmental compliance activities.	The environmental impact.	Explicit recognition of the costs of environmental cleanup activities.

Source: [www.tomudall.house.gov/pdf/ACF983E.pdf](http://www.tomudall.house.gov/pdf/ACF983E.pdf)

<sup>3</sup> The criteria were identical for the 1991, 1993, and 1995 BRAC rounds.

Also of note, the 2005 BRAC legislation authorizes an increase from eight to nine in the number of individuals serving on the BRAC Commission. The new law allows for a base to be added to the closure list, but requires that at least two commissioners visit the installation prior to making such a recommendation. The law also permits the Secretary of Defense to propose to place a military base into caretaker status if the installation is deemed important for future national security.

As of this writing, the 2005 BRAC process is well under way. Nine individuals have been appointed to serve on the Commission:

- Anthony J. Principi, chairman, former Secretary of Veterans Affairs (2001-05)
- James H. Bilbray, former Democratic House member from Nevada (1987-95)
- Philip Coyle of California, former Assistant Secretary of Defense
- Ret. Adm. Harold W. Gehman of Virginia, a former NATO Supreme Allied Commander
- James V. Hansen of Utah, a former Republican House member (1981-03)
- Ret. Army Gen. James T. Hill of Florida, former Commander of the U.S. Southern Command
- Ret. Air Force Gen. Lloyd "Fig" Newton, former Air Force Vice Chief of Staff
- Samuel Knox Skinner of Illinois, former Secretary of Transportation
- Ret. Air Force Brigadier General Sue Ellen Turner of Texas, former Director of Nursing Services, Office of the USAF Surgeon General

A list of upcoming key dates and deadlines:

- Sept. 8: BRAC Commission to make its own base closure recommendations.
- Sept. 23: Presidential decision on whether to accept or reject the BRAC recommendations in their entirety, the White House's only options. If Bush accepts the plan, it becomes final within 45 legislative days, unless Congress passes a joint resolution to block the entire package.

- Oct. 20: If Bush rejects the BRAC recommendations, the commission has until this date to submit a revised list of proposed closures.
- Nov. 7: President to approve or disapprove the revised recommendations.
- April 15, 2006: The commission terminates.

### *UNDERSTANDING THE AIR FORCE EMPLOYMENT IMPACT ANALYSIS*

This section responds to the employment impact analysis for Cannon AFB conducted by the Air Force and published in DoD's May 13 *Base Closure and Realignment Report*.

#### Economic Impact Tool

To estimate the employment impact of a proposed realignment or closure, DoD used a certified database and developed what is known as the "calculator," or the Economic Impact Tool (EIT), to determine outputs. According to DoD, the EIT calculates total potential job change for a base realignment or closure "scenario." If Cannon AFB were to close, EIT calculations show that 2,824 jobs would be lost locally and an additional 1,956 jobs would be lost through indirect/induced effects.

The DoD report defines the impacted community as the "Clovis Micropolitan Statistical Area," which is identified through population data as Curry County, NM. The potential impact on local jobs is calculated as -20.47% of total area employment, a percentage reached by dividing the number of potential job losses (-4,780) over total area employment (23,348).<sup>4</sup>

Employment data (input) for Cannon AFB for 2007, the year of closure, are reported in Table 2. The Air Force-generated economic impact (output) of closing Cannon AFB is shown Table 3.

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<sup>4</sup> Data supplied by the Air Force, found at website [www.defenselink.mil/brac](http://www.defenselink.mil/brac)

Type of Employment	No. of Jobs Impacted
Direct Military	-2,385
Direct Civilian	-384
Direct Student	0
Direct Contractor	-55
Cumulative Direct	-2,824
Cumulative Indirect/Induced	-1,956
Cumulative Total	-4,780

Source: Close Cannon Scenario, EIT Run, USAF Deliberative Document 0114v3, found in archive directory at [www.defenselink.mil/brac](http://www.defenselink.mil/brac)

ROI <sup>5</sup> Population (2002)	44,921
ROI Employment (2002)	23,348
Authorized Manpower (2005)	3,919
Authorized Manpower (2005) / ROI Employment (2002)	16.79%
Total Estimated Job Change	-4,780
Total Estimated Job Change / ROI Employment (2002)	-20.47%

Source: Close Cannon Scenario, EIT Run, USAF Deliberative Document 0114v3, found in archive directory at [www.defenselink.mil/brac](http://www.defenselink.mil/brac)

In regard to Cannon AFB, the DoD evaluation process requires the Air Force to determine the economic impact (positive or negative) of dispersing Cannon's 60 F-16 fighter jets to other locations. Using the EIT tool, the receiving bases demonstrate positive employment impacts as a result of Cannon's closure (See Attachment B).

#### *METHODOLOGY*

This analysis calculates the regional economic impact of Cannon AFB and compares the employment impacts with those reported by the Air Force.

<sup>5</sup> Defense Department acronym for "Region of Influence," also identified as the Clovis, NM, Micropolitan Statistical Area.

Data Collection

This analysis uses FY 2004 Cannon AFB employment and spending data, the most current 12-month data available. Employment and payroll inputs are shown in Table 4.

<b>Type of Employment</b>	<b>Number of Jobs</b>	<b>Payroll<sup>6</sup> Dollars</b>
Active Duty	3,846	\$125,669,337
Appropriated	400	25,503,071
Other Civilian	290	3,666,535
Private Sector	349	2,364,345
<b>TOTAL</b>	<b>4,885</b>	<b>\$147,203,288</b>

Source: *Economic Impact Assessment FY04, 27<sup>th</sup> Fighter Wing, Cannon AFB*

Table 5 shows construction and procurement spending (inputs) at Cannon AFB for businesses with a presence in the local area or on contract awards requiring the use of locally supplied goods and services.

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<sup>6</sup> Excludes employment benefits

<b>Table 5. Construction and Procurement Spending at Cannon AFB, FY 2004</b>	
	<b>Dollar Amount</b>
<b>Construction Contracts</b>	
Operations & Maintenance	\$11,787,281
Military Family Housing	90,999
Non-appropriated Fund	133,000
AAFES	105,000
Military Construction Program	0
Subtotal	\$12,116,280
<b>Procurement: Services, Materials, Equipment and Supplies</b>	
Service Contracts	\$9,000,000
Utilities and Energy	3,907,588
Telecommunications	1,351,800
Subtotal	\$14,259,388
<b>Commissary, Base Exchange, Health and Education</b>	
Defense Commissary Agency	\$487,895
Health CHAMPUS & Tri-Care	6,719,868
Tuition Assistance	979,000
Per Diem (Off-Base Meals)	273,000
Lodging	471,900
Subtotal	\$8,931,663
<b>TOTAL PROCUREMENT, CONSTRUCTION</b>	<b>\$35,307,331</b>

Source: *Economic Impact Assessment FY04, 27<sup>th</sup> Fighter Wing, Cannon AFB*

#### Data Analysis

This report uses the method of input-output (I/O) modeling, a scientifically reliable method for measuring the economic consequences of spending. Two databases are secured for this purpose: (1) IMPlan Pro (v 2.0.125), adopted by the New Mexico Department of Labor for economic analyses, is used to determine the impact of military contract and procurement spending and the impact of household spending by military and civilian employees. (2) The Regional Industrial Multiplier System (RIMS II), generated by the Bureau of Economic Analysis of the U.S. Department of Commerce, is used for verification and generating employment impacts in the education sector, a sector that was modified for local conditions.

Two regional analyses are conducted: The first determines impacts to employment, labor income, and industrial output in Curry County (Clovis) only. This analysis follows the 2005 BRAC guidance to identify impacts in existing communities in the vicinity of the military installation. A second analysis calculates impacts to the combined region of Curry and Roosevelt counties. The second analysis accounts for the impact of residents of Cannon Meadows, a 150-unit military housing complex in the city of Portales (Roosevelt County), 19 miles to the north of Clovis.

For both analyses, direct employment is separated into manpower categories for military personnel, civilian military employees, and base contractors. Some 349 private sector jobs are deemed residentiary and are removed from the input data to prevent the positions from being counted twice (i.e., bank tellers, credit union employees).

Both analyses take into account local procurement and construction spending at Cannon AFB. This spending, which amounted to \$34,328,330 in 2004, is divided into business sectors and assigned industry-specific multipliers. Contract dollar amounts are assigned to sectors that include telecommunications; architectural and engineering services; warehousing and storage; highway, street, bridge and tunnel construction; power generation and supply; and commercial and institutional building maintenance, among others.

Whenever possible, 2004 data is used for this analysis. A GDP Price Index deflation factor of 0.9617 is applied when calibrating dollars between 2004 and 2002.

The IMPlan and RIMS II databases allow for the calculation of economic impact or, from another perspective, the loss to the community should Cannon be closed or realigned to a location outside the state. Under no circumstance do the models predict or encourage the closing of Cannon AFB, nor do they anticipate the expansion or consolidation of the base.

Below are several assumptions of I/O modeling that should be taken into account when interpreting the results:

- Impacts are calculated as numerically linear and proportional;
- Each industry is assumed to have unlimited access to the materials necessary for its production;
- Changes in the economy are assumed to affect an industry's output but will not alter the mix of materials and services that are required to make an industry's products; and
- Each industry is treated as if it provides a single, primary or main product, and all other products of that industry are viewed as byproducts.

#### *FINDINGS OF THIS ANALYSIS*

##### Curry County

Tables 6 shows the impact of payroll and contract spending at Cannon AFB on employment (jobs), labor income (payrolls), and total industry output (materials, services, labor, and inter-industry dependencies) in Curry County. Table 7 shows summary data on the impact of Cannon AFB, calculated as the percentage of area totals.

**Table 6. Economic Impact of Payroll and Contract Spending at Cannon AFB – Curry County Only**

	<b>Military &amp; Civilian Appropriated Payroll</b>	<b>Construction &amp; Procurement</b>	<b>Totals</b>
<b>Employment (number of jobs)</b>			
Direct	4,536	522	5,058
Indirect	0	66	66
Induced	1,522	86	1,608
Total	6,058	674	6,732
<b>Payroll (thousands of \$)</b>			
Direct	298,040	15,000	313,040
Indirect	0	1,680	1,680
Induced	34,110	1,920	36,030
Total	332,150	18,600	350,750
<b>Industry Output (thousands of \$)</b>			
Direct	298,040	32,420	330,460
Indirect	0	4,450	4,450
Induced	108,670	6,120	114,790
Total	406,710	42,990	449,700

Source: IMPlan Pro (v 2.0.125)

Input data: *Economic Impact Assessment FY04, Cannon AFB and Procurement Guidance and Data*, <http://www.dior.whs.mil/peidhome/guide/procooper.htm>

**Table 7. Economic Impact Summary – Curry County Only**

	<b>Cannon Totals</b>	<b>Area Totals</b>	<b>% Impact</b>
Employment (number of jobs)	6,732	22,015	30.58
Payroll (thousands of \$)	350,750	1,077,395	32.56
Industry Output (thousands of \$)	449,700	1,660,180	27.09

Source: IMPlan Pro (v 2.0.125)

Input data: *Economic Impact Assessment FY04, Cannon AFB and Procurement Guidance and Data*, <http://www.dior.whs.mil/peidhome/guide/procooper.htm>

### Curry and Roosevelt Counties Combined

Table 8 shows the impact of payroll and contract spending at Cannon AFB on employment (jobs), labor income (payrolls), and total industry output (materials, services, labor, and inter-industry dependencies) in Curry and Roosevelt counties combined. Table 9 shows summary data on the impact of Cannon AFB, calculated as the percentage of area totals.

**Table 8. Economic Impact of Payroll and Contract Spending at Cannon AFB – Curry and Roosevelt Counties Combined**

	<b>Military &amp; Civilian Appropriated Payroll</b>	<b>Construction &amp; Procurement</b>	<b>Totals</b>
<b>Employment (number of jobs)</b>			
Direct	4,536	535	5,071
Indirect	0	63	63
Induced	1,540	82	1,622
Total	6,076	680	6,756
<b>Payroll (thousands of \$)</b>			
Direct	290,070	14,830	304,900
Indirect	0	1,660	1,660
Induced	35,140	1,800	36,940
Total	325,210	18,290	343,500
<b>Industry Output (thousands of \$)</b>			
Direct	290,070	32,360	322,430
Indirect	0	4,570	4,570
Induced	101,860	5,840	107,700
Total	391,930	42,770	434,700

Source: IMPlan Pro (v 2.0.125)

Input data: *Economic Impact Assessment FY04, Cannon AFB and Procurement Guidance and Data*, <http://www.dior.whs.mil/peidhome/guide/procoper.htm>

**Table 9. Economic Impact Summary – Curry and Roosevelt Counties Combined**

	<b>Cannon Totals</b>	<b>Area Totals</b>	<b>% Impact</b>
Employment (number of jobs)	6,756	29,820	22.66
Payroll (thousands of \$)	343,500	1,506,229	22.81
Industry Output (thousands of \$)	434,700	2,409,210	18.04

Source: IMPlan Pro (v 2.0.125)

Input data: *Economic Impact Assessment FY04, Cannon AFB and Procurement Guidance and Data*, <http://www.dior.whs.mil/peidhome/guide/procoper.htm>

Based on the RIMS II multipliers for local and state education, some 32 direct and induced employment impacts were identified as missing from the education sector in the Curry-Roosevelt area. The positions were added manually to the impact tables with their added salary and output measures.

#### Federal Impact Aid

Cannon AFB is responsible for more than \$900,000 in annual federal impact aid to the State of New Mexico. This spending is not included in the current analysis because impact dollars for education are reallocated to schools throughout the state.

*COMPARISON WITH AIR FORCE FINDINGS*

Table 10 shows a comparison of employment impacts generated for (1) Curry County only, the (2) Curry-Roosevelt area, and (3) those reported by the Air Force, if Cannon AFB were to close.

**Table 10. Employment Impact Comparison – Curry County Only, Curry-Roosevelt Combined, Air Force**

	Direct	Indirect	Induced <sup>7</sup>	Total	Area Employment	Impact <sup>8</sup>
Curry County Only	5,058	66	1,608	6,732	22,015	-30.58%
Curry and Roosevelt	5,071	63	1,622	6,756	29,820	-22.66%
Air Force	2,824	0	1,956	4,780	23,348	-20.47%

*DISCUSSION*

In comparing employment impacts, it is important to remember that the Air Force defines the impacted area as the Clovis Micropolitan Statistical Area, or Curry County. The Air Force does not include Roosevelt County in its impact area, which has the effect of concentrating the potential employment impact within a smaller area. Even so, the two Curry-County-Only analyses demonstrate considerable difference in potential employment impact. The analysis conducted here shows a -30.58% potential impact in local jobs, significantly greater than the Air Force’s estimate of -20.47%. When Roosevelt County is included, an addition that should have the effect of diluting the impact, the potential employment impact of closing Cannon AFB measures -22.66%, still greater than the Air Force estimate.

IMPlan Database

A July 2005 report from the U.S. Government Accountability Office (GAO) states that DoD obtained military and civilian employment multipliers from the Minnesota

<sup>7</sup> Generated by consumer spending of those employed by Cannon AFB and its vendor

<sup>8</sup> Negative percentages are impacts associated with the potential loss of jobs were Cannon AFB to close. In the positive, these same percentages reflect the impact of employment at Cannon AFB on the local economy.

IMPLAN Group, provider of the IMPlan database.<sup>9</sup> It is likely the multipliers used by DoD are identical to those used in this report.

#### Authorized Manpower

The Air Force uses 2007 authorized manpower statistics to determine employment impact, which until recently were considered classified and unavailable to the public. The new information highlights what appears to be a planned downsizing of 1,534 military employees from 2005 staffing levels. This apparent reduction in active duty personnel would occur regardless of BRAC. For the Air Force economic impact analysis, the lower staffing level has the effect of reducing the employment impact. The IMPlan/RIMS II analysis, on the other hand, works from 2004 manpower data, providing perhaps a more realistic picture of regional job losses.

#### Walker Air Force Base

The closing in 1967 of Walker AFB in nearby Roswell, New Mexico, offers an historic precedent when reviewing the potential impact of closing Cannon AFB. Like Clovis, the city of Roswell is surrounded by large tracts of public land and maintains commercial businesses that support a substantial farm and ranch community. In the year prior to closure of Walker AFB, Roswell recorded a population of some 48,000 people, a population similar to the current population of Curry County. Three years after Walker AFB closed, Roswell's population had fallen 30%. The 2000 Census--taken 33 years after Walker AFB's closure--places Roswell's population at 45,293, still somewhat smaller than its population in the mid-1960's. If Roswell's experience is a guide, the IMPlan/RIMS II calculation of the potential loss of 30.58% of all jobs in Clovis/Curry County appears realistic.

#### Lack of a Weighted Factor

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<sup>9</sup> *Military Bases: Analysis of DOD's 2005 Selection Process and Recommendations for Base Closures and Realignments*, Government Accountability Office (GAO) report to Congressional Committees, GAO-05-785. July 2005.

The potential impact of Cannon AFB on local jobs, payrolls, and industrial output is considerable. Although economic impact is one of the eight BRAC criteria and is included within the evaluation elements, it is not calculated as an independent or weighted factor in assigning final value to any military installation. In the case of Cannon AFB, regional economic impact is a significant factor.

### *SUMMARY*

Among bases listed by DoD for potential reduction or closure under BRAC, the recommendation to close Cannon AFB appears the harshest of all in terms of its impact on the nearby community. The *Base Closure and Realignment Report* states:<sup>10</sup>

Assuming no economic recovery, this recommendation could result in a maximum potential reduction of 4,780 jobs (2,824 direct jobs and 1,956 indirect jobs) over the 2006-2011 period in the Clovis, NM, Metropolitan Statistical Area, which is 20.5 percent of economic area employment.

This estimate poses the largest job loss as a percentage of community employment of all the BRAC recommendations. Among bases recommended for realignment or closure, Cannon's potential impact in area jobs exceeds the second largest impact by nearly twice.

This report makes an argument that the full impact of Cannon AFB on the local community may, in fact, be greater than estimates generated by the Air Force. Impact analyses using IMPlan and RIMS II multipliers find a larger 30.58% potential loss in local jobs, or the potential loss of almost one in every three existing jobs in Curry County alone. A study area that combines Curry and Roosevelt counties identifies a potential employment loss of 22.66% of area jobs, approximately one in every four or five jobs.

While arguments can be made regarding the validity of the Air Force employment numbers, it is fair to say, no matter which analysis is adopted, the potential impact to

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<sup>10</sup> Department of Air Force Recommendations and Justifications, Vol. II, Section 3, p. 32

the Clovis-Portales community is sizable. Impacts that reach more than 10% of regional jobs are rare. A cursory review of New Mexico history finds that, if Cannon were to close, the potential economic impact would likely be among the worst ever to occur in the state. If Cannon were to close, it is also likely that the nearby communities of Clovis and Portales might never fully recover within the lifetimes of the current residents.

## References

*Base Closure and Realignment Report*, publication of the Department of Defense, Vols. I, II.  
Found at [www.defenselink.mil/brac](http://www.defenselink.mil/brac)

*Economic Impact Assessment FY04*, publication of the 27<sup>th</sup> Fighter Wing. Cannon AFB, NM.

*Military Procurement Guidance and Data* spreadsheet. Found at  
[www.dior.whs.mil/peidhome/guide/procoper.htm](http://www.dior.whs.mil/peidhome/guide/procoper.htm)

Online Labor Market Information (MLI) database, New Mexico Department of Labor. Found  
at [www.dol.state.nm.us](http://www.dol.state.nm.us)

**ATTACHMENT A**

**BRAC 2005 Selection Criteria**

*Military Value*

- (1) The current and future mission capabilities and the impact on operational readiness of the total force of the Department of Defense, including the impact on joint warfighting, training, and readiness.
- (2) The availability and condition of land, facilities, and associated airspace (including training areas suitable for maneuver by ground, naval, or air forces throughout a diversity of climate and terrain areas and staging areas for the use of the Armed Forces in homeland defense missions) at both existing and potential receiving locations.
- (3) The ability to accommodate contingency, mobilization, surge, and future total force requirements at both existing and potential receiving locations to support operations and training.
- (4) The cost of operations and the manpower implications.

*Other Considerations*

- (5) The extent and timing of potential costs and savings, including the number of years, beginning with the date of completion of the closure or realignment, for the savings to exceed the costs.
- (6) The economic impact on existing communities in the vicinity of military installations.
- (7) The ability of the infrastructure of both the existing and potential receiving communities to support forces, missions, and personnel.
- (8) The environmental impact, including the impact of costs related to potential environmental restoration, waste management, and environmental compliance activities.

*From the Base Closure and Realignment Report, Vol. 1, Chap.3, p. 18.*

**ATTACHMENT B**

COBRA PERSONNEL/SF/SUSTAINMENT/RECAP/BOS DELTAS REPORT (COBRA v6.10)  
Data As Of 5/4/2005 4:29:12 PM, Report Created 5/20/2005 8:36:26 AM  
Department : USAF  
Scenario File : C:\Documents and Settings\COBRA Working\COBRA USAF 0114V3 (125.1c2) Close  
Cannon.CBR  
Option Pkg Name: COBRA USAF 0114V3 (125.1c2) Close Cannon  
Std Fctrs File : C:\COBRA 6.10\BRAC2005.SFF  
Personnel

Base Start\* Finish\* Change %Change

-----  
Cannon AFB 2,769 0 -2,769 -100%  
Andrews AFB 8,057 8,170 113 1%  
Dane County Regional 284 342 58 20%  
Kirtland AFB 6,702 6,717 15 0%  
Joe Foss Field AGS 284 343 59 21%  
Nellis AFB 8,080 8,340 260 3%  
BASE X (AIR FORCE) 2,940 2,978 38 1%  
Hill AFB 16,501 16,723 222 1%

-----  
TOTAL 45,617 43,613 -2,004 -4%

Square Footage

Base Start Finish Change %Change Chg/Per

-----  
Cannon AFB 2,199,000 0 -2,199,000 -100% 794  
Andrews AFB 4,691,000 4,693,350 2,350 0% 21  
Dane County Regional 727,000 727,000 0 0% 0  
Kirtland AFB 6,137,000 6,137,152 152 0% 10  
Joe Foss Field AGS 411,000 411,000 0 0% 0  
Nellis AFB 4,658,000 4,679,756 21,756 0% 84  
BASE X (AIR FORCE) 1,947,403 1,947,403 0 0% 0  
Hill AFB 9,124,000 9,133,513 9,513 0% 43

-----  
TOTAL 29,894,403 27,729,174 -2,165,229 -7% 1,080

Base Operations Support (2005\$)

Base Start\* Finish\* Change %Change Chg/Per

-----  
Cannon AFB 14,662,144 0 -14,662,144 -100% 5,295  
Andrews AFB 42,038,028 42,466,408 428,379 1% 3,791  
Dane County Regional 2,986,836 3,039,079 52,243 2% 901  
Kirtland AFB 68,705,420 68,811,295 105,874 0% 7,058  
Joe Foss Field AGS 2,017,418 2,053,313 35,895 2% 608  
Nellis AFB 36,538,603 37,393,538 854,935 2% 3,288  
BASE X (AIR FORCE) 18,380,156 18,497,109 116,953 1% 3,078  
Hill AFB 69,390,813 70,179,466 788,653 1% 3,552

-----  
TOTAL 254,719,419 242,440,208 -12,279,211 -5% 6,127

COBRA PERSONNEL/SF/SUSTAINMENT/RECAP/BOS DELTAS REPORT (COBRA v6.10) - Page 2

Data As Of 5/4/2005 4:29:12 PM, Report Created 5/20/2005 8:36:26 AM

Department : USAF

Scenario File : C:\Documents and Settings\COBRA Working\COBRA USAF 0114V3 (125.1c2) Close  
Cannon.CBR

Option Pkg Name: COBRA USAF 0114V3 (125.1c2) Close Cannon

Std Fctrs File : C:\COBRA 6.10\BRAC2005.SFF

Sustainment (2005\$)

Base Start Finish Change %Change Chg/Per

-----  
Cannon AFB 10,698,123 0 -10,698,123 -100% 3,863  
Andrews AFB 16,474,241 16,477,898 3,657 0% 32  
Dane County Regional 2,579,767 2,579,767 0 0% 0  
Kirtland AFB 30,365,709 30,366,031 322 0% 21  
Joe Foss Field AGS 1,554,571 1,554,571 0 0% 0  
Nellis AFB 25,094,105 25,157,424 63,319 0% 243  
BASE X (AIR FORCE) 8,161,604 8,161,604 0 0% 0  
Hill AFB 33,939,303 33,964,665 25,362 0% 114

-----  
TOTAL 128,867,423 118,261,960 -10,605,462 -8% 5,292

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Recapitalization (2005\$)

Base Start Finish Change %Change Chg/Per

-----  
 Cannon AFB 10,933,499 0 -10,933,499 -100% 3,948  
 Andrews AFB 15,551,057 15,554,602 3,545 0% 31  
 Dane County Regional 1,603,688 1,603,688 0 0% 0  
 Kirtland AFB 20,908,530 20,908,795 264 0% 18  
 Joe Foss Field AGS 903,025 903,025 0 0% 0  
 Nellis AFB 19,915,315 19,975,827 60,512 0% 233  
 BASE X (AIR FORCE) 6,909,608 6,909,608 0 0% 0  
 Hill AFB 28,009,115 28,029,421 20,306 0% 91  
 -----

TOTAL 104,733,836 93,884,965 -10,848,871 -10% 5,414

Sustain + Recap + BOS (2005\$)

Base Start Finish Change %Change Chg/Per

-----  
 Cannon AFB 36,293,766 0 -36,293,766 -100% 13,107  
 Andrews AFB 74,063,326 74,498,908 435,582 1% 3,855  
 Dane County Regional 7,170,291 7,222,534 52,243 1% 901  
 Kirtland AFB 119,979,660 120,086,121 106,461 0% 7,097  
 Joe Foss Field AGS 4,475,014 4,510,909 35,895 1% 608  
 Nellis AFB 81,548,023 82,526,789 978,766 1% 3,764  
 BASE X (AIR FORCE) 33,451,368 33,568,321 116,953 0% 3,078  
 Hill AFB 131,339,231 132,173,552 834,321 1% 3,758  
 -----

TOTAL 488,320,678 454,587,134 -33,733,544 -7% 16,833

Plant Replacement Value (2005\$)

Base Start Finish Change %Change Chg/Per

-----  
 Cannon AFB 1,322,953,349 0 -1,322,953,349 -100% 477,773  
 Andrews AFB 1,881,677,862 1,882,106,862 429,000 0% 3,796  
 Dane County Regional 194,046,247 194,046,247 0 0% 0  
 Kirtland AFB 2,529,932,186 2,529,964,186 32,000 0% 2,133  
 Joe Foss Field AGS 109,265,980 109,265,980 0 0% 0  
 Nellis AFB 2,409,753,071 2,417,075,071 7,322,000 0% 28,161  
 BASE X (AIR FORCE) 836,062,557 836,062,557 0 0% 0  
 Hill AFB 3,389,102,918 3,391,559,918 2,457,000 0% 11,067  
 -----

TOTAL 12,672,794,170 11,360,080,821 -1,312,713,349 -10% 655,046

*Close Cannon Scenario, EIT Run, USAF Deliberative Document 0114v3, found in archive directory at [www.defenselink.mil/brac](http://www.defenselink.mil/brac)*

**ATTACHMENT C**

Cannon AFB Largest Contract Awards to New Mexico Companies, 2004				
Business	Location	Amount	Code	Name of Product/Service
Nick Griego & Sons Construction	Clovis	6072	Y119	Other Administrative & Service Buildings
Gerald A. Martin LTD	Alb	8622	Y119	Other Administrative & Service Buildings
Nick Griego & Sons Construction	Clovis	4426	Y119	Other Administrative & Service Buildings
Nick Griego & Sons Construction	Clovis	-68326	Y119	Other Administrative & Service Buildings
Nick Griego & Sons Construction	Clovis	4606	Z199	Maint/Other Miscellaneous Buildings
Nick Griego & Sons Construction	Clovis	5588	Y299	All Other Non-Building Facilities
Nick Griego & Sons Construction	Clovis	-13269	Y199	Other Administrative & Service Buildings
Gerald A. Martin LTD	Alb	1648	Y119	Other Administrative & Service Buildings
Albuquerque Surveying Co. Inc.	Alb	26212	R404	Land Surveys, Cadastral Svcs (non-construction)
Nick Griego & Sons Construction	Clovis	5786	Y199	Other Administrative & Service Buildings
Gerald A. Martin LTD	Alb	57678	Y199	Other Administrative & Service Buildings
Nick Griego & Sons Construction	Clovis	4837	Y119	Other Administrative & Service Buildings
Nick Griego & Sons Construction	Clovis	25592	Y119	Other Administrative & Service Buildings
Albuquerque Surveying Co. Inc.	Alb	20883	R404	Land Surveys, Cadastral Svcs (non-construction)
WT Denton Mechanical Inc.	Clovis	26557	J045	Maint & Repair of Eq/Plumbing & Heating Equipment
Nick Griego & Sons Construction	Clovis	25761	Y119	Other Administrative & Service Buildings
Gerald A. Martin LTD	Alb	9642	Y119	Other Administrative & Service Buildings
DMJMH+N Inc.	Alb	10000	C211	Architect-Engineering Services
DMJMH+N Inc.	Alb	16037	C211	Architect-Engineering Services
Nick Griego & Sons Construction	Clovis	2720	Y119	Other Administrative & Service Buildings
Nick Griego & Sons Construction	Clovis	9328	Z199	Maint/Other Miscellaneous Buildings
Gerald A. Martin LTD	Alb	7240	Y119	Other Administrative & Service Buildings
Nick Griego & Sons Construction	Clovis	1473	Y119	Other Administrative & Service Buildings
DMJMH+N Inc.	Alb	2690	C211	Architect-Engineering Services
Nick Griego & Sons Construction	Clovis	2567	Y119	Other Administrative & Service Buildings
MV Industries, Inc.	Alb	0	Y299	All Other Non-Building Facilities
Geo-Test, Inc.	Santa Fe	8794	F015	Well Drilling/Exploratory Services
Gerald A. Martin LTD	Alb	2029	Y119	Other Administrative & Service Buildings
Nick Griego & Sons Construction	Clovis	3559	Y119	Other Administrative & Service Buildings
Geo-Test, Inc.	Santa Fe	16511	F015	Well Drilling/Exploratory Services
Nick Griego & Sons Construction	Clovis	8213	Z199	Maint/Other Miscellaneous Buildings
Gerald A. Martin LTD	Alb	16711	Y119	Other Administrative & Service Buildings
Gerald A. Martin LTD	Alb	21763	Y119	Other Administrative & Service Buildings
Nick Griego & Sons Construction	Clovis	2991	Z199	Maint/Other Miscellaneous Buildings
Nick Griego & Sons Construction	Clovis	2437	Z299	All Other Non-Building Facilities
Nick Griego & Sons Construction	Clovis	3101	Y299	All Other Non-Building Facilities
Nick Griego & Sons Construction	Clovis	1117	Y119	Other Administrative & Service Buildings
Gerald A. Martin LTD	Alb	1485	Y119	Other Administrative & Service Buildings

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Gerald A. Martin LTD	Alb	31382	Y119	Other Administrative & Service Buildings
Nick Griego & Sons Construction	Clovis	936346	Y124	Airport Runways
Nick Griego & Sons Construction	Clovis	12035	Z199	Maint/Other Miscellaneous Buildings
Gerald A. Martin LTD	Alb	8046	Y119	Other Administrative & Service Buildings
Nick Griego & Sons Construction	Clovis	-11592	Y119	Other Administrative & Service Buildings
MV Industries, Inc.	Alb	-168613	Z249	Maint/Other Utilities
United Enterprise Builders, Inc.	Clovis	158000	Y300	Restoration Activities
United Enterprise Builders, Inc.	Clovis	-1444	Z119	Maint/Other Administrative & Service Buildings
Nick Griego & Sons Construction	Clovis	679346	Z119	Maint/Other Administrative & Service Buildings
Cumbre Construction Inc.	Alb	40120	Z213	Maint/Mine Fire Control Facilities
Cumbre Construction Inc.	Alb	39558	Z124	Maint/Airport Runways
Nick Griego & Sons Construction	Clovis	-2452	Z222	Maint/Highways, Roads, Streets & Bridges
Nick Griego & Sons Construction	Clovis	416980	Z222	Maint/Highways, Roads, Streets & Bridges
Dick's Electric, Inc.	Melrose	1999	Z119	Maint/Other Administrative & Service Buildings
Dick's Electric, Inc.	Melrose	2209	Z119	Maint/Other Administrative & Service Buildings
White Sands Construction Inc.	Elephant Butte	93125	Y162	Recreational Buildings
MV Industries, Inc.	Alb	16445	Y119	Other Administrative & Service Buildings
Moberly Moving & Storage Inc.	Clovis	117060	V003	Packing/Crating Services
Burkett Moving & Storage Co.	Clovis	59365	V003	Packing/Crating Services
Cumbre Construction Inc.	Alb	85770	Z249	Maint/Other Utilities
Stoven Construction Inc.	Alb	1564341	Z119	Maint/Other Administrative & Service Buildings
Stoven Construction Inc.	Alb	-1307	Z119	Maint/Other Administrative & Service Buildings
Nick Griego & Sons Construction	Clovis	5456	Z222	Maint/Highways, Roads, Streets & Bridges
Cumbre Construction Inc.	Alb	9542	Z119	Other Administrative & Service Buildings
Dick's Electric, Inc.	Melrose	17351	Z199	Maint/Other Miscellaneous Buildings
ENMRSH, Inc.	Clovis	-107947	S203	Food Services
Dick's Electric, Inc.	Melrose	146096	Z119	Maint/Other Administrative & Service Buildings
Cumbre Construction Inc.	Alb	27856	Z129	Maint/Other Airfield Structures
Nick Griego & Sons Construction	Clovis	39952	Z111	Maint/Office Buildings
Cumbre Construction Inc.	Alb	772	Z124	Maint/Airport Runways
Key Communications	Roswell	-107300	J058	Maint & Repair of Eq/Communication Equipment
Dick's Electric, Inc.	Melrose	72642	Z119	Maint/Other Administrative & Service Buildings
ENMRSH, Inc.	Clovis	166007	S203	Food Services
Cumbre Construction Inc.	Alb	9836	Z119	Maint/Other Administrative & Service Buildings
Dick's Electric, Inc.	Melrose	11067	Z119	Maint/Other Administrative & Service Buildings
Cumbre Construction Inc.	Alb	120000	Z119	Maint/Other Administrative & Service Buildings
Nick Griego & Sons Construction	Clovis	684743	Y124	Airport Runways
ENMRSH, Inc.	Clovis	51267	S203	Food Services
Nick Griego & Sons Construction	Clovis	95914	Z222	Maint/Highways, Roads, Streets & Bridges
United Enterprise Builders, Inc.	Clovis	100000	Y300	Restoration Activities
Key Communications	Roswell	-26220	J058	Maint & Repair of Eq/Communication Equipment
Nick Griego & Sons Construction	Clovis	74168	Z222	Maint/Highways, Roads, Streets & Bridges
Cumbre Construction Inc.	Alb	48642	Z119	Maint/Other Administrative & Service Buildings
Cumbre Construction Inc.	Alb	230000	Z119	Maint/Other Administrative & Service Buildings

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Dick's Electric, Inc.	Melrose	24700	Z119	Maint/Other Administrative & Service Buildings
AAA Appliance Service	Clovis	30560	W049	Lease or Rent of Eq/Maintenance & Repair Shop
ENMRSH, Inc.	Clovis	112611	S203	Food Services
ENMRSH, Inc.	Clovis	115184	S203	Food Services
Moberly Moving & Storage Inc.	Clovis	-43384	V003	Packing/Crating Services
Stoven Construction Inc.	Alb	5052	Z119	Maint/Other Administrative & Service Buildings
ENMRSH, Inc.	Clovis	977803	S203	Food Services
Southwest Lawn Services	Clovis	522591	S208	Landscaping/Groundskeeping Services
Stoven Construction Inc.	Alb	48817	Z119	Maint/Other Administrative & Service Buildings
Dick's Electric, Inc.	Melrose	110695	Z119	Maint/Other Administrative & Service Buildings
Cumbre Construction Inc.	Alb	73267	Z221	Maint/Airport Service Roads
Cumbre Construction Inc.	Alb	54360	Z129	Maint/Other Airfield Structures
Stoven Construction Inc.	Alb	40973	Z119	Maint/Other Administrative & Service Buildings
Nick Griego & Sons Construction	Clovis	1181	Z119	Maint/Other Administrative & Service Buildings
C GS Janitorial & Lawn Service	Clovis	184890	S208	Landscaping/Groundskeeping Services
United Enterprise Builders, Inc.	Clovis	-20000	Y300	Restoration Activities
Nick Griego & Sons Construction	Clovis	55473	Z222	Maint/Highways, Roads, Streets & Bridges
MV Industries, Inc.	Alb	77112	Z119	Maint/Other Administrative & Service Buildings
Nick Griego & Sons Construction	Clovis	37989	Z222	Maint/Highways, Roads, Streets & Bridges
Key Communications	Roswell	209018	J058	Maint & Repair of Eq/Communication Equipment
Cox Southwest Holdings, LP	Clovis	51278	D316	Telecommunication Network Management Services
Dick's Electric, Inc.	Melrose	10000	Y159	Other Industrial Buildings
Dick's Electric, Inc.	Melrose	21535	Z119	Maint/Other Administrative & Service Buildings
Dick's Electric, Inc.	Melrose	3115	Z119	Maint/Other Administrative & Service Buildings
MV Industries, Inc.	Alb	55523	Z119	Maint/Other Administrative & Service Buildings
Industrial Electric-Automation	Alb	33529	H139	Quality Control Svcs./Materials Handling Equipment
MV Industries, Inc.	Alb	9205	Z119	Maint/Other Administrative & Service Buildings
Nick Griego & Sons Construction	Clovis	383491	Z222	Maint/Highways, Roads, Streets & Bridges
Stoven Construction Inc.	Alb	26686	Z119	Maint/Other Administrative & Service Buildings
Stoven Construction Inc.	Alb	484692	Z119	Maint/Other Administrative & Service Buildings
ENMRSH, Inc.	Clovis	296739	R426	Communications Services
Moberly Moving & Storage Inc.	Clovis	27595	V003	Packing/Crating Services
Nick Griego & Sons Construction	Clovis	4150	Z222	Maint/Highways, Roads, Streets & Bridges
Dick's Electric, Inc.	Melrose	295638	Z119	Maint/Other Administrative & Service Buildings
		10361712		

# Operation KEEP CANNON

July 7, 2005

Mr. David Combs  
Air Force Team  
Defense Base Closure  
& Realignment Commission  
2521 S. Clark Street, Suite 600  
Arlington, VA 22202-3920

Dear David:

The community of Clovis, New Mexico is pleased to provide you with our certified data, analysis, and a description of the methodology used to analyze the Air Force's recommendation to close Cannon Air Force Base. It is our intent to be a partner with you and your staff as you analyze the Air Force data. All of our analysis is, and will continue to be, provided in a complete, transparent, and time-sensitive manner.

Our analysis team is comprised of superb cost and accounting analysts with specific Department of Defense infrastructure experience. They understand BRAC and the Department of Defense's data collection process and are prepared to discuss their findings at any time. Specifically, we encourage you to review not only our findings regarding data inconsistencies, but the failure to adequately take into account Cannon's range, air space, and its complete freedom from encroachment.

We understand the incredible time challenge you are under and immense volumes of data you are responsible for analyzing. Your staff has been generous with their time and we have confidence that they are reviewing the facts fairly and thoroughly. Similarly, we appreciate your dedicated service and your commitment to the defense of the nation.

Sincerely,



Randy Harris  
Chairman, Committee of Fifty

Attachment (1) MCI Calculation Methodology  
Attachment (2) Economic Value Methodology

**Attachment 1**  
**Methodology For Community MCI Scoring Calculations For Cannon**  
**June 24, 2005**

The Clovis community support team reviewed data released by DOD and the BRAC Commission prior to the June 24, 2005 regional hearing and prepared an alternative scoring analysis for some of the Military Capabilities Index (MCI) reported scores. While we questioned the overall weighting process, especially for issues such as encroachment, we concentrated principally on whether the data available accurately reflected the true situation at Cannon. This effort has been hampered by the lack of access to detailed information on the data call reporting and scoring of individual elements within each MCI question. However, we followed the AF's formula to the extent possible to highlight errors and ambiguity. Following is our methodology for scoring the various MCI questions:

Question 1242: ATC Restrictions to Operations

Maximum Points	5.98
Air Force Score	3.99
Community Score	5.98

Data was taken from the computerized aircraft maintenance system (CAMS). This system measures maintenance not ATC restrictions. Thus the measurement process was inappropriate for tracking ATC delays. Cannon controls its own departures, arrivals and airspace and thus has no ATC restrictions at all. Cannon should have received maximum points.

**Effective Points: 100% X 5.98 = 5.98**

Question 1245: Proximity to Airspace Supporting Mission

Maximum Points	22.08
Air Force Score	6.04
Community Score	15.12

Detailed scoring for each of the 12 elements of this question is not yet available to the community. Supporting data that was available is scattered throughout various files in the BRAC database and is inconsistent, particularly for airspace volume and operating hours. Therefore, the community applied the following evaluation:

<u>Element (% of Total)</u>	<u>Community % Attributed</u>
Volume (15%)	7.5% (Unclear if all available airspace volume was reported. NMTRI not considered. We conservatively assumed 50% of total % available)

Operating Hours (15%)	15% (Hours reported range from 12 to 24. Anything less than 24 is by local authorities making decisions related to manpower and community convenience. Cannon should get full points)
Scoreable Range (10%)	10% (Melrose was ranked first in ACC in terms of range utilization. Cannon should get full points here.)
AGWD (11.25%)	0.0% (Melrose has full capabilities to train in Air to Ground Weapons Delivery and should get full points here. However, because of uncertainties in the definition of AGWD, we have assumed 0 points for this element)
Low Angle Strafe/Live Ordnance /IMC Weapons Release/ Electronic Combat/Laser Use Auth /Lights Out Capable/ Flare Auth/Chaff Auth- (43.75% Combined)	36% (Melrose has full capability for all except Live Ordnance and IMC Weapon release, and thus should get max points for all except these (36%))
Total Available (95%)	Total Community (68.5%)

**Effective Points: 68.5% X 22.08 = 15.12**

Question 1246: Proximity to Low Level Routes

Max Points	7.25
Air Force Score	2.64
Community Score	7.25

Cannon should receive maximum points because it has four low level route entries and eight low level route exits less than 50 miles from the base. Cannon was apparently penalized for having multiple legacy routes which have been used in the past and may be available in the future if needed, but are not used currently.

**Effective Points: 100% X 7.25 = 7.25**

Question 1270: Suitable Auxiliary Airfields Within 50 NM

Max Points	5.18
Air Force Score	0
Community Score	3.89

The formula used by the AF called for points to be awarded for auxiliary airfields within 50 NM. The reported data did not consider either the second, fully equipped, crosswind runway at Cannon or the Clovis Municipal Airport less than 20 miles from the base. Those 2 runways should have given Cannon 75% of maximum available points

**Effective Points: 75% X 5.18 = 3.89**

Question 1203: Access to Adequate Supersonic Airspace

Max Points	6.72
Air Force Score	1.34
Community Score	5.04

We believe the available data mistakenly showed operating hours of less than 24/7 and did not consider all of the accessible supersonic airspace available to Cannon. In addition, the additional airspace made available by the New Mexico Training Range Initiative (NMTRI) was not considered at all. Our methodology gave Cannon full credit for operation hours (50% of the score) and half value for airspace exceeding 150 NM X 80 NM (50% of the score).

**Effective Points: 75% X 6.72 = 5.04**

Question 1266: Range Complex (RC) Supports Mission

Even though the question context is different, the elements scored for this question are the same as for question 1245. Therefore, even though the maximum number of points available is different, our analysis applied the same methodology as for the answer, i.e.:

Max Points	11.95
Air Force Score	7.45
Community Score	8.19

Detailed scoring for each of the 12 elements of this question is not yet available to the community. Supporting data that was available is scattered throughout various files in the BRAC database and is inconsistent, particularly for airspace volume and operating hours. Therefore, the community applied the following evaluation:

<u>Element (% of Total)</u>	<u>Community % Attributed</u>
Volume (15%)	<b>7.5%</b> (Unclear if all available airspace volume was reported. NMTRI not considered. We conservatively assumed 50% of total % available)
Operating Hours (15%)	<b>15%</b> (Hours reported range from 12 to 24. Anything less than 24 is by local decision related to manpower convenience. Cannon should get full points)
Scoreable Range (10%)	<b>10%</b> (Melrose was ranked first in ACC in terms of range utilization. Cannon should get full points here.)
AGWD (11.25%)	<b>0.0%</b> (Melrose has full capabilities to train in Air to Ground Weapons Delivery and should get full points here. However, because of uncertainties in the definition of AGWD, we have assumed 0 points for this element)
Low Angle Strafe/Live Ordnance /IMC Weapons Release/ Electronic Combat/Laser Use Auth /Lights Out Capable/ Flare Auth/Chaff Auth- (43.75% Combined)	<b>36%</b> (Melrose has full capability for all except Live Ordnance and IMC Weapon release, and thus should get max points for all except these (36%))
Total Available (95%)	Total Community (68.5%)

**Effective Points: 68.5% X 11.95 = 8.19**

Question 1205: Buildable Acres of Air/Industrial Operations

Max Points: 1.96/1.96  
 Air Force Score: 0.07/0.05  
 Community Score 1.96/1.96

The data available to the community indicates that total unconstrained acreages for industrial and air development operations were reported as 9 and 10.5 acres respectively. This is erroneous, as Cannon has over 150 acres available (figure needed to get maximum points) according to our understanding of the data. (In fact, Cannon has 368 buildable acres for air/industrial operations.) Cannon should get maximum points here.

**Effective Points: 100% X 1.96 = 1.96**

Question 1250: Area Cost Factor

Max Points: 1.25  
Air Force Score .74  
Community Score 1.25

The community understands that Area Cost Factor per se is a plug number taken from a DOD document and therefore not necessarily produced by the Air Force. However, when numerous cost elements such as Per Diem, Base Allowance for Housing (BAH), Sustainment, Base Operating Support (BOS) costs and others for Cannon are compared to other fighter bases, the numbers for Cannon are almost always lower, in many cases significantly lower. Thus, the community believes that Cannon should get maximum points in any cost comparison exercise.

**Effective Points:  $100\% \times 1.25 = 1.25$**

# Regional Economic Impact Of Cannon Air Force Base

(Attachment 2)

## *INTRODUCTION*

On May 13, 2005, the U.S. Department of Defense (DoD) released its list of closure and realignment recommendations to the Defense Base Closure and Realignment (BRAC) Commission. The State of New Mexico learned that Cannon Air Force Base, eight miles west of Clovis on the high eastern plains of the state, was recommended for closure. Within days, the state's congressional delegation and its governor, Bill Richardson, vowed to combat the recommendation and offered assistance to community leaders to mount a review of the criteria that led to the recommendation. This report addresses the impact of Cannon AFB on local employment (jobs), labor income (payroll), and total industry output (materials, services, labor, and inter-industry dependencies). The report responds to an analysis conducted by the U.S. Air Force and published by DoD as part of the BRAC recommendations showing a potential loss of one in every five local jobs if Cannon were to close.

## *OBJECTIVE*

The objective of the report is to provide information on the economic impact of Cannon AFB on the communities of Clovis and Portales (Curry and Roosevelt counties) and compare the employment findings with those of the Air Force as published in DoD's May 13 *Base Closure and Realignment Report*.

## *BACKGROUND*

The 2005 BRAC process represents the fifth round of military realignments and closures. It is the latest round in a process that began in the early 1960's when then-Secretary of Defense Robert McNamara determined it was necessary to downsize the nation's inventory of military installations created during World War II and the

Who needs  
BRAC background  
e ?

Korean Conflict. Without consulting Congress, the Office of the Secretary of Defense established the criteria for the selection of bases, and closed 60 installations.

In the 1970's, Congress intervened in the process. In August 1977 President Jimmy Carter approved Public Law 95-82. It required DOD to notify Congress when a base was a candidate for reduction or closure; to prepare studies on the strategic, environmental, and local economic consequences of such an action; and to wait 60 days for a congressional response.

Congress has enacted two laws since 1988 that provide for closure of military installations within the continental United States. The laws allow the realignment of facilities, in part or in whole, and provide guidance on the process.

Since 1988, there have been four bipartisan Defense Base Closure and Realignment Commissions (BRAC) that recommended the closure of 125 major military facilities and 225 minor military installations and the realignment in operations and functions of 145 others. By another accounting, the four BRAC rounds achieved 97 base closings and 55 major realignments. This has resulted in net savings to taxpayers of more than \$16 billion through 2001 and more than \$6 billion in additional savings annually.<sup>1</sup>

The principal mechanism for implementing base closures and reductions in both statutes has been an independent, bipartisan commission, nominated by the President and confirmed by the Senate. Under the BRAC process, the Secretary of Defense makes recommendations to the commission. The commission reviews these recommendations and makes its own recommendations to the President. The President then reviews the recommendations and either sends those back to the commission for additional work or forwards them, without changes, to Congress. The recommendations then go into effect unless disapproved by a joint resolution of Congress.

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<sup>1</sup> Reference found at [www.globalsecurity.org/military/facility/brac.htm](http://www.globalsecurity.org/military/facility/brac.htm)

*2005 BRAC*

Although the 2005 BRAC process is similar in many respects to previous rounds (1988, 1991, 1993, and 1995), the legislation authorizing the 2005 BRAC made a number of changes. Significant to this report, the law obligates the Secretary of Defense to provide an economic analysis of the impact to the local community when a base is considered for realignment or closure. The new law narrows the guidance on economic analysis to determining the impact "on existing communities in the vicinity of the military installations."

The law authorizing the 2005 BRAC provides guidance on a number of other issues, many of which are reflected in the current BRAC criteria for evaluating military installations (See Attachment A). A comparison of the 2005 BRAC criteria to earlier rounds is provided in Table 1.

**Table 1. Comparing 2005 BRAC Criteria to Previous Criteria**

2005 Criteria	Previous Criteria <sup>2</sup>	Change
The current and future mission capabilities and the impact on operational readiness of the Department of Defense's total force, including the impact on joint warfighting, training, and readiness.	The current and future mission requirements and the impact on operational readiness of the Department of Defense's total force.	Replaces "requirements" with "capabilities."  Emphasizes the importance of jointness.
The availability and condition of land, facilities and associated airspace (including training areas suitable for maneuver by ground, naval or air forces throughout a diversity of climate and terrain areas and staging areas for the use of the Armed Forces in homeland defense missions) at both existing and potential receiving locations.	The availability and condition of land, facilities and associated airspace at both existing and potential receiving locations.	Explicit recognition of the need for staging areas for homeland defense missions.  Explicit recognition of training areas as an important criterion and greater detail on the need for diversity in training areas.
The ability to accommodate contingency, mobilization, and future total force requirements at both existing and potential receiving locations to support operations and training.	The ability to accommodate contingency, mobilization, and future total force requirements at both existing and potential receiving locations.	Clarifies need for future options for both operations and training.
The cost of operations and manpower implications.	The cost and manpower implications.	Sharpens the distinction between the cost of operations and manpower implications.
The extent and timing of potential costs and savings, including the number of years, beginning with the date of completion of the closure or realignment, for the savings to exceed the costs.	The extent and timing of potential costs and savings, including the number of years, beginning with the date of completion of the closure or realignment, for the savings to exceed the costs.	No change.
<del>The economic impact on existing communities in the vicinity of military installations.</del>	<del>The economic impact on communities.</del>	Narrows the definition of economic impact.
The ability of both the existing and potential receiving communities' infrastructure to support forces, missions, and personnel.	The ability of both the existing and potential receiving communities' infrastructure to support forces, missions, and personnel.	No change.
The environmental impact, including the impact of costs related to potential environmental restoration, waste management, and environmental compliance activities.	The environmental impact.	Explicit recognition of the costs of environmental cleanup activities.

Source: [www.tomudall.house.gov/pdf/ACF983E.pdf](http://www.tomudall.house.gov/pdf/ACF983E.pdf)

<sup>2</sup> The criteria was identical for the 1991, 1993, and 1995 BRAC rounds.

Also of note, the 2005 BRAC legislation authorizes an increase from eight to nine in the number of individuals serving on the BRAC Commission. The new law allows for bases to be added to the closure list, but requires at least two commissioners to visit the installation prior to making such a recommendation. The law also permits the Secretary of Defense to propose to place a military base into caretaker status if the installation is deemed important for future national security.

As of this writing, the 2005 BRAC process is well under way. Nine individuals have been appointed to serve on the Commission:

- Anthony J. Principi, chairman, former Secretary of Veterans Affairs (2001-05)
- James H. Bilbray, former Democratic House member from Nevada (1987-95)
- Philip Coyle of California, former Assistant Secretary of Defense
- Ret. Adm. Harold W. Gehman of Virginia, a former NATO Supreme Allied Commander
- James V. Hansen of Utah, a former Republican House member (1981-03)
- Ret. Army Gen. James T. Hill of Florida
- Ret. Air Force Gen. Lloyd "Fig" Newton, former Air Force Vice Chief of Staff
- Samuel Knox Skinner of Illinois, former Secretary of Transportation
- Ret. Air Force Brigadier General Sue Ellen Turner of Texas

A list of upcoming key dates and deadlines:

- Sept. 8: BRAC Commission to make its own base closure recommendations
- Sept. 23: Presidential decision on whether to accept or reject the BRAC recommendations in their entirety, the White House's only options. If Bush accepts the plan, it becomes final within 45 legislative days, unless Congress passes a joint resolution to block the entire package.
- Oct. 20: If Bush rejects the BRAC recommendations, the commission has until this date to submit a revised list of proposed closures.
- Nov. 7: President to approve or disapprove the revised recommendations
- April 15, 2006: The commission terminates.

*UNDERSTANDING THE AIR FORCE IMPACT ANALYSIS*

To generate the employment consequences of a base realignment or closure, DoD provided to the Air Force and other review groups (3 military and 7 cross-service groups) with what is known as the “calculator,” or the Economic Impact Tool (EIT). According to DoD, the EIT measures total potential job change--direct, indirect and induced—for a base realignment or closure “scenario.” For the Clovis/Curry County region, the EIT identifies the loss of 2,824 direct jobs and calculates an indirect/induced loss of 1,956 additional jobs, if Cannon were to close.

The EIT generates indirect/induced employment impacts for Cannon AFB using a cumulative multiplier of 1.6926. The impacted community is defined by the Air Force as the Clovis Micropolitan Statistical Area, which is identified in the EIT model as Curry County. The potential community job change is calculated as -20.47% of the area employment, a percentage reached by dividing the number of potential job losses (-4,780) over total area employment (23,348).

Air Force-generated employment and output data are shown in Tables 2 and 3.

**Table 2. Employment Impact Data for Cannon AFB**

Year	2007
Direct Military	-2,385
Direct Civilian	-384
Direct Student	0
Direct Contractor	-55
Cumulative Direct	-2,824
Cumulative Indirect/Induced	-1,956
Cumulative Total	-4,780

*Source: Close Cannon Scenario, EIT Run, USAF Deliberative Document 0114v3, found in archive directory at [www.defenselink.mil/brac](http://www.defenselink.mil/brac)*

**Table 3. Economic Output Data for Cannon AFB**

Economic Region of Influence (ROI)	Clovis, NM Micropolitan Statistical Area
Overall Economic Impact of Proposed BRAC-05 Action:	
ROI Population (2002)	44,921
ROI Employment (2002)	23,348
Authorized Manpower (2005)	3,919
Authorized Manpower (2005) / ROI Employment (2002)	16.79%
Total Estimated Job Change	-4,780
Total Estimated Job Change / ROI Employment (2002)	-20.47%

Source: *Close Cannon Scenario, EIT Run, USAF Deliberative Document 0114v3, found in archive directory at [www.defenselink.mil/brac](http://www.defenselink.mil/brac)*

In regard to Cannon AFB, the BRAC evaluation process requires the Air Force to determine the economic impact (positive or negative) of dispersing Cannon's 60 F-16 fighter jets to other locations. Using the EIT tool, these bases demonstrate positive employment impacts as a result of Cannon's closure (See Attachment B).

#### METHODOLOGY FOR THIS ANALYSIS

##### Data Collection

Table 4 provides federal FY2004 employment and payroll data (input) for Cannon AFB.

**Table 4. 2004 Employment and Payroll at Cannon AFB**

	Job Number	Payroll <sup>3</sup>
Active Duty	3,846	\$125,669,337
Appropriated	400	25,503,071
Other Civilian	290	3,666,535
Private Sector	349	2,364,345
<b>TOTAL</b>	<b>4,885</b>	<b>\$147,203,288</b>

Source: *Economic Impact Assessment FY04, 27<sup>th</sup> Fighter Wing, Cannon AFB*

Table 5 identifies 2004 construction and procurement spending (input) at Cannon on contractors with a presence in the local area or on contract awards requiring the use of locally supplied goods and services.

<sup>3</sup> Excludes federal and private sector employment benefits

**Table 5. 2004 Construction and Procurement Spending at Cannon AFB**

	Dollar Amount
<b>Construction Contracts</b>	
Operations & Maintenance	\$11,787,281
Military Family Housing	90,999
Nonappropriated Fund	133,000
AAFES	105,000
Military Construction Program	0
Subtotal	\$12,116,280
<b>Procurement: Services, Materials, Equipment and Supplies</b>	
Service Contracts	\$9,000,000
Utilities and Energy	3,907,588
Telecommunications	1,351,800
Subtotal	\$14,259,388
<b>Commissary, Base Exchange, Health and Education</b>	
Defense Commissary Agency	\$487,895
Health CHAMPUS & Tri-Care	6,719,868
Tuition Assistance	979,000
Per Diem (Off-Base Meals)	273,000
Lodging	471,900
Subtotal	\$8,931,663
<b>TOTAL PROCUREMENT, CONSTRUCTION</b>	<b>\$35,307,331</b>

Source: *Economic Impact Assessment FY04*, 27<sup>th</sup> Fighter Wing, Cannon AF

#### Data Analysis

This report uses the method of input-output (I/O) modeling, a scientifically reliable method for measuring the economic consequences of spending. Two databases are secured for this purpose: (1) The IMPlan Pro (v 2.0.125) database, adopted by the New Mexico Department of Labor for economic analyses, is employed to determine the impact of military contract and procurement spending and the impact of household spending by military and civilian employees. (2) The Regional Industrial Multiplier System (RIMS II) database, generated by the Bureau of Economic Analysis of the U.S. Department of Commerce, is used for verification and generating employment impacts in the education sector, a sector that was modified for local conditions.

Two analyses are conducted: ~~The first determines impacts to employment, labor income and industrial output in Curry County (Clovis) only. This analysis follows the 2005 BRAC guidance to identify impacts in existing communities in the vicinity of the military installation.~~ A second analysis calculates impacts to the combined region of Curry and Roosevelt counties. This second analysis more accurately accounts for the impact of residents of a 150-unit military housing complex located in Portales (Roosevelt County), west of the campus of Eastern New Mexico University.

For both analyses, employment at Cannon is divided into manpower categories for military personnel, civilian military employees, and base contractors. Some 349 private sector jobs are deemed residentiary and are removed from the input data to prevent the positions from being counted twice (i.e., bank tellers, credit union employees).

Whenever possible, FY 2004 data is used for the analysis. A GDP Price Index deflation factor of 0.9617 is applied when calibrating dollars between 2004 and 2002.

The IMPlan and RIMS II databases allow for the calculation of economic impact or, from another perspective, the loss to the community should Cannon be closed or realigned to a location outside the state. Under no circumstance do the models predict or encourage the closing of Cannon AFB, nor do they predict the expansion or consolidation of the base.

Below are several assumptions of I/O modeling that should be taken into account when interpreting the results:

- Impacts are calculated as numerically linear and proportional;
- Each industry is assumed to have unlimited access to the materials necessary for its production;
- Changes in the economy are assumed to affect an industry's output but will not alter the mix of materials and services that are required to make an industry's products; and

- Each industry is treated as if it provides a single, primary or main product, and all other products of that industry are viewed as byproducts.

*FINDINGS*

Tables 6 shows summary data on the economic impact of Cannon AFB on employment (jobs), labor income (payrolls), and total industry output (materials, services, labor, and inter-industry dependencies) in Curry County. Table 7 provides details of the summary data.

Table 6. Economic Impact Summary - Curry County Only

	Direct	Indirect	Induced <sup>4</sup>	Total	Area Employment	Impact
Employment (number of jobs)	5,058	66	1,608	6,732	22,015	30.58%
Payroll (thousands of \$)	313,040	1,680	36,030	350,750	1,077,395	32.56%
Industry Output (thousands of \$)	330,460	4,450	114,790	449,700	1,660,180	27.09%

Source: *Economic Impact Assessment FY04*, Cannon AFB

Table 7. Summary Details - Curry County Only

	Construction & Procurement	Military & Civilian Appropriated Payroll	Totals
<b>Employment (number of jobs)</b>			
Direct		522	4,536
Indirect		66	0
Induced		86	1,522
Total		674	6,058
<b>Payroll (thousands of \$)</b>			
Direct	15,000	298,040	313,040
Indirect	1,680	0	1,680
Induced	1,920	34,110	36,030
Total	18,600	332,150	350,750
<b>Industry Output (thousands of \$)</b>			
Direct	32,420	298,040	330,460
Indirect	4,450	0	4,450
Induced	6,120	108,670	114,790
Total	42,990	406,710	449,700

Source: *Economic Impact Assessment FY04*, Cannon AFB and *Procurement Guidance and Data*, <http://www.dior.whs.mil/peidhome/guide/procoper.htm>

<sup>4</sup> Generated by consumer spending of those employed by Cannon AFB and its vendors

Tables 8 shows summary data on the economic impact of Cannon AFB on the Curry-Roosevelt area. Table 9 provides details of the summary.

Table 8. Economic Impact Summary – Curry and Roosevelt Counties Combined

	Direct	Indirect	Induced <sup>5</sup>	Total	Area Employment	Impact
Employment (number of jobs)	5,071	63	1,622	6,756	29,820	22.66%
Payroll <sup>6</sup> (thousands of \$)	304,900	1,660	36,940	343,500	1,506,229	22.81%
Industry Output (thousands of \$)	322,430	4,570	107,700	434,700	2,409,210	18.04%

Source: *Economic Impact Assessment FY04*, Cannon AFB

Table 9. Summary Details – Curry and Roosevelt Counties Combined

	Construction & Procurement	Military & Civilian Appropriated Payroll	Totals
<b>Employment (number of jobs)</b>			
Direct		535	4,536
Indirect		63	0
Induced		82	1,540
Total	680		6,076
<b>Payroll (thousands of \$)</b>			
Direct	14,830	290,070	304,900
Indirect	1,660	0	1,660
Induced	1,800	35,140	36,940
Total	18,290	325,210	343,500
<b>Industry Output (thousands of \$)</b>			
Direct	32,360	290,070	322,430
Indirect	4,570	0	4,570
Induced	5,840	101,860	107,700
Total	42,770	391,930	434,700

Source: *Economic Impact Assessment FY04*, Cannon AFB and *Procurement Guidance and Data*, <http://www.dior.whs.mil/peidhome/guide/procoper.htm>

<sup>5</sup> Generated by consumer spending of those employed by Cannon AFB and its vendors

Based on the RIMS II multipliers for local and state education, some 32 direct and induced employment impacts were identified as missing from the education sector in the Curry-Roosevelt impact area. The positions were added manually to the impact tables with their added salary and output measures.

Cannon AFB is responsible for \$917,500 in federal impact aid to the State of New Mexico. This spending is not included in the current analysis because impact dollars for education are reallocated to schools throughout the state.

*COMPARISON WITH AIR FORCE FINDINGS*

Table 10. shows a comparison of employment impacts generated for Curry County, the Curry-Roosevelt area, and for Curry County, using the Air Force EIT calculator.

Table 10. Employment Impact Comparison – Curry County, Combined Curry-Roosevelt, Air Force

	Direct	Indirect	Induced <sup>7</sup>	Total	Area Employment	Impact
Curry County only	5,058	66	1,608	6,732	22,015	30.58%
Curry and Roosevelt counties	5,071	63	1,622	6,756	29,820	22.66%
Air Force EIT	2,824	0	1,956	4,780	23,348	20.47%

In comparing employment impacts, the Air Force defines its impact area as the Clovis Micropolitan Statistical Area, or Curry County. No analysis is performed by the Air Force for Portales or Roosevelt County. The Air Force EIT uses a cumulative multiplier of 1.69 in generating indirect/induced employment impact for the possible closing of Cannon. By comparison, the IMPlan and RIMS II databases generate several hundred multipliers, each coded specifically to one of more than 400 industry sectors.

The Air Force uses FY2007 authorized manpower statistics to determine employment impact, which until recently were considered classified and unavailable to the public. The new information highlights what appears to be a planned downsizing from 2005 staffing levels of 1,534 military employees. ~~This apparent reduction in active duty personnel would occur regardless of BRAC. For the Air Force economic impact analysis, the lower staffing level has the effect of reducing the employment impact.~~ The IMPlan/RIMS II

<sup>7</sup> Generated by consumer spending of those employed by Cannon AFB and its vendors

analysis, on the other hand, works from 2004 manpower data, providing perhaps a more realistic picture of the potential for regional job losses.

#### Walker Air Force Base

The closing in 1967 of Walker AFB in Roswell, New Mexico, offers an historic precedent when reviewing the potential impact of closing Cannon AFB. Located 96 miles south of Clovis, Roswell is among the leading cities in east-central New Mexico. Like Clovis, Roswell is surrounded by large tracts of public lands and maintains commercial businesses that support a substantial farm and ranch community. In the year prior to closure of Walker AFB, the city of Roswell recorded a population of some 48,000 people. Three years later, after the air base was closed, the city's population had fallen 30%. The 2000 Census—taken 33 years after Walker AFB's closure—places Roswell's population at 45,293, still somewhat smaller than its population in the mid-1960's. If Roswell's experience is a guide, the IMPlan/RIMS II calculation of the potential loss of 30.58% of all jobs in Clovis/Curry County appears realistic.

#### Lack of a Weighted Factor

The potential impact of Cannon AFB to local jobs, payrolls and industrial output is considerable. Although economic impact is one of the eight BRAC criteria and is included within the evaluation data elements, it is not calculated as an independent or weighted factor in assigning final value to any military installation. In the case of Cannon AFB, regional economic impact is a significant factor.

#### *SUMMARY*

Among bases listed by DoD for potential reduction or closure under BRAC, the recommendation to close Cannon AFB appears the harshest of all in terms of its impact on the nearby community. The *Base Closure and Realignment Report* stated:

Assuming no economic recovery, this recommendation could result in a maximum potential reduction of 4,780 jobs (2,824 direct jobs and 1,956 indirect jobs) over the 2006-2011 period in the Clovis, NM, Metropolitan Statistical Area, which is 20.5 percent of economic area employment,

This estimate poses the largest single job loss as a percentage of community employment of all the BRAC recommendations. Among bases recommended for realignment or closure, Cannon's potential impact in area jobs exceeds the second largest impact by nearly twice.

This report makes an argument that the full impact of Cannon AFB on the local community may, in fact, be greater than estimates generated by the Air Force. Impact analyses using IMPlan and RIMS II multipliers find a larger 30.58% potential loss in local jobs, or the potential loss of one in every three existing jobs in Curry County alone. A combined study area that included Curry and Roosevelt counties identifies a potential employment loss of 22.66% of the area's jobs.

~~While arguments can be made regarding the validity of the Air Force employment numbers, it is fair to say, no matter which analysis is adopted, that the potential impact to the Clovis-Portales community is sizable.~~ Impacts that reach more than 5-10% of regional jobs are rare. A cursory review of New Mexico history finds that, if Cannon were to close, the potential economic impact would likely be among the worst ever to occur in the state. If Cannon were to close, it is also likely that the nearby communities of Clovis and Portales might never fully recover within the lifetimes of the current residents.

## References

"Economic Impact Assessment FY04," publication of the 27<sup>th</sup> Fighter Wing, Cannon AFB, NM. pp. 1-10.

Military "Procurement Guidance and Data" spreadsheet, found online at [www.dior.whs.mil/peidhome/guide/procooper.htm](http://www.dior.whs.mil/peidhome/guide/procooper.htm)

Online Labor Market Information (MLI) database, New Mexico Department of Labor, found at [www.dol.state.nm.us](http://www.dol.state.nm.us)

**ATTACHMENT A**

**BRAC 2005 Selection Criteria**

*Military Value*

- (1) The current and future mission capabilities and the impact on operational readiness of the total force of the Department of Defense, including the impact on joint warfighting, training, and readiness.
- (2) The availability and condition of land, facilities, and associated airspace (including training areas suitable for maneuver by ground, naval, or air forces throughout a diversity of climate and terrain areas and staging areas for the use of the Armed Forces in homeland defense missions) at both existing and potential receiving locations.
- (3) The ability to accommodate contingency, mobilization, surge, and future total force requirements at both existing and potential receiving locations to support operations and training.
- (4) The cost of operations and the manpower implications.

*Other Considerations*

- (5) The extent and timing of potential costs and savings, including the number of years, beginning with the date of completion of the closure or realignment, for the savings to exceed the costs.
- (6) The economic impact on existing communities in the vicinity of military installations.
- (7) The ability of the infrastructure of both the existing and potential receiving communities to support forces, missions, and personnel.
- (8) The environmental impact, including the impact of costs related to potential environmental restoration, waste management, and environmental compliance activities.

*From the Base Closure and Realignment Report, Vol. 1, Chap.3, p. 18.*

**ATTACHMENT B**

COBRA PERSONNEL/SF/SUSTAINMENT/RECAP/BOS DELTAS REPORT (COBRA v6.10)  
 Data As Of 5/4/2005 4:29:12 PM, Report Created 5/20/2005 8:36:26 AM  
 Department : USAF  
 Scenario File : C:\Documents and Settings\COBRA Working\COBRA USAF 0114V3 (125.1c2) Close  
 Cannon.CBR  
 Option Pkg Name: COBRA USAF 0114V3 (125.1c2) Close Cannon  
 Std Fctrs File : C:\COBRA 6.10\BRAC2005.SFF  
 Personnel

Base Start\* Finish\* Change %Change  
 -----  
 Cannon AFB 2,769 0 -2,769 -100%  
 Andrews AFB 8,057 8,170 113 1%  
 Dane County Regional 284 342 58 20%  
 Kirtland AFB 6,702 6,717 15 0%  
 Joe Foss Field AGS 284 343 59 21%  
 Nellis AFB 8,080 8,340 260 3%  
 BASE X (AIR FORCE) 2,940 2,978 38 1%  
 Hill AFB 16,501 16,723 222 1%

-----  
 TOTAL 45,617 43,613 -2,004 -4%  
 Square Footage

Base Start\* Finish\* Change %Change Chg/Per  
 -----  
 Cannon AFB 2,199,000 0 -2,199,000 -100% 794  
 Andrews AFB 4,691,000 4,693,350 2,350 0% 21  
 Dane County Regional 727,000 727,000 0 0% 0  
 Kirtland AFB 6,137,000 6,137,152 152 0% 10  
 Joe Foss Field AGS 411,000 411,000 0 0% 0  
 Nellis AFB 4,658,000 4,679,756 21,756 0% 84  
 BASE X (AIR FORCE) 1,947,403 1,947,403 0 0% 0  
 Hill AFB 9,124,000 9,133,513 9,513 0% 43

-----  
 TOTAL 29,894,403 27,729,174 -2,165,229 -7% 1,080  
 Base Operations Support (2005\$)

Base Start\* Finish\* Change %Change Chg/Per  
 -----  
 Cannon AFB 14,662,144 0 -14,662,144 -100% 5,295  
 Andrews AFB 42,038,028 42,466,408 428,379 1% 3,791  
 Dane County Regional 2,986,836 3,039,079 52,243 2% 901  
 Kirtland AFB 68,705,420 68,811,295 105,874 0% 7,058  
 Joe Foss Field AGS 2,017,418 2,053,313 35,895 2% 608  
 Nellis AFB 36,538,603 37,393,538 854,935 2% 3,288  
 BASE X (AIR FORCE) 18,380,156 18,497,109 116,953 1% 3,078  
 Hill AFB 69,390,813 70,179,466 788,653 1% 3,552

-----  
 TOTAL 254,719,419 242,440,208 -12,279,211 -5% 6,127  
 COBRA PERSONNEL/SF/SUSTAINMENT/RECAP/BOS DELTAS REPORT (COBRA v6.10) - Page 2  
 Data As Of 5/4/2005 4:29:12 PM, Report Created 5/20/2005 8:36:26 AM

Department : USAF  
 Scenario File : C:\Documents and Settings\COBRA Working\COBRA USAF 0114V3 (125.1c2) Close  
 Cannon.CBR  
 Option Pkg Name: COBRA USAF 0114V3 (125.1c2) Close Cannon  
 Std Fctrs File : C:\COBRA 6.10\BRAC2005.SFF  
 Sustainment (2005\$)

Base Start\* Finish\* Change %Change Chg/Per  
 -----  
 Cannon AFB 10,698,123 0 -10,698,123 -100% 3,863  
 Andrews AFB 16,474,241 16,477,898 3,657 0% 32  
 Dane County Regional 2,579,767 2,579,767 0 0% 0  
 Kirtland AFB 30,365,709 30,366,031 322 0% 21  
 Joe Foss Field AGS 1,554,571 1,554,571 0 0% 0  
 Nellis AFB 25,094,105 25,157,424 63,319 0% 243  
 BASE X (AIR FORCE) 8,161,604 8,161,604 0 0% 0  
 Hill AFB 33,939,303 33,964,665 25,362 0% 114

-----  
 TOTAL 128,867,423 118,261,960 -10,605,462 -8% 5,292  
 Recapitalization (2005\$)  
 Base Start\* Finish\* Change %Change Chg/Per

-----  
 Cannon AFB 10,933,499 0 -10,933,499 -100% 3,948  
 Andrews AFB 15,551,057 15,554,602 3,545 0% 31  
 Dane County Regional 1,603,688 1,603,688 0 0% 0  
 Kirtland AFB 20,908,530 20,908,795 264 0% 18  
 Joe Foss Field AGS 903,025 903,025 0 0% 0  
 Nellis AFB 19,915,315 19,975,827 60,512 0% 233  
 BASE X (AIR FORCE) 6,909,608 6,909,608 0 0% 0  
 Hill AFB 28,009,115 28,029,421 20,306 0% 91  
 -----

TOTAL 104,733,836 93,884,965 -10,848,871 -10% 5,414  
 Sustain + Recap + BOS (2005\$)  
 Base Start Finish Change %Change Chg/Per  
 -----

Cannon AFB 36,293,766 0 -36,293,766 -100% 13,107  
 Andrews AFB 74,063,326 74,498,908 435,582 1% 3,855  
 Dane County Regional 7,170,291 7,222,534 52,243 1% 901  
 Kirtland AFB 119,979,660 120,086,121 106,461 0% 7,097  
 Joe Foss Field AGS 4,475,014 4,510,909 35,895 1% 608  
 Nellis AFB 81,548,023 82,526,789 978,766 1% 3,764  
 BASE X (AIR FORCE) 33,451,368 33,568,321 116,953 0% 3,078  
 Hill AFB 131,339,231 132,173,552 834,321 1% 3,758  
 -----

TOTAL 486,320,678 454,587,134 -33,733,544 -7% 16,833  
 Plant Replacement Value (2005\$)  
 Base Start Finish Change %Change Chg/Per  
 -----

Cannon AFB 1,322,953,349 0-1,322,953,349 -100% 477,773  
 Andrews AFB 1,891,677,862 1,882,106,862 429,000 0% 3,796  
 Dane County Regional 194,046,247 194,046,247 0 0% 0  
 Kirtland AFB 2,529,932,186 2,529,964,186 32,000 0% 2,133  
 Joe Foss Field AGS 109,265,980 109,265,980 0 0% 0  
 Nellis AFB 2,409,753,071 2,417,075,071 7,322,000 0% 28,161  
 BASE X (AIR FORCE) 836,062,557 836,062,557 0 0% 0  
 Hill AFB 3,389,102,918 3,391,559,918 2,457,000 0% 11,067  
 -----

TOTAL 12,672,794,170 11,360,080,821 -1,312,713,349 -10% 655,046

Cannon AFB Largest Contract Awards to New Mexico Companies, 2004

July 2005

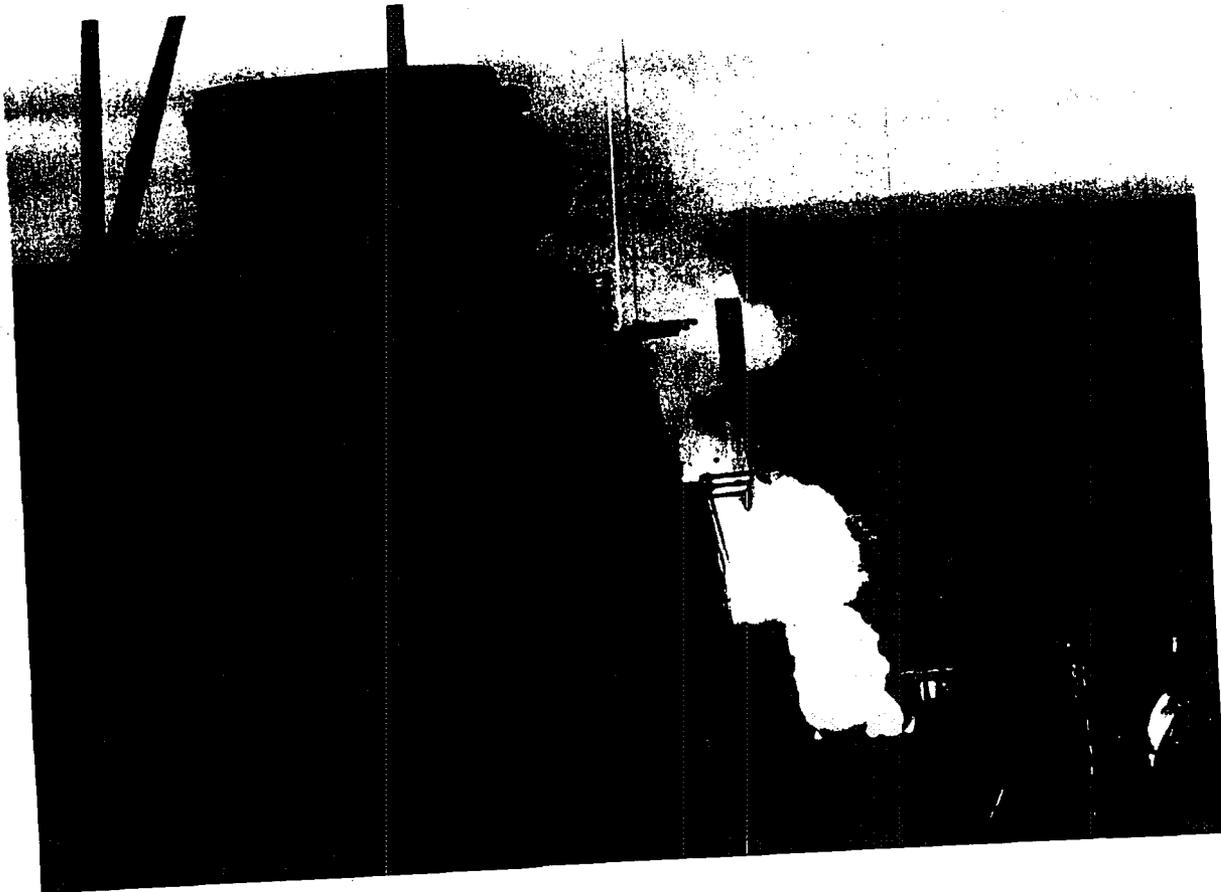
Business	Location	Amount	Code	Name of Product/Service
Nick Griego & Sons Construction	Clovis	6072	Y119	Other Administrative & Service Buildings
Gerald A. Martin LTD	Alb	8622	Y119	Other Administrative & Service Buildings
Nick Griego & Sons Construction	Clovis	4426	Y119	Other Administrative & Service Buildings
Nick Griego & Sons Construction	Clovis	-68326	Y119	Other Administrative & Service Buildings
Nick Griego & Sons Construction	Clovis	4606	Z199	Maint/Other Miscellaneous Buildings
Nick Griego & Sons Construction	Clovis	5588	Y299	All Other Non-Building Facilities
Nick Griego & Sons Construction	Clovis	-13269	Y199	Other Administrative & Service Buildings
Gerald A. Martin LTD	Alb	1648	Y119	Other Administrative & Service Buildings
Albuquerque Surveying Co. Inc.	Alb	26212	R404	Land Surveys, Cadastral Svcs (non-construction)
Nick Griego & Sons Construction	Clovis	5786	Y199	Other Administrative & Service Buildings
Gerald A. Martin LTD	Alb	57678	Y199	Other Administrative & Service Buildings
Nick Griego & Sons Construction	Clovis	4837	Y119	Other Administrative & Service Buildings
Nick Griego & Sons Construction	Clovis	25592	Y119	Other Administrative & Service Buildings
Albuquerque Surveying Co. Inc.	Alb	20883	R404	Land Surveys, Cadastral Svcs (non-construction)
WT Denton Mechanical Inc.	Clovis	26557	J045	Maint & Repair of Eq/Plumbing & Heating Equipment
Nick Griego & Sons Construction	Clovis	25761	Y119	Other Administrative & Service Buildings
Gerald A. Martin LTD	Alb	9642	Y119	Other Administrative & Service Buildings
DMJMH+N Inc.	Alb	10000	C211	Architect-Engineering Services
DMJMH+N Inc.	Alb	16037	C211	Architect-Engineering Services
Nick Griego & Sons Construction	Clovis	2720	Y119	Other Administrative & Service Buildings
Nick Griego & Sons Construction	Clovis	9328	Z199	Maint/Other Miscellaneous Buildings
Gerald A. Martin LTD	Alb	7240	Y119	Other Administrative & Service Buildings
Nick Griego & Sons Construction	Clovis	1473	Y119	Other Administrative & Service Buildings
DMJMH+N Inc.	Alb	2690	C211	Architect-Engineering Services
Nick Griego & Sons Construction	Clovis	2567	Y119	Other Administrative & Service Buildings
MV Industries, Inc.	Alb	0	Y299	All Other Non-Building Facilities
Geo-Test, Inc.	Santa Fe	8794	F015	Well Drilling/Exploratory Services
Gerald A. Martin LTD	Alb	2029	Y119	Other Administrative & Service Buildings
Nick Griego & Sons Construction	Clovis	3559	Y119	Other Administrative & Service Buildings
Geo-Test, Inc.	Santa Fe	16511	F015	Well Drilling/Exploratory Services
Nick Griego & Sons Construction	Clovis	8213	Z199	Maint/Other Miscellaneous Buildings
Gerald A. Martin LTD	Alb	16711	Y119	Other Administrative & Service Buildings
Gerald A. Martin LTD	Alb	21763	Y119	Other Administrative & Service Buildings
Nick Griego & Sons Construction	Clovis	2991	Z199	Maint/Other Miscellaneous Buildings
Nick Griego & Sons Construction	Clovis	2437	Z299	All Other Non-Building Facilities
Nick Griego & Sons Construction	Clovis	3101	Y299	All Other Non-Building Facilities
Nick Griego & Sons Construction	Clovis	1117	Y119	Other Administrative & Service Buildings
Gerald A. Martin LTD	Alb	1485	Y119	Other Administrative & Service Buildings
Gerald A. Martin LTD	Alb	31382	Y119	Other Administrative & Service Buildings
Nick Griego & Sons Construction	Clovis	936346	Y124	Airport Runways
Nick Griego & Sons Construction	Clovis	12035	Z199	Maint/Other Miscellaneous Buildings
Gerald A. Martin LTD	Alb	8046	Y119	Other Administrative & Service Buildings
Nick Griego & Sons Construction	Clovis	-11592	Y119	Other Administrative & Service Buildings
MV Industries, Inc.	Alb	-168613	Z249	Maint/Other Utilities
United Enterprise Builders, Inc.	Clovis	158000	Y300	Restoration Activities
United Enterprise Builders, Inc.	Clovis	-1444	Z119	Maint/Other Administrative & Service Buildings
Nick Griego & Sons Construction	Clovis	679346	Z119	Maint/Other Administrative & Service Buildings
Cumbre Construction Inc.	Alb	40120	Z213	Maint/Mine Fire Control Facilities
Cumbre Construction Inc.	Alb	39558	Z124	Maint/Airport Runways
Nick Griego & Sons Construction	Clovis	-2452	Z222	Maint/Highways, Roads, Streets & Bridges
Nick Griego & Sons Construction	Clovis	416980	Z222	Maint/Highways, Roads, Streets & Bridges
Dick's Electric, Inc.	Melrose	1999	Z119	Maint/Other Administrative & Service Buildings



DCN: 5413

103-06A – RH14 – State Input (California)  
Regional Hearing – July 14, 2005 – Los Angeles, CA  
**BRAC COMMISSION – FY 2005**  
COFF: \_\_\_\_\_ DISPOSITION: Permanent

# **Economic Impact of the Closure of Naval Surface Warfare Center, Corona**



**John E. Husing, Ph.D.**

**September 12, 2004**

**Economics & Politics, Inc.**

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# Economic Impact of the Closure of Naval Surface Warfare Center, Corona

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Loss of Direct Jobs & Payroll	1
Impact of Losing High Paying Jobs	3
Total Local Impact of NSWC, Corona	5
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# Economic Impact of the Closure of Naval Surface Warfare Center, Corona

## Exhibit List

<b>Exhibit</b>	<b>Description</b>
<b>1</b>	Direct Employment Due to NSWC, Corona & CSC, Norco, 1998-2003
<b>2</b>	Direct Payroll Due to NSWC, Corona & CSC, Norco, 1998-2003
<b>3</b>	Direct Job & Payroll Share of Corona-Norco Economy, NSWC, Corona; CSC, Norco, 2002
<b>4</b>	Percent Local Residents Able To Afford Median Priced Home, So. Calif., April 2004
<b>5</b>	Percent Willing To Work For Less Locally
<b>6</b>	Average Pay Per Job, NSWC-CSC, Corona-Norco Area, 2003
<b>7</b>	Estimated Use of NSWC-CSC Payroll, 2003
<b>8</b>	Multiplier Impacts, By Sector, Spending From NSWC-CSC Payroll, 2003
<b>9</b>	Multiplier Impacts, By Sector, Spending From NSWC-CSC Payroll, 2003
<b>10</b>	Total Economic Impact of NSWC Operations, 2003

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## Economic Impact of the Closure of Naval Surface Warfare Center, Corona

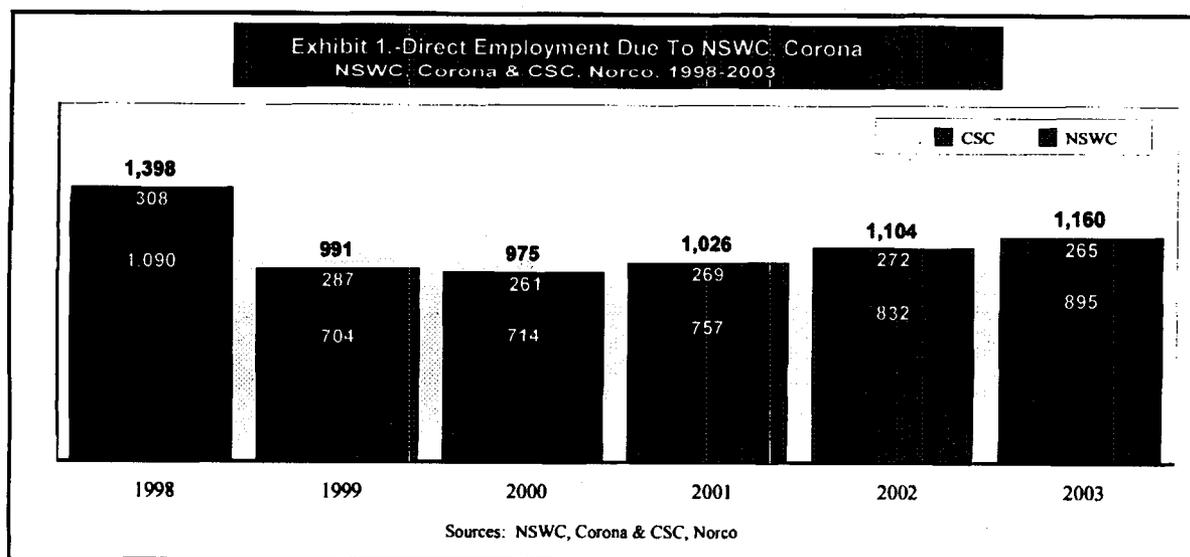
By John E. Husing, Ph.D.

Like any DOD operation, the Naval Surface Warfare Center (NSWC), Corona has an important impact on the economy of the area in which it is located. The impact of closing the facility can be measured in two ways. One is the qualitative impact of losing high paying technical jobs in a region that is increasingly being populated by well-educated professionals, technicians and executives, many of whom are forced to commute long distances to their jobs. The other is the quantitative impact of losing 3,288 jobs and \$308.3 million in economy activity. Such a decline would be on top of the \$3.1 billion in economic activity already taken from the Riverside-San Bernardino Metropolitan Statistical Area (Riverside SMA) during earlier base closures. These qualitative and quantitative issues are discussed below, in detail.

**Loss of Direct Jobs & Payroll.** The direct economic influence of NSWC, Corona is most strongly felt in the Corona-Norco area of the Riverside SMA in California. This is an area undergoing extraordinarily rapid population growth due to the lack of land in Southern California's coastal counties (Los Angeles, Orange, San Diego). The impact comes from two sources:

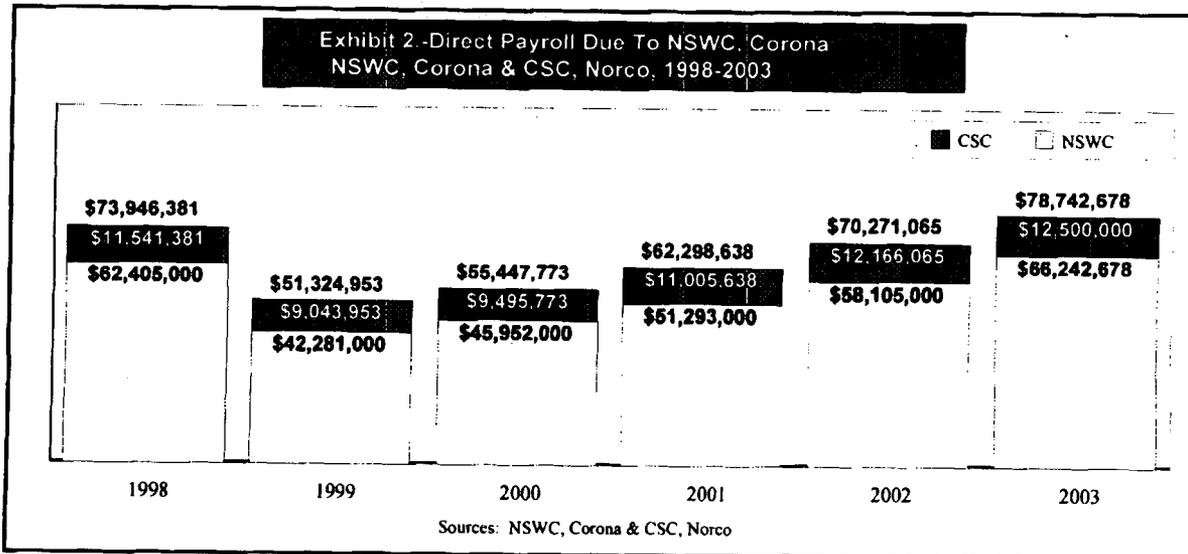
- **The number of jobs associated with NSWC, Corona and its affiliated civilian contractor Computer Science Corporation (CSC), Norco.**

In 2003, NSWC, Corona employed 895 people while CSC had another 265. That was a total staff of 1,160. This is down from the 1,398 used in 1998, but represented a slow increase in staffing from the low of 975 in 2000. The expansion has occurred as the number of systems evaluated by the operation has gradually grown. The loss of the NSWC, Corona operation would withdraw these 1,160 jobs from the Corona-Norco area economy (*Exhibit 1*).

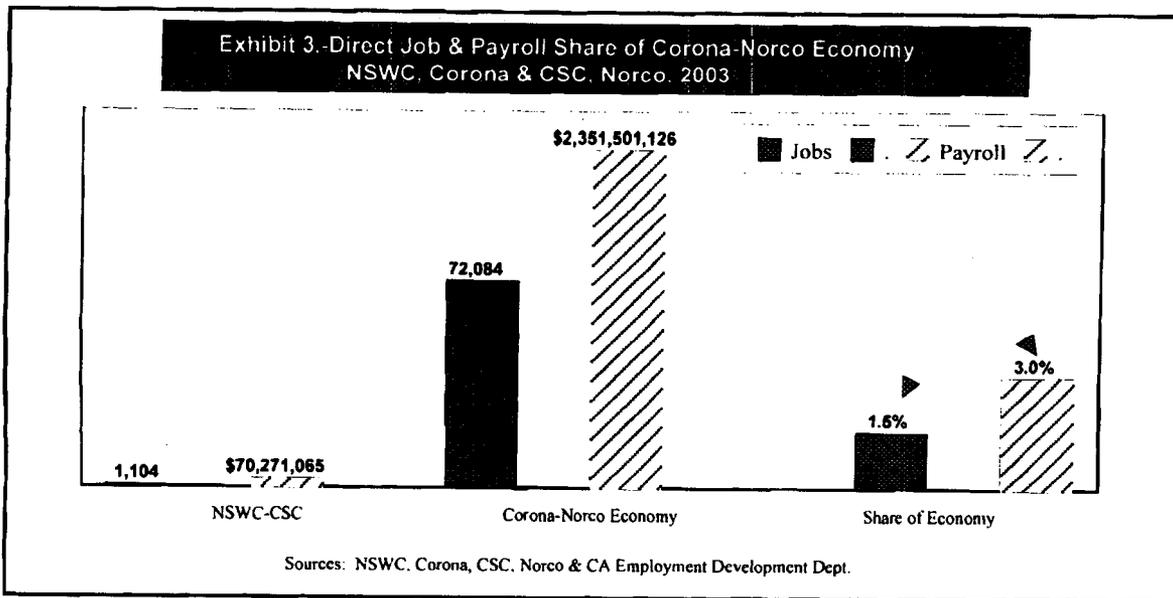


• **The dollars flowing through NSWC, Corona and CSC, Norco into the local economy.**

In 2003, NSWC, Corona had a payroll of \$66.2 million, while CSC had a payroll of \$12.5 million. That was a total payroll of \$78.7 million. The combined payroll was up 6.5% from the \$73.3 million spent in 1998. However, this was well below Southern California's 1998-2003 inflation rate of 15.2%. The 2003 payroll was up from the \$51.3 million that existed at the low in 1999. Again, this gain was due to the expansion in the number of systems evaluated by the operation. The loss of the full NSWC, Corona operation would withdraw this \$78.7 million payroll from the Corona-Norco area economy (*Exhibit 2*).



To put these 2003 data into context, the employment loss would represent a 1.5% decline in the number of jobs in the Corona-Norco area economy. The payroll loss would represent a 3.0% decline in the payroll being introduced into the area by its firms and agencies (*Exhibit 3*).

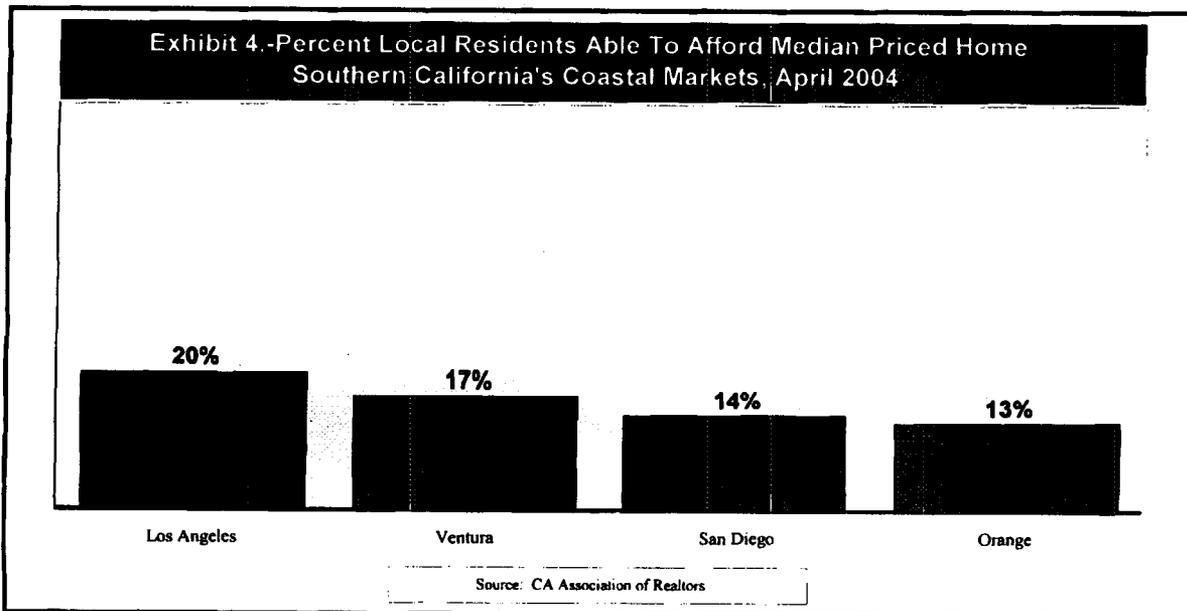


Of course, the job and payroll losses are not the full economic loss to the area. The reason being that the combined NSWC, Corona-CSC operations also spend non-payroll dollars buying supplies and utilities from local vendors plus using local non-professional and professional service providers (*see analysis below*).

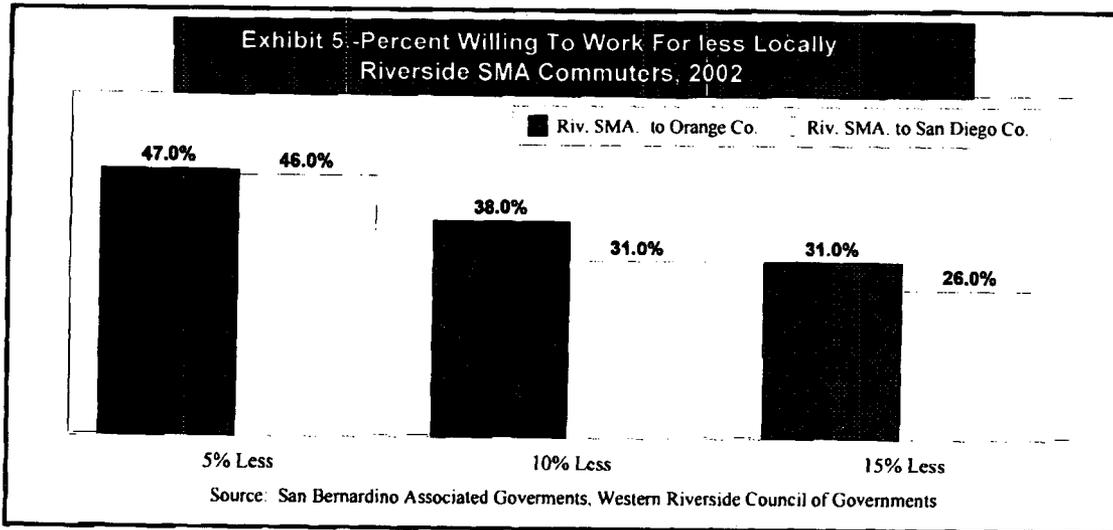
**Impact of Losing High Paying Jobs.** For the Corona-Norco area, the potential loss of jobs at NSWC, Corona-CSC, Norco could not come at a worse time. Since 2000, the Riverside SMA has seen thousands of well-educated technicians, programmers, professionals and executives migrate to its accelerating stock of new high-end neighborhoods. They are doing so because the lack of undeveloped land in Los Angeles, Orange and San Diego counties has caused their housing prices to reach extraordinary heights. This is evident from California (CA) Association of Realtors data showing that (*Exhibit 4*):

- Just 13% of Orange County's families could afford their county's median priced new or existing home despite having median incomes of \$74,200.
- Just 14% of San Diego County's families could afford its median priced home despite a median income of \$63,400.
- Just 20% of Los Angeles County's families could afford its median priced home despite a median income of \$53,500.

As the area closest to wealthy Orange County, this has given the Corona-Norco a growing base of highly skilled workers who no longer want to make the long commute to their former jobs.

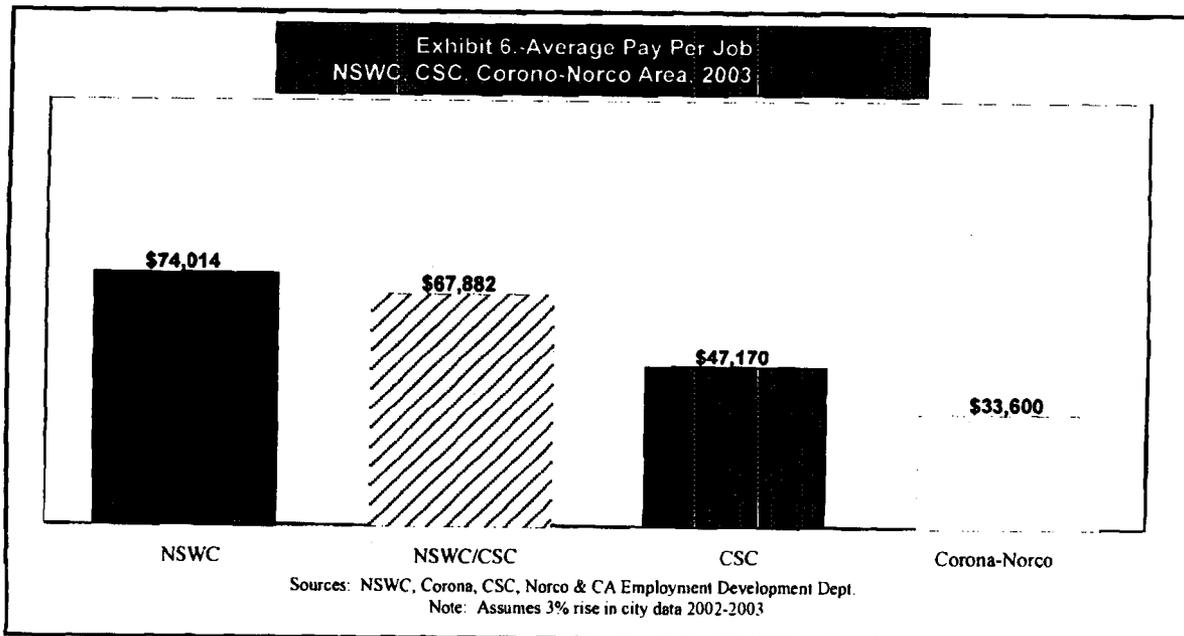


Surveys show that they will work for less in the local area to avoid the lost time, energy and harassment spent in their cars. For instance, 31% of those commuting from the Riverside SMA to Orange County would sacrifice 15% of their income for a local job. At the same time, 26% of commuters to San Diego County would make the same sacrifice. These data include a large number of workers in Corona and Norco, two communities in which this new breed of highly educated workers is congregating (*Exhibit 5*).



This situation has made it imperative for the Corona-Norco area and the Riverside SMA to undertake economic development strategies to bring high-end jobs to the region. To do so, the area must show the executives and entrepreneurs running firms located elsewhere that there are technology operations that have succeeded by using locally-based knowledge workers. One of the most outstanding example of this fact is NSWC, Corona. Its importance is seen in that the 2003 average annual pay for its combined entities was \$67,882 in 2003, with workers at the larger NSWC, Corona operation averaging \$74,014 and those at CSC averaging of \$47,170. This compared to an average pay level of just \$33,600 for the Corona-Norco area as a whole.

It would be devastating to the Corona-Norco and Riverside SMA's economic development strategy to lose the NSWC, Corona operation at such a crucial time.



**Total Local Impact of NSWC, Corona.** To measure the full impact of the loss of the NSWC, Corona operation on the Corona-Norco and Riverside SMA areas, the operation is best thought of as a large high tech company that brings *outside* money to the region through its spending on local employees, suppliers and service providers. The people and firms initially receiving the money represent the “primary” tier of the operation’s economic impact. But as they spend the same dollars supporting themselves, a “secondary” tier of non-defense related sectors is also supported. The acceleration in activity in the combined “primary” and “secondary” tiers of the economy represents the economic effect that the operation is having on the region.

**U.S. Navy Used \$2.00 To Show Full Economic Impact.** Here, an analogy can be made to the fact that the U.S. Navy once paid its sailors in \$2.00 bills just before they hit a port. These payments represented the “primary” tier of economy as they supported the sailors. As these men and women spent their funds in the harbor, the \$2.00 bills might first show up in entertainment venues. When these groups paid their employers or bought supplies, the \$2.00 bills would start reaching other “secondary tier” operations such as food stores, clothing stores, or accountants. These “secondary” tier firms might never see a sailor. The flow of \$2.00 thus showed the port community how important the U.S. Navy was to their entire economy.

**Calculating Full Economic Impact.** Short of using \$2.00, the full impact of U.S. Navy on the Corona-Norco and Riverside SMA areas must be measured by modeling the way in which the budget of NSWC, Corona and CSC, Norco affect the area’s economy. The starting point is the 2003 payroll spending of the two operations:

- **\$78,742,678** total “primary” tier payroll to **1,160** “primary” tier local employees

**Primary Tier.** This is the “primary” tier of economic and employment impact since the funds come from outside the local area and support local families. As indicated, the two operations paid their labor force a weighted average payroll per worker of \$67,882.

**Secondary Tier: The Start.** When the families receiving this money spend it, they start the cycle by which the secondary tier of the economy is affected. However, though the workers received \$78.7 million, not all of these funds affect the secondary tier of the local economy:

- Some funds are saved
- Some monies are spent outside of the local economy

To estimate these two deductions, data showing the use of funds by the “average” Los Angeles area family are used (*Exhibit 7*). This information was prepared by the U.S. Bureau of Labor Statistics as part of its work in estimating the U.S. and local Consumer Price Indexes. The exhibit shows :

- The share of a typical family’s budget estimated to go to each category of income use.
- Using a budget of \$78.7 million, it shows how much spending would go to each sector.
- Estimates are then made of what share of spending for each use would likely go to outlets in the Riverside SMA. This allows estimates of the local spending going to each sector.
- Based upon these calculations, it is estimated that **\$48,308,762** of the \$78.7 million (61.4%) would actually reach the secondary tier of the Riverside SMA’s economy.
- Note, for instance that none of the \$10.8 million in savings, federal and state taxes, or \$5.9 million in social security or other pension payments are assumed to reach the local economy.

Exhibit 7.-Estimated Use of NSWC-CSC Payroll, 2003

Sector	Percent	Use of Funds	Riverside SMA	Local Spending
Food at Home	6.4%	\$5,017,621	100%	\$5,017,621
Food Out	4.6%	3,612,687	95%	3,432,052
Alcohol	0.8%	632,992	100%	632,992
Home Mortgage Interest	8.9%	6,997,265	15%	1,049,590
Home Property Tax	1.2%	932,969	100%	932,969
Home Maintenance & Repairs	1.8%	1,399,453	100%	1,399,453
Rented Dwellings	5.9%	4,648,633	75%	3,486,474
Other Dwellings	1.1%	870,750	100%	870,750
Utilities	4.9%	3,865,884	100%	3,865,884
Household Services	1.5%	1,182,615	100%	1,182,615
Household Supplies	1.0%	810,539	100%	810,539
Furniture & Fixtures	3.4%	2,681,725	90%	2,413,553
Apparel	3.5%	2,757,376	80%	2,205,900
Vehicle Purchases	7.5%	5,879,107	95%	5,585,152
Gas & Oil	2.7%	2,108,945	95%	2,003,497
Vehicle Insurance	2.0%	1,549,765	15%	232,465
Vehicle Maintenance/Repair/Other	3.4%	2,638,790	100%	2,638,790
Public Transportation	0.9%	722,537	100%	722,537
Health Insurance	3.0%	2,400,275	25%	600,069
Medical Service	0.9%	685,793	100%	685,793
Drugs & Medical Supplies	0.4%	342,896	100%	342,896
Entertainment	4.6%	3,611,143	75%	2,708,357
Personal Care Products	1.1%	841,416	100%	841,416
Reading	0.3%	247,021	100%	247,021
Education	1.7%	1,349,354	80%	1,079,483
Tobacco	0.5%	367,444	100%	367,444
Miscellaneous	1.7%	1,341,635	100%	1,341,635
Contributions	2.6%	2,044,101	75%	1,533,076
Life & Other Personal Insurance	0.7%	524,920	15%	78,738
Pensions & Social Security	7.5%	5,868,300	0%	0
Taxes & Savings	13.7%	10,808,727	0%	0
<b>LOCAL SPENDING</b>	<b>100.0%</b>	<b>\$78,742,678</b>	<b>61.4%</b>	<b>\$48,308,762</b>

Source: U.S. Bureau of Labor Statistics, 2002

**Secondary Tier: Additional Rounds of Spending.** However, this spending only starts the secondary impact of the NSWC, Corona operation's 2003 payroll. This amount is analogous to the first round of \$2.00 bill spending by the sailors. Each of the local entities receiving payments, in turn, has its own spending on payroll plus supplies and services.

Once dollars reach a regional economy, economists have conducted a great deal of research estimating the full "secondary" impact they have as they change hands locally. To facilitate research, the U.S. Department of Commerce publishes "multipliers" showing, sector by sector, how many times \$1.00 dollar reaching that sector turns over before it has entirely drifted away. Their work is called the Regional Input-Output Modeling System (*RIMS II*). Data are available for the Riverside SMA (*Exhibit 8*):

- For each sector, RIMS II shows the number of times \$1.00 reaching the local economy will turnover creating new economic output. For instance, each \$1.00 spent on "food at home" will change hands a total of 1.7364 times before being lost to the local economy.
- For each sector, RIMS II also shows the multiple by which \$1.00 reaching the local economy will increase the area's household incomes. For "food at home," that is 0.5335.

- Multiplying these factors by the spending in each sector yields the increase in output and household income it will cause. In the case of “food at home,” that is estimated at \$8,712,596 in additional output plus \$2,676,901 in additional household income for a total “secondary” economic impact of \$11,389,497.
- Altogether, the \$48.3 million in local spending by NSWC, Corona related workers would thus simulate **\$106,925,088** in “secondary” activity in the Riverside SMA.

**Exhibit 8.-Multiplier Impacts, By Sector, Spending From NSWC-CSC Payroll, 2003**

Sector	Local Spending	Multipliers			Output	Earnings	Economic Impact	Jobs
		Output	Earnings	Jobs				
Food at Home	\$5,017,621	1.7364	0.5335	24.8346	\$8,712,596	\$2,676,901	\$11,389,497	125
Food Out	3,432,052	1.8305	0.503	30.9463	\$6,282,372	\$1,726,322	\$8,008,694	106
Alcohol	632,992	1.7364	0.5335	24.8346	\$1,099,128	\$337,701	\$1,436,829	16
Home Mortgage Interest	1,049,590	1.5905	0.3731	11.1222	\$1,669,372	\$391,602	\$2,060,974	12
Home Property Tax	932,969	1.9772	0.4873	13.6505	\$1,844,666	\$454,636	\$2,299,301	13
Home Maintenance & Repairs	1,399,453	1.7483	0.6657	38.6805	\$2,446,664	\$931,616	\$3,378,280	54
Rented Dwellings	3,486,474	1.484	0.2026	8.5719	\$5,173,928	\$706,360	\$5,880,288	30
Other Dwellings	870,750	1.8313	0.4319	22.0745	\$1,594,605	\$376,077	\$1,970,682	19
Utilities	3,865,884	1.5258	0.2717	6.2602	\$5,898,565	\$1,050,361	\$6,948,926	24
Household Services	1,182,615	1.8548	0.6013	33.5544	\$2,193,514	\$711,106	\$2,904,620	40
Household Supplies	810,539	1.7364	0.5335	24.8346	\$1,407,419	\$432,422	\$1,839,842	20
Furniture & Fixtures	2,413,553	1.7364	0.5335	24.8346	\$4,190,893	\$1,287,630	\$5,478,523	60
Apparel	2,205,900	1.7364	0.5335	24.8346	\$3,830,325	\$1,176,848	\$5,007,173	55
Vehicle Purchases	5,585,152	1.7364	0.5335	24.8346	\$9,698,058	\$2,979,679	\$12,677,737	139
Gas & Oil	2,003,497	1.7364	0.5335	24.8346	\$3,478,873	\$1,068,866	\$4,547,739	50
Vehicle Insurance	232,465	1.9181	0.5884	16.2867	\$445,891	\$136,782	\$582,673	4
Vehicle Maintenance/Repair/Other	2,638,790	1.7806	0.4859	18.4817	\$4,698,629	\$1,282,188	\$5,980,817	49
Public Transportation	722,537	1.7074	0.5376	23.5868	\$1,233,660	\$388,436	\$1,622,096	17
Health Insurance	600,069	1.9181	0.5884	16.2867	\$1,150,992	\$353,080	\$1,504,073	10
Medical Service	685,793	1.8985	0.7084	20.7975	\$1,301,978	\$485,816	\$1,787,794	14
Drugs & Medical Supplies	342,896	1.7364	0.5335	24.8346	\$595,405	\$182,935	\$778,341	9
Entertainment	2,708,357	1.7364	0.5335	24.8346	\$4,702,791	\$1,444,909	\$6,147,700	67
Personal Care Products	841,416	1.7364	0.5335	24.8346	\$1,461,035	\$448,896	\$1,909,931	21
Reading	247,021	1.7364	0.5335	24.8346	\$428,928	\$131,786	\$560,714	6
Education	1,079,483	1.6922	0.4499	26.5128	\$1,826,701	\$485,659	\$2,312,361	29
Tobacco	367,444	1.7364	0.5335	24.8346	\$638,030	\$196,031	\$834,062	9
Miscellaneous	1,341,635	1.7364	0.5335	24.8346	\$2,329,614	\$715,762	\$3,045,376	33
Contributions	1,533,076	1.9066	0.5934	25.4127	\$2,922,963	\$909,727	\$3,832,690	39
Life & Other Personal Insurance	78,738	1.9181	0.5884	16.2867	\$151,027	\$46,329	\$197,357	1
Pensions & Social Security	0	NA	NA	NA	\$0	\$0	\$0	0
Taxes & Savings	0	NA	NA	NA	\$0	\$0	\$0	0
<b>LOCAL SPENDING</b>	<b>\$48,308,762</b>				<b>\$83,408,624</b>	<b>\$23,516,464</b>	<b>\$106,925,088</b>	<b>1,069</b>

Source: U.S. Bureau of Labor Statistics, 2002 & RIMS II Riverside SMA 2002

- The RIM II data also show the number of “secondary” tier jobs that will be supported for each \$1 million spent in a sector. For “food at home,” it is 24.8346. Multiplying those factors by spending in a sector yields the number of “secondary” jobs that will be created. The total was 125 for “food at home.”
- The grand total of “secondary” jobs created by \$48.3 million by NSWC, Corona related workers was **1,069**.

Payroll spending is not the only way that the NSWC, Corona's operations affect the Corona-Norco and Riverside SMA economies. There is also a good deal of money spent on buying supplies and equipment plus professional and non-professional services. When these funds reach various sectors of the local economy, they also have multiplier impacts.

**Exhibit 9.-Multiplier Impacts, By Sector, Spending From NSWC-CSC Payroll, 2003**

Sector	Spending	Percent Local	Spending	Multipliers			Output	Earnings	Economic Impact	Jobs
				Output	Earn	Jobs				
Utilities	\$1,706,202	100.0%	\$1,706,202	1.5258	0.2717	6.2602	\$2,603,323	\$463,575	\$3,066,899	11
Professional Service	\$35,930,895	75.0%	\$26,948,171	1.8165	0.6573	19.0624	\$48,951,353	\$17,713,033	\$66,664,386	514
Non-Professional Service	\$2,203,685	100.0%	\$2,203,685	1.6316	0.4543	16.3278	\$3,595,532	\$1,001,134	\$4,596,666	36
Supplies	\$14,244,094	100.0%	\$14,244,094	1.7364	0.5335	24.8346	\$24,733,444	\$7,599,224	\$32,332,668	354
Equipment	\$1,655,571	75.0%	\$1,241,678	1.8154	0.4739	11.895	\$2,254,142	\$588,431	\$2,842,574	15
Other	\$18,232,505	25.0%	\$4,558,126	1.9197	0.7523	26.7722	\$8,750,235	\$3,429,078	\$12,179,314	122
Benefits	\$2,500,000	15.0%	\$375,000	1.8355	0.6489	22.0244	\$688,313	\$243,338	\$931,650	8
<b>TOTAL</b>	<b>\$76,472,952</b>	<b>67.1%</b>	<b>\$51,276,956</b>				<b>\$91,576,343</b>	<b>\$31,037,813</b>	<b>\$122,614,156</b>	<b>1,059</b>

Source: U.S. Bureau of Labor Statistics, 2002 & RIMS II Riverside SMA 2002

An analysis of the NSWC, Corona & CSC, Norco budgets shows that (*Exhibit 9*):

- Total spending on non-payroll items was \$76,472,952 in 2003. Of this 67.1% or \$51,276,956 was spent within the Riverside SMA. This money is the beginning of the “secondary” impact which these operations have on the Corona-Norco and Riverside SMA areas.
- RIMS II multipliers show the sector by sector effects of this spending on the Riverside SMA economy. For example, the \$1,706,202 spent on utilities results in 1.5258 times that in total “secondary” output in the area. It also causes 0.2717 of that amount in additional local household income. Together, these impacts result in an impact of \$2,603,323 in output plus \$463,575 in household earnings or a full “secondary” impact of \$3,066,899.
- In addition, each \$1 million spent in the utility sector has the “secondary” impact of creating 6.2602 jobs before the funds trickle away. The \$1,706,202 spent on utilities thus creates 11 additional jobs.
- Altogether, the \$76.7 million in non-payroll spending by the NSWC, Corona operations results in \$51.3 million reaching the local economy. That, in turn has a full “secondary” impact of \$122,614,156 in economic activity and adds 1,059 jobs.

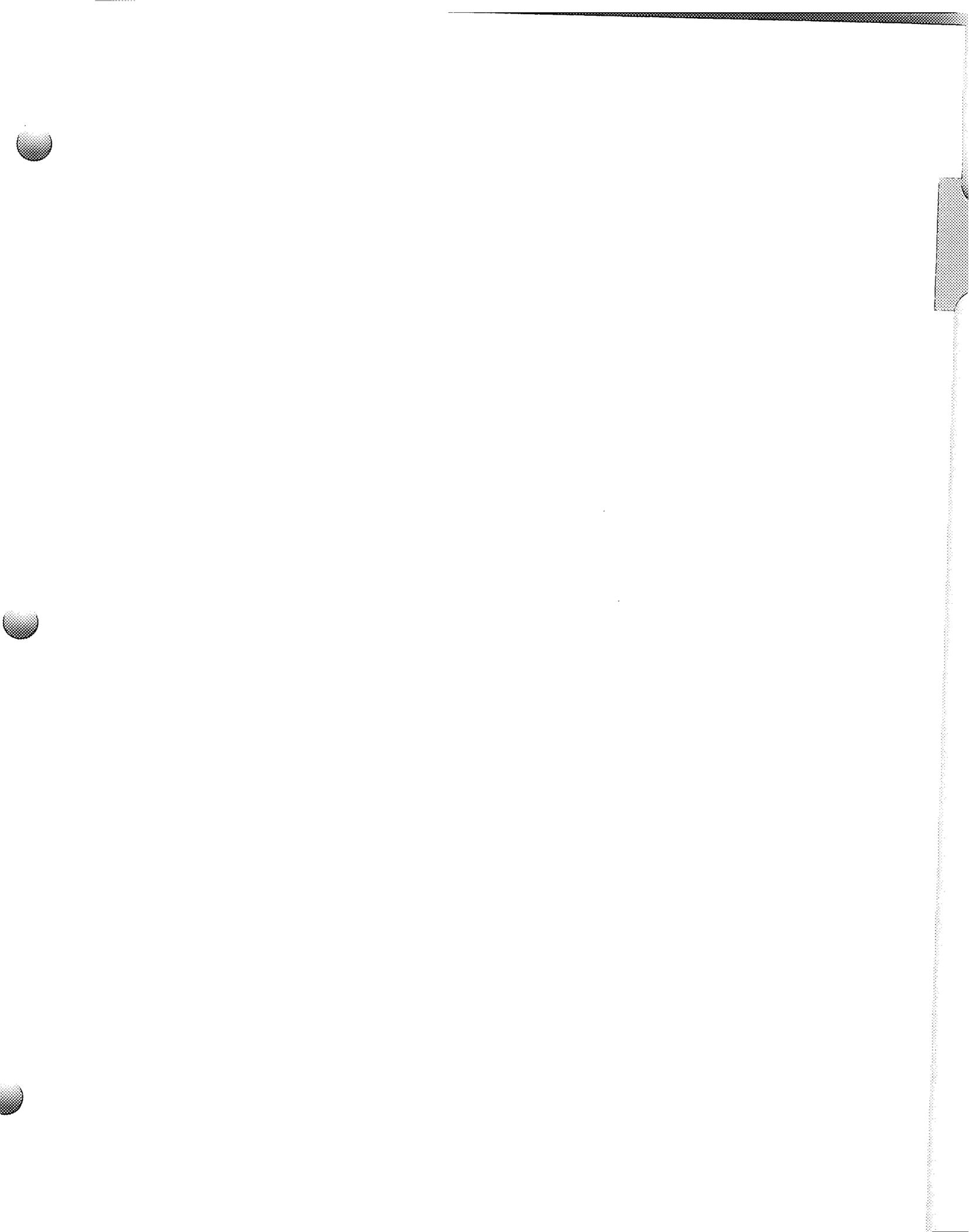
**Full Impact.** The full impact of losing NSWC, Corona and CSC, Norco is the sum of the “primary” impact of their payrolls, plus the “secondary” impact of the payroll that is spent locally, plus the “secondary” impact of the local non-payroll spending by the two entities (*Exhibit 10*):

- **\$308.3 million in economic activity**
- **3,288 jobs**

**Exhibit 10.-Total Economic Impact of NSWC Operations, 2003**

Type of Impact	Economic Impact	Job Impact
Payroll Spending Directly Reaching Riverside SMA	\$78,742,678	1,160
Secondary Impact from Payroll Reaching Riverside SMA	\$106,925,088	1,069
Secondary Impact from non-Payroll Spending Reaching Riverside SMA	\$122,614,156	1,059
<b>Total Impacts of NSWC, Corona &amp; CSC, Norco</b>	<b>\$308,281,922</b>	<b>3,288</b>

Though it is not part of the Base Reuse and Closure process this time, it still needs to be pointed out that the total BRAC process has had a huge impact on the Riverside SMA. Should NSWC, Corona be withdrawn from the area, its \$308.2 million in economic impact would be on top of the loss of \$3.1 billion in economic activity as a result of the closing of George (*\$602 million*) and Norton (*\$1.9 billion*) Air Force Bases and the downsizing of March Air Force Base (*\$500 million*) to reserve status. That is a huge economic hit for any one region of the United States to have to withstand.



## MEMORANDUM

Date: June 16, 2005

From: Maine delegation and HSGAC staff

To: BRAC Commission staff

Re: Why the Commission Should Change DOD's recommendation to Close DFAS Limestone

In this memo, our goals are to (1) set forth in summary form the arguments in opposition to the decision to close the DFAS Limestone facility, and (2) provide justification for a realignment of the Limestone facility, and (3) suggest the questions and areas of inquiry we believe the BRAC Commission should pursue to help it make the best decision for DFAS Limestone, DOD, and the nation.

### Substantial Deviation

For the reasons discussed below, the Secretary of Defense "deviated substantially from the . . . final criteria" pursuant to Section 2903(d)(2)(B) of the BRAC statute. Therefore, the recommendation of the Secretary to close DFAS Limestone should be changed, and the facility realigned as a receiving location for DFAS work.

### The Secretary Deviated Substantially from the Military Value Criteria

Four of the eight BRAC criteria relate to military value. The Secretary determined military value by creating a military value model containing a scoring plan assigning weight to various criterion and underlying metrics. However, the model itself deviated substantially from the BRAC criteria in certain respects. In other words, it contained flawed assumptions. These substantial deviations are present on the face of the model, and do not require the production of any certified data to support them.

In addition, the military value model was run with inaccurate data with regard to the DFAS Limestone facility. If correct data were used, the DFAS Limestone facility would have had a substantially higher military value score. These inaccuracies also constitute substantial deviations from the BRAC criteria. We are working to collect for the Commission certified data supporting this argument. However, because of our concerns regarding the integrity of this underlying data and our ability to collect it in the short time available before the July 6 hearing, we also suggest the Commission itself request the data.

### Flawed assumptions

- Criterion One Fifteen percent of the military value score is based on whether the facility is on a military installation. This model gives no credit for an otherwise

*secured fac. — 15%*

secure facility like Limestone which has an anti-vehicle fence, controlled entry and large buffer zone around it. The reason provided to congressional staff at our briefing for why this was the approach – that OSD-BRAC would have had to visit each facility to evaluate security and they did not have time to do that – should be unacceptable to the Commission. Security is a critical consideration, but should be considered on a facility-specific basis. While full credit might arguably be given facilities on military bases, facilities such as Limestone should not arbitrarily and capriciously be given no credit. In addition, the military value analysis deviated substantially by failing to include consideration of security of electric supply. Limestone received no credit for the fact that it has generators and has never lost a day of work due to power loss, a key element of financial security.

- Criterion One Five percent of the military value score is based on the local workforce pool. However, the model gives a score of zero for facilities if they are not listed on a Department of Labor MSA/PMSEA workforce listing. This metric arbitrarily and capriciously penalizes a facility such as Limestone, located in a rural location, which, as DOD acknowledges, has never had difficulty locating and hiring qualified applicants for its positions.
- Criterion One Three percent of the military value analysis relates to whether the facility has a “one-of-a-kind corporate process application,” defined as “a corporate process application, which resides at one and only one place.” There is no logical reason to include such a metric unless the application cannot be recreated in another facility within the BRAC time horizon. Otherwise, this would reward a facility for being inefficient and stand-alone. In fact, DOD concluded exactly that, stating “Analysis associated with the business process review element resulted in a finding that the one-of-a-kind corporate process applications identified had limited or no real impact on possible workload and manpower relocation. In fact, the FM team findings are (1) that DFAS functions can be accomplished at any location with a DISN point of presence and meeting DOD AT/FP Standards; and (2) that the BRAC six year process allows adequate time to hire and retrain new employees or retrain current employees to support one-of-a-kind corporate process applications.” Inclusion of this metric constitutes substantial deviation from the BRAC criterion number one since, as DOD acknowledges, it bears no relation to current and future mission capabilities.
- Criterion Two Although BRAC criterion 2 explicitly states that military value shall be based on “the availability and condition of land,” the military value model DOD created did not include a metric capturing that data. This penalized the Limestone facility since land around that facility would be provided to DOD at no cost, something for which Limestone properly should have been given credit. This was a substantial deviation from the plain language of this criterion.
- Criterion Three Seven percent of the military value analysis captured in this criterion is based on the local population workforce pool. This double counts this metric vis-à-vis Criterion One above and unfairly penalizes Limestone again. Moreover, it inappropriately emphasizes the need for personnel-based surge capacity in the DFAS organization. Because DFAS is a technology-based virtual organization, surge capacity should be considered system-wide and largely from a

not enough  
time

sufficient  
data cap  
workforce  
growth  
9.2 days

- 3%

Workforce  
Analysis

technology standpoint. It should not be a prerequisite for each facility to have surge capacity related to its local workforce. This approach is inconsistent with the DFAS business model, and the undue weight it is given in the military value model for Criterion Three substantially deviates from that criterion as it is applied to DFAS.

*penalized for the opt.*

### Flawed Data

We believe data input to the military value analysis model was inaccurate. For example:

- Limestone received a “red” score for facility condition assessment rating when it should have been “green.” We believe the basis was the inclusion of optional construction projects from DFAS budget data. We have requested the underlying data from DOD with respect to this issue.

### The Secretary Deviated Substantially from Criteria 5 – 8 relating to “Other Considerations”

We believe the DFAS consolidation decision was a product of the desire by DFAS to dramatically shrink the number and redundancy of its sites, coupled with the desire by OSD-BRAC modelers to avoid spending any money on military construction. OSD-BRAC modelers determined that they could “fit” all projected DFAS personnel into the three large facilities slated to remain open with no new construction. At first, they tried to fit DFAS into two sites, which they concluded would have been the most efficient approach while maintaining strategic redundancy, but found that would involve too much in military construction costs, so they settled on three sites. The remaining sites, except for small specialty ones, they have proposed to close.

However, in arriving at this conclusion, we believe that DOD failed adequately to consider several important issues with regard to BRAC Criteria 5 – 8. For example:

- Criterion Five It is our understanding that the cost to close DFAS Limestone is approximately \$6 million while the savings to DOD during fiscal years 2006 – 2011 are only \$3.2 million. We are seeking this data from DOD. If this data is accurate, then clearly the saving would not exceed the cost during the BRAC years, and DOD has deviated substantially from Criterion number five.
- Criterion Six We have not seen any evidence that DOD appropriately considered the economic impact of the closure decision on the DFAS Limestone community. DOD’s own analysis demonstrates that Limestone’s community would be more affected by the closure of its DFAS facility than any other community with a DFAS site slated for closure. The impact would be devastating. This factor should have been given considerable weight in the consolidation decision. Yet, as best we can determine, economic impact appears to have been given no weight whatsoever since DOD has acknowledged in a written response to our inquiry that “no scenarios were developed with more than 3 gaining locations.” In other

Cost of closing Limestone not

words, they never ran a scenario that kept DFAS Limestone open along with the other three facilities. If that is the case, they have substantially deviated from

- Criterion Seven We have located numerous examples of flawed demographic data that appear to have affected DOD's consideration of this criterion to Limestone's detriment. In our briefing with DOD-BRAC staff on June 14, 2005, they agreed that some of this data as well as the models developed by JPAT 7 were "problematic." We are seeking more data from DOD on this issue.

The Case for Realigning Limestone

In our discussions with DFAS staff, it became clear to us that, although DFAS believes it should substantially reduce its excess capacity and redundant field sites, keeping DFAS Limestone open and expanding it to 600 people would be fully consistent with the DFAS transformation strategy to create "centers of excellence" for particular kinds of work.

As will be demonstrated to the Commission on June 28 during the Commission visit and thereafter in connection with the July 6 hearing, the Limestone facility can be easily modified at minimal cost to support 600 employees. The operating costs per square foot at the DFAS facility are among the lowest in the DFAS system, and locality pay is the lowest in the DFAS system. As mentioned earlier, land around the facility is free.

The Deputy Director of DFAS, General Eakle, told us that they are not sure what DFAS' organizational structure will look like in the coming years, that they are looking to private industry for models of how better to organize DFAS operations, and that they have not yet developed a model for their future structure, pending the outcome of the BRAC process. We asked General Eakle directly what DFAS would do if the BRAC Commission decided to keep Limestone open and realign it to increase its size. General Eakle responded that DFAS would determine which business line would make most sense to put there and seek to build a "center of excellence" in Limestone.

We believe that this outcome would be consistent with the BRAC statute and criteria, and would support an approach of strategic redundancy, would promote geographic diversity, and would enhance the DFAS business model.

Areas of Inquiry for the BRAC Commission

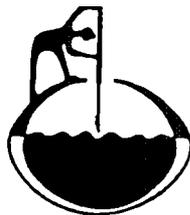
We believe the BRAC Commission should have the best and most accurate information available to it in order to make its decisions, and we are committed to helping the Commission to get that information so it can perform its important work. Accordingly, we suggest that the Commission:

- Request that DOD run the COBRA model for a "four center" scenario with Limestone as one of the four receiving centers along with Denver, Indianapolis, and Columbus. We believe this will demonstrate that the benefits of realigning Limestone will exceed the costs of closing the facility.

Threat of terrorism - Cyber security - How to assess

- Request from DOD the cost to shutdown the various DFAS locations and the savings generated from the closures, by location and by year.
- Ask DOD for an explanation of why "local population workforce pool" was double-counted in the military value analysis under criterion one and criterion three.
- Ask DOD for an explanation of why no attempt was made to evaluate the facility security of each DFAS facility and to instead use a binary measurement with regard to presence on a military installation.
- Ask DOD for an explanation of why there was no consideration of "the availability and condition of land" at DFAS Limestone despite an explicit requirement in criterion two to include that fact as an element of military value.
- Consider excluding from the military value analysis the "one-of-a-kind corporate process application.
- Ask DOD for an explanation of how their decision to select the three receiving locations included consideration of "the economic impact on existing communities" as required by BRAC Criterion Six.
- Ask DOD for an explanation of the data on maintenance and repair requirements submitted to the HAS-JCSG that resulted in a "red" facilities condition code for Limestone.
- Ask DOD-DFAS for an explanation of their "centers of excellence" concept.
- Ask DOD for an explanation of the methodology supporting their analysis for Criterion 7, as well as the accuracy of their demographic data with regard to the DFAS Limestone facility.

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Memo

To: Save Eielson Committee

From: Scott Goldsmith  
Professor of Economics  
University of Alaska  
Afosg2@uaa.alaska.edu

Date: June 14, 2005

Subject: **THE DOD ECONOMIC ANALYSIS OF EIELSON  
REALIGNMENT IS SERIOUSLY FLAWED**

The DOD analysis of the economic impact on Fairbanks of the realignment of Eielson air base concludes that the net loss of 2,940 military and civilian jobs at Eielson would result in the loss of 1,770 additional jobs in the Fairbanks MSA (Fairbanks North Star Borough). This would represent a loss of 8.6% of all jobs, based on an estimate of 54,469 total jobs in the Borough.

The loss of 8.6% of all jobs represents the 4<sup>th</sup> largest hit as a percentage among all 234 regions that would be effected by implementation of the BRAC recommendations. Netting out those bases recommended for closure, and thus available for redevelopment, the negative economic impact on Fairbanks would be exceeded in only one other region (Clovis, New Mexico).

Deficiencies in the DOD analysis fall into the following areas:

- **DOD ESTIMATE OF JOB LOSS IS TOO LOW AND MISLEADING--  
Eielson jobs are anchor for fragile frontier economy of Fairbanks and  
simple job count undervalues them**
  - Military pay among highest in region
  - Many industries like tourism only offer seasonal employment—military is year round
  - Many industries like mining are subject to cyclical fluctuations (remote mines first to close when price drops)—military is non-cyclical
  - Many jobs are part time—retail and services

- Many “jobs” (19%) are low paying “proprietors” (consisting of self employed and trustees]. Only about ¼ of this category represents the primary job of the worker. In Fairbanks these pay only half the national average for proprietors
- Fairbanks population is young and most work. It lacks a large population base not linked directly to current employment opportunities (senior citizens). This further adds to the fragility of the economy by making it more vulnerable to conditions in a few industries.

So each military job is more valuable to the economy than the average job. Adjusting for lower value seasonal, cyclical and part time jobs by converting all jobs to full-time equivalents (FTE) would be a better measure of the relative importance of military jobs and would push the percent job loss estimate over 10%. Furthermore, since military jobs pay more than the average in the community, an expansion of the analysis to show the percent loss in worker compensation in the community would be much larger than 8.6%. In fact the DIRECT loss of compensation of base employees is about 8.8% (\$188 million) even before the INDIRECT and INDUCED losses in the rest of the Fairbanks economy have been included.

### • DOD IMPACT METHODOLOGY INVALID FOR MEASURING LARGE IMPACTS IN SMALL REGIONS

- The DOD methodology employing the IMPLAN input-output model (IO) is appropriate for virtually all the 234 regions that would be effected by the BRAC recommendations because their net impacts are less than 2% of total jobs
- IMPLAN (or any regional input-output model) is inappropriate to use when the economic impact is large enough, as is the case in Fairbanks, to result in structural changes to the economy
- IMPLAN assumes no structural change including:
  - Prices of goods and services are not impacted by the change
  - The supply of all inputs to production is unconstrained (infinitely elastic)
  - There are no economies of scale when business expands (linear production functions)
  - There is only one combination of inputs for production of goods and services in each industrial sector (linear production functions)
  - The share of inputs purchased locally vs. outside the region is fixed
  - The share of jobs taken by residents vs. non-residents is fixed
- When the size of the regional market shrinks in a small economy with capital intensive industries (high fixed costs), prices are likely to rise as the fixed costs are shared across a smaller customer base
- Refining, rail transportation, coal mining, all important in the Fairbanks region, are examples of these capital intensive industries with high fixed costs
- Shrinkage of the market could also lead to the elimination of other industries that would invalidate the use of the input-output methodology

Fairbanks is a small economy and the number of businesses in each industry is limited, sometimes to a single establishment. Furthermore it is isolated from other regional economies that can absorb and share in economic changes that impact the region. The IO model assumes the cost of doing business does not change for businesses when regional demand changes. That assumption works when the expected change is small, but when it is large and negative, there

will inevitably be cost increases in businesses with high fixed costs. The loss of a significant customer can drive up the cost for everyone because the fixed costs must then be borne by a smaller number of customers. In an extreme case, the sharing of fixed costs could become prohibitively expensive and a business, even an industry, could leave the market and region entirely.

This is partially due to the fact that Alaska is a small state in the early stages of economic development. Much of the economic infrastructure, supporting the expanding economy, is operating on a thin margin, by which we mean there are just barely enough customers to cover operating costs. The expectation is that continued economic growth will expand the customer base and eventually lower costs as the economy matures.

The isolation of the economy also limits the ability of the infrastructure sector to spread fixed costs and make other operational adjustments that could minimize the impact of loss of a customer. Eielson is interconnected to the electric power grid adjacent to the railroad (which is not interconnected with the rest of the US) so that realignment would change the characteristics of the grid. Compensating for that change would have to be done within the isolated confines of Alaska without the opportunity to spread the necessary adjustments across the entire interconnected grid in the rest of the US.

#### • **DOD ANALYSIS IGNORES OTHER SERIOUS DIMENSIONS OF IMPACTS**

- Population loss—the loss of more 10% or more of workers would lead to comparable out migration of population
- Housing market—loss of population would lead to excess vacancies in the housing stock so the residential housing market would shut down for several years, resulting in :
  - Job losses in construction, finance, trade and other businesses serving that market
  - Further job losses from the related multiplier effect
  - Decline in property values
  - Loss of household wealth and related drop in household consumption negatively impacting trade and service businesses
  - Deterioration of the quality of the housing stock as homes stand vacant
  - Loss of skilled labor force as workers leave the region when their jobs are eliminated
- Commercial real estate market will also experience excess vacancies which will result in similar negative effects on the economy
- Labor market—The loss of military spouses, which are a captive supply of skilled labor, will make it more difficult and expensive to attract workers in certain occupations to this frontier region
- Isolation –unlike other regions the closest economic center with over 100 thousand population is Anchorage—357 miles away according to the DOD analysis. This isolation of the Fairbanks economy means that local residents and businesses will feel the full impact of the private job loss without the opportunity to look for and find substitute employment and business opportunities in surrounding regions.

- Cumulative effect on state of 4 rounds of base closures—Adak, King Salmon, and McGrath have not redeveloped to any significant extent
  - Public revenue decline—Local revenues from property taxes will fall with the drop in property values. Local revenues from sales taxes will fall with the drop in aggregate household incomes.
  - Public services—schools and other public facilities will become underutilized. Criteria 7 of the BRAC evaluation states “Ability of infrastructure of both the existing and potential receiving communities to support forces, missions, and personnel”. This criteria ignores the problems associated with the excess capacity of public facilities that would result from population DECLINE.
- **DOD ESTIMATES LACK DOCUMENTATION TO ALLOW INDEPENDENT VALIDATION OF RESULTS**
    - The IMPLAN model has no military sector so private sector employment wage rate proxies for military occupations may not be valid
    - Military wages are higher in Fairbanks than other locations in DOD analysis suggesting the INDUCED impact should be higher, but the economic “multiplier” in the Fairbanks analysis is lower
    - Facility upgrades and new capital construction at Eielson may have been excluded from the analysis
    - The job losses from cutbacks in state and local public services due to a 10% population decline may have been excluded from the analysis.
- **DOD ANALYSIS OF REGIONAL ECONOMIC CONDITIONS IS SUPERFICIAL AND LACKS CONTEXT—DOD reports the regional unemployment rate, per capita income, and employment growth rate, but provides no interpretation**
    - Fairbanks unemployment rate has always been above US
    - Growth in per capita personal income has lagged the US and its level is below the US average after the cost of living is taken into account
    - Employment growth has been strong in recent years but continued growth in the Fairbanks economy is expected to be slower due to reductions in federal and state spending—two important sources of recent economic growth
- **A STRONG FAIRBANKS ECONOMY IS A LYNCHPIN FOR THE CONTINUED DEVELOPMENT OF THE ALASKA ECONOMY**
    - Base realignment does not allow for redevelopment
    - Redevelopment options are limited in remote regions
    - Fairbanks is the economic center for all of Northern Rural Alaska—a region that includes not only the North Slope oil and gas fields and other energy and mineral resources, but also dozens of smaller communities composed primarily of Alaska Natives. Any weakening of the Fairbanks economy that negatively effects the ability to deliver goods and services to this vast region could have wide ranging

- negative effects on both private and public economies (Indian Health Service and other federal agencies are working to bring economic development to the region)
- Fairbanks provides a source of employment opportunities for a rapidly growing young Alaska Native population

A number of the contracts at Eielson are with corporations owned by Alaska Native Corporations. One of the greatest challenges for the state economy in Alaska is absorbing the growth in the number of Alaska Natives entering the labor market. Part of any successful strategy to accomplish this is to be able to provide a range of opportunities for young Native men and women in the workplace. It is much easier to bring Alaska Natives into the work place if the economy is growing than if it is stagnant or declining. And it is much cheaper to provide jobs than deal with the consequences of high secular unemployment in Native American regions. Fairbanks is one of the most attractive urban locations for bringing Alaska Natives into the work force because of its close proximity to rural Alaska.

# PETRO STAR INC.

Telephone (907) 339-6600  
Fax (907) 339-6654

3900 C Street, Suite 401  
Anchorage, Alaska 99503-5966

DOUGLAS L. CHAPADOS  
CEO / President

June 13, 2005

The Honorable Ted Stevens  
United States Senate  
Washington, D.C. 20510

Re: BRAC Recommendations – Eielson AFB

Dear Senator Stevens:

As you are well aware, in its third round of base closure and realignment recommendations, the Defense Base Closure and Realignment Commission (BRAC) included an USAF proposal that would place Eielson Air Force Base in “warm” status and withdraw all thirty-six of its assigned fighter and ground attack aircraft to “Lower-48” installations.

This proposal implicitly places a low value on the ability of Eielson-based aircraft to respond more quickly to Northern Hemisphere emergencies than those based in the “Lower-48.” More subtly, the proposal assumes that by keeping Eielson in “warm” status, the Air Force will be able to retain without penalty the unparalleled tactical and training benefits conferred by Eielson’s location. Focusing on the latter assumption, it appears the BRAC and USAF largely have ignored the fact that “realigning” Eielson may have consequences that would greatly impede any degree of reactivation or its intermittent use as a training facility.

It would be difficult to overstate the role that Eielson plays in the local economy. Simply stated, Eielson is not a small part of a large, complex economy: It is a large part of a very small economy. Many support industries and businesses were built or grew to their present size in order to provide Eielson with goods and services. The Fairbanks economy may be too small to allow many of these businesses to continue to thrive if Eielson is placed in “warm” status. As a result, if the current proposal is fully implemented, Fairbanks area businesses may not maintain the ability to provide the same level of support to Eielson in the future that they do now.

The Petro Star North Pole Refinery provides a specific example of the interrelation between Eielson and local industry. Although the refinery was first commissioned in 1985 largely with an eye toward providing diesel fuel for use in oil and gas development on the North Slope, it has grown to be Eielson’s principal fuel supplier. Over the years, the North Pole Refinery has expanded from 4,500 barrels per day of crude oil processing capacity at

The Honorable Ted Stevens  
July 13, 2005  
Page 2 of 2

start-up to 18,000 barrels per day today, and in 2005, as much as 35% of the refinery's production is dedicated to Eielson's needs for jet and diesel fuels.

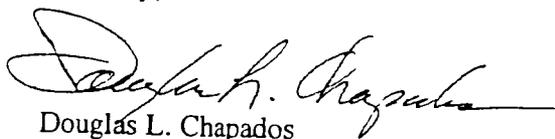
Eielson's loss as a customer would threaten the North Pole Refinery's viability. There are no large replacement customers waiting in the wings to purchase the fuel Eielson now consumes. Petro Star may already sell more fuel in the Alaska interior than its ten-times larger neighbor refinery, and a lack of infrastructure would preclude its North Pole refinery from serving large commercial airline customers at the Fairbanks International Airport, even if air traffic through this facility increases. Moreover, if Petro Star somehow was able to develop replacement customers, it likely could do so only by entering into long-term supply commitments that would make supplying fuel to Eielson in the future difficult.

More likely, Petro Star would have to absorb the lost sales and the inefficiencies that inevitably would follow when operating at lower fuel production rates. These impacts would pile on to the huge costs associated with compliance with the Environmental Protection Agency's Clean Fuels Program, as well as very large recent cost increases for refineries that ship oil through TAPS.

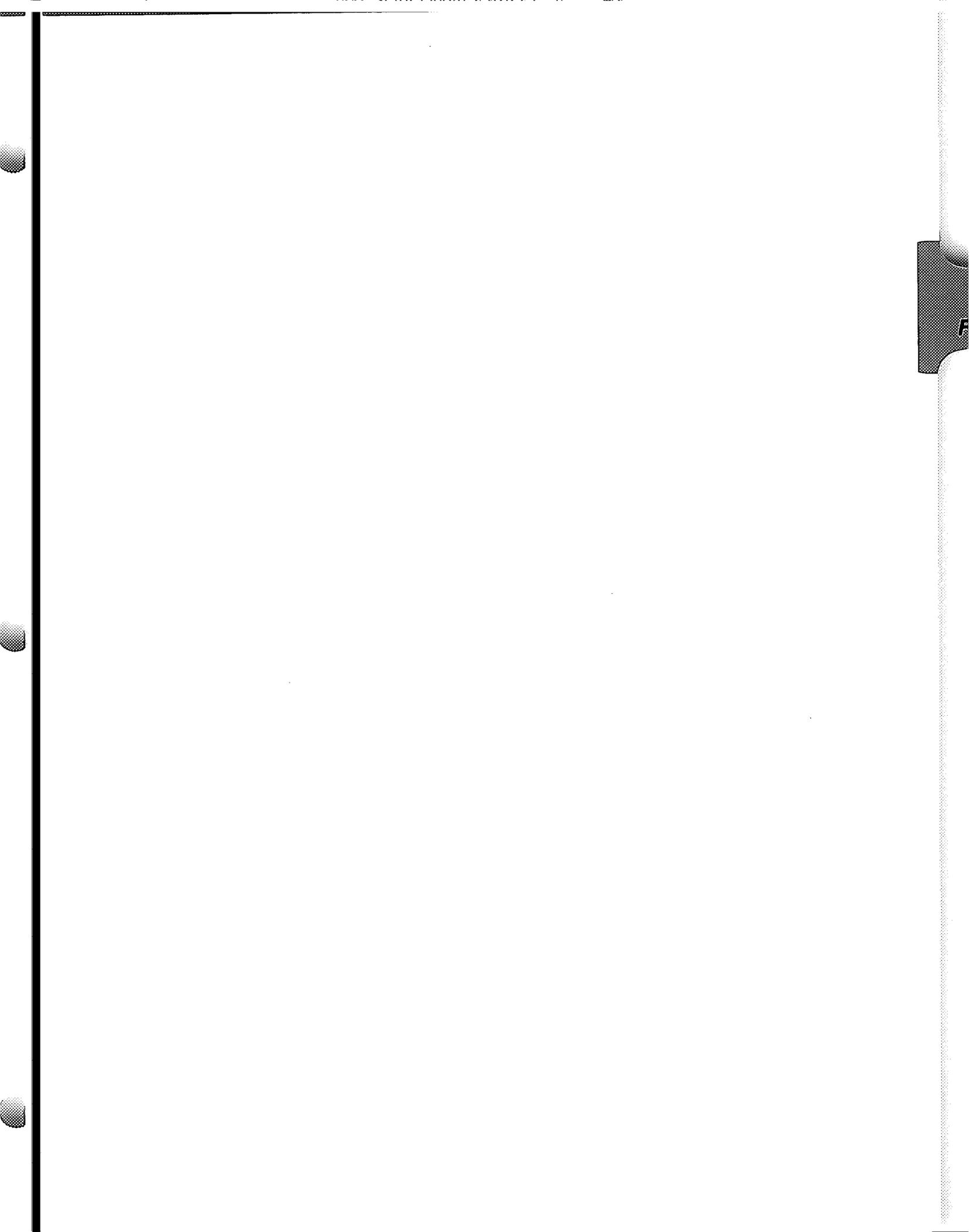
It would be ironic if, after the President identified the shortage of refining capacity in the United States as a major problem that should be fixed, "realignment" of Eielson helped hamstringing the Petro Star North Pole Refinery and jeopardized Petro Star's ability to continue as a dependable fuel supplier on which the Air Force, other branches of the military and Homeland Security agencies have come to rely.

Your efforts to reverse this poorly considered recommendation are well justified and, as always, greatly appreciated. If there is anything Petro Star can do to assist in this effort please do not hesitate to ask.

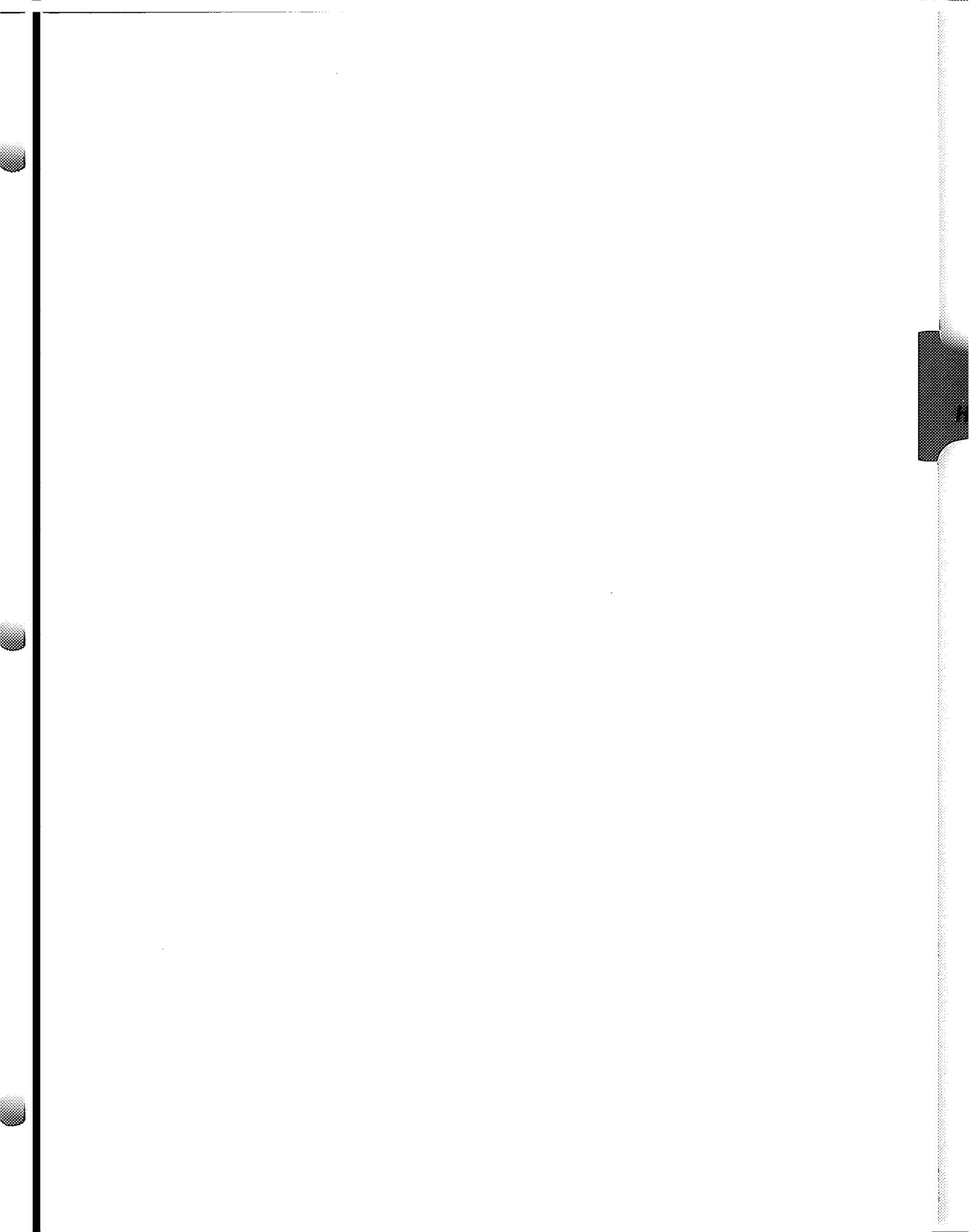
Sincerely,



Douglas L. Chapados  
CEO/President  
Petro Star Inc.







INDUSTRIAL JOINT CROSS SERVICE GROUP

June 16, 2005

~~MEMORANDUM FOR DUKE TRAN, SENIOR ECONOMIST,~~  
REVIEW & ANALYSIS

SUBJECT: HAWTHORNE ARMY DEPOT ECONOMIC IMPACT REPORT

The following is in response to your e-mail inquiry of June 14, 2005, where you asked for a revised economic impact statement for Hawthorne Army Depot using Mineral County as its economic region of influence instead of Reno-Sparks Metropolitan Statistical Areas. That report is attached.

  
Jay Berry  
Executive Secretary

Attachment:  
As Stated

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## Economic Impact Report

This report depicts the economic impact of the following Scenarios:

IND-0108 Close Hawthorne Army Depot

The data in this report is rolled up by Region of Influence

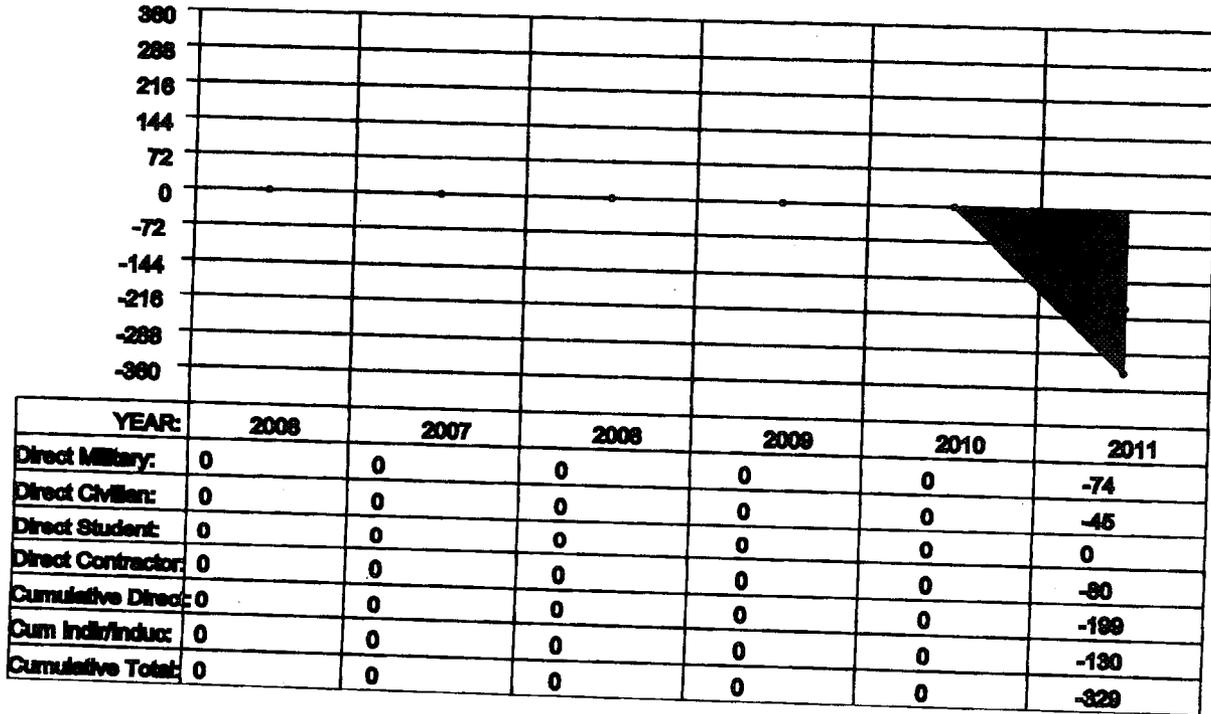
ECONOMIC IMPACT DATA

Scenario: All Selected (see title page)  
 Economic Region of Influence(ROI): Mineral County, NV  
 Base: All Bases  
 Action: All Actions

**Overall Economic Impact of Proposed BRAC-05 Action:**

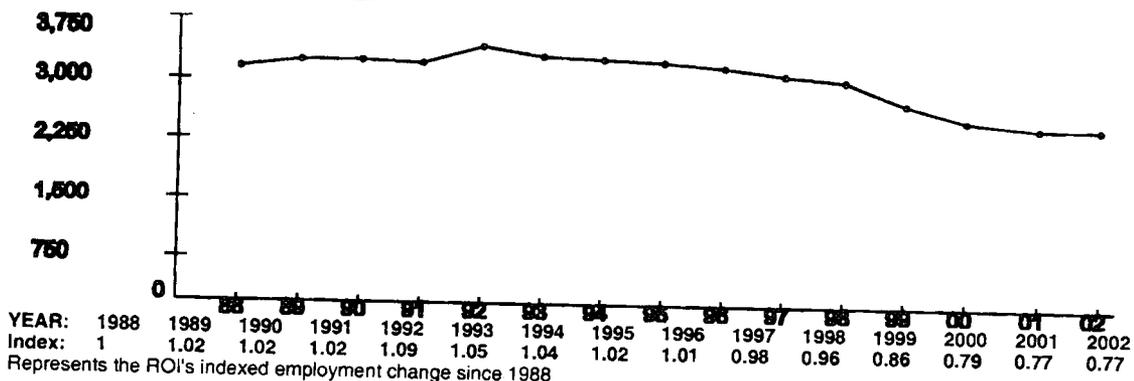
ROI Population (2002):	4,768
ROI Employment (2002):	2,413
Authorized Manpower (2005):	119
Authorized Manpower(2005) / ROI Employment(2002):	4.93%
Total Estimated Job Change:	-329
Total Estimated Job Change / ROI Employment(2002):	-13.63%

Cumulative Job Change (Gain/Loss) Over Time:

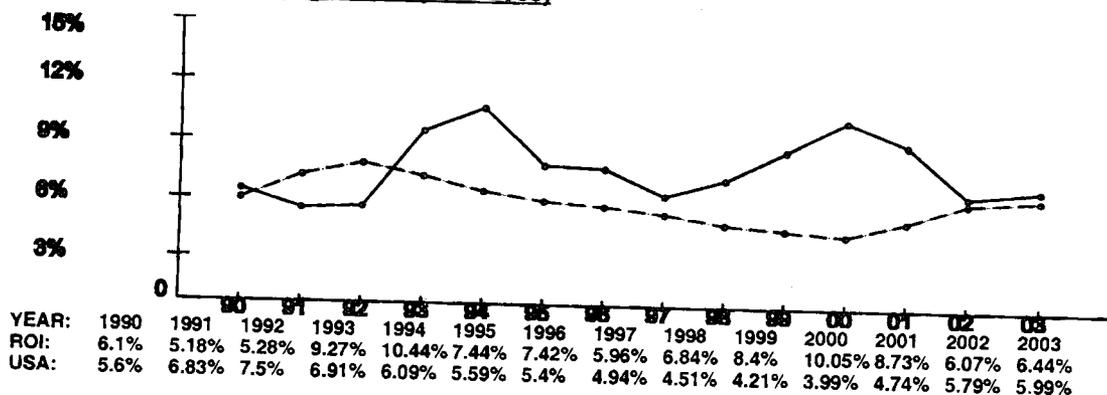


Mineral County, NV Trend Data

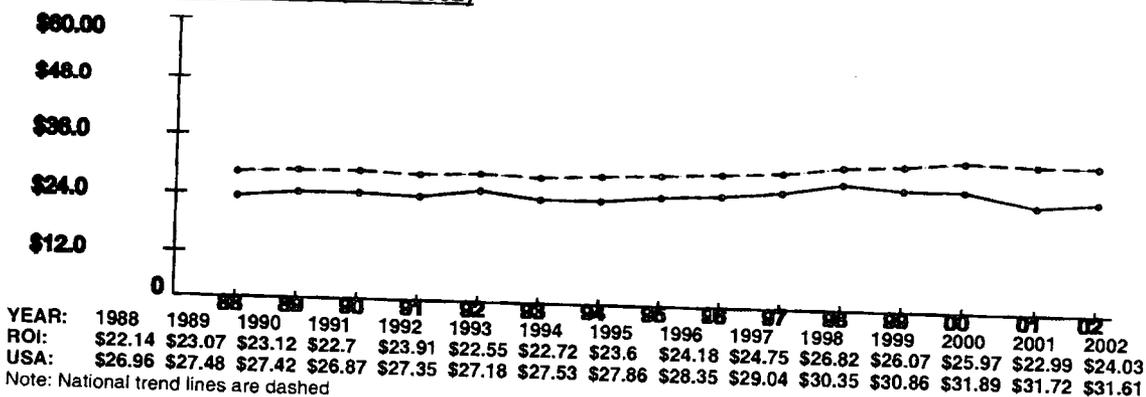
**Employment Trend (1988-2002)**



**Unemployment Percentage Trend (1990-2003)**



**Per Capita Income x \$1,000 (1988-2002)**



Board of  
DEN 9141  
MINERAL COUNTY COMMISSIONERS

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FAX 775-945-0706  
P.O. Box 1450  
Hawthorne, Nevada 89415

GOVERNING BOARD FOR THE TOWNS OF  
HAWTHORNE, WALKER LAKE, LUNING  
AND MINA  
LIQUOR BOARD AND GAMING BOARD

RICHARD BRYANT, CHAIRMAN  
NANCY BLACK, Vice-Chairman  
EDWARD FOWLER, Member

June 22<sup>nd</sup>, 2005

RECEIVED  
06-27-2005

BRAC Commission  
2521 S. Clark Street  
Suite 600  
Arlington, VA 22202

Sir:

Attached herewith is a **corrected** copy of letter dated June 20, 2005 from Mineral County Board of Commissioners relative to closure of HWAD.

Please accept our apology for any inconvenience the previous letter may have caused.

BOARD OF MINERAL COUNTY COMMISSIONERS

BY Heleen J. Skatku field by B Jones  
CLERK OF THE BOARD. Sr. Deputy

Board of  
MINERAL COUNTY COMMISSIONERS

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GOVERNING BOARD FOR THE TOWNS OF  
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AND MINA  
LIQUOR BOARD AND GAMING BOARD

RICHARD BRYANT, CHAIRMAN  
ANCY BLACK, Vice-Chairman  
EDWARD FOWLER, Member

June 20, 2005

BRAC Commission  
2521 S. Clark St  
Suite 600  
Arlington, Va. 22202

Re: BRAC closure listing for Hawthorne Army Depot

Sir:

It was with dismay that the Mineral County Board of Commissioners reviewed the published Department of Defense recommendation that the Hawthorne Army Depot in Hawthorne, Nevada be closed. Hawthorne is the County seat in Mineral County, and at approximately 4,000 in population, is by far the largest community in Mineral County. Hawthorne is located in a very remote and sparsely populated area of Nevada, about 135 miles south of Reno/Sparks, and 310 miles north of Las Vegas.

After reading your recommendation, and the data provided with it to support your recommendation, this Board was left bewildered with the inaccuracy of the data used to reach and support your recommendation. As such, this Board is compelled to not only question your decision and data, but to protest it as well.

A recent evaluation by the Military Capabilities Report of military installation assets as to their military value rated Hawthorne Army Depot currently as second only to McAlester as a whole, and first in several categories. For future, long term military value, Hawthorne Army Depot was rated as first. What has changed that would explain or justify the loss of all military value, current and/or future?

The BRAC Commission was charged with using an established set of principles in conjunction with military judgment to evaluate each installation's military value, and to use that military value as the primary consideration in making closure and realignment recommendations. From our perspective, it appears that a decision was made to close HWAD, and then to attempt to compile flawed data to support that recommendation. Our community, State, and County leaders have worked long and hard in researching data and developing a response to your recommendation that soundly and accurately address each and every aspect in determining HWAD's military value. All this data was compiled by the Mineral County Economic Development Authority and the Mineral County Chamber of Commerce into a large binder referred to as the "Hawthorne Fact Book". Your Commission will be receiving this document at the Clovis, N.M. hearings.

It is this Board's decision that we, for the most part, will let the facts and data as outlined and presented in the Hawthorne Fact Book speak for themselves. There are, however, a few areas that we wish to address.

Two key areas in determining an installation's military value were the installation's ability to expand both its mission and its borders, and also the all-important encroachment condition, both present and future. Hawthorne Army Depot is the Nation's largest Depot, and has ample room to expand to

accommodate virtually any mission. This Board is currently in negotiations with the Commanding Officer, HWAD, for the withdrawal of 10,000 acres of privately owned land and up to 142,000 acres of BLM lands that are adjacent to the south side of the installation. This land withdrawal would accommodate the needs of multi-services training and testing requirements. This would greatly enhance the fast-growing training mission of the Army Depot, and would result in absolutely no encroachment on any community within the County or surrounding area. What other installation can request the withdrawal of an additional 152,000 acres to expand it's mission capabilities, and receive the blessing of the surrounding area, with no encroachment, present or future?

There have been numerous studies conducted on developing more economical methods of conducting business within the Dept. of Defense. Virtually all of these studies/reports have recommended increasing the privatization or "out-sourcing" of installations by going from a GO-GO to a GO-CO operation. Out-sourcing or contracting out facilities has proven to be a very effective cost-cutting tool for managing facilities. Hawthorne Army Depot was one of the first to become a GO-CO twenty-five (25) years ago, and has performed in an outstanding manner and has been an asset to the community and County for this entire time period.

The BRAC closure recommendations, however, appear to be not only conspicuous, but suspicious in relation to the recommendation of expanding GO-CO's. Day & Zimmerman Corp. has had the contract to operate HWAD for twenty-five years. They also have the contract to operate four other facilities, Newport Chemical Plant, Miss. Ammunition Plant, Lone Star Ammunition Plant, and Kansas Ammunition Plant. All five of these GO-CO's were recommended for closure by the BRAC. Are we to believe this was just a coincidence? We believe that it appears that the BRAC Commission is sending out the message that (1) the BRAC Commission is rejecting the directive to out-source, (2) That out-sourcing is the next step to facility closure, and (3) DOD has little regard for the well-being of private sector/contract employees versus that of public sector employees.

It is also troubling that HWAD was apparently the ONLY facility to have alternative scenarios performed, and this with flawed data. HWAD's stocks are destined for Tooele Army Depot. Has the BRAC Commission ever been to Tooele? Our Board Chairman spends a great amount of time in the Salt Lake City area that includes Tooele. Unlike Hawthorne, Tooele is within twenty straight-line miles of over 2 million people, and is already suffering from encroachment. The people in the Salt Lake Valley and surrounding area recognize the value of the land and facilities that comprise the Tooele Army Depot. It would be a very sound bet that by the time the movement of stocks from HWAD to Tooele is completed, DOD will be searching for a location to move Tooele Army Depot and it's missions to, due to the encroachment created by the incredible growth the area is experiencing, and the resultant overwhelming resistance to Tooele's mission, especially Demil. We challenge the BRAC Commission to run an alternative scenario on the facility slated to receive HWAD's stocks.

We, as a Board, are requesting a site visit. We have become very frustrated in our efforts to inquire as to why a site visit was not scheduled for HWAD. One inquiry established criteria of 200 jobs lost before a site visit would be made, and we were at 199. That criteria later changed to 500 jobs lost when told the 199 was not accurate. Factual data shows that the job loss exceeds the 500 level also, but still no site visit. Conservative estimates show that the direct and indirect job loss in the community at about 900, or about 50% of the jobs within the community, and accompanied by the devastating economic impact in all facets of life, services, and government created by this large job loss. This community has dedicated itself to the service and support of the Department of Defense and it's components for over seventy-five (75) years without question or complaint. No other community or County affected by the BRAC Commission recommendations is faced with the level of economic impact Hawthorne will sustain. We will incur a trem.....Haven't we earned a site visit or at least a straight answer?

HWAD's and the County's infrastructure and ability to meet mobilization requirements has been brought into question. Close scrutiny by the BRAC will lay these concerns to rest. Our railroad and highways are sound and well-maintained, and our airport runway was recently expanded to accommodate military airlift and cargo aircraft. HWAD and the community have 75 years of outstanding performance in

**BOARD OF MINERAL COUNTY COMMISSIONERS**

meeting mobilization requirements to include manpower and equipment. The BRAC report contradicts itself in regards to movement of stocks/materials. HWAD seems to get a failing grade for ability to respond for mobilization, but can meet a very ambitious shipping and demil schedule in order to meet the time line for closure.

In closing, we again request that the Hawthorne Fact Book be read and evaluated, and that the BRAC Commission listen to the presentation made at the Clovis hearing with an open mind. We are confident that a review of all data and materials will persuade the Commission of the importance of a site visit, and hopefully eventual removal from the closure listing.

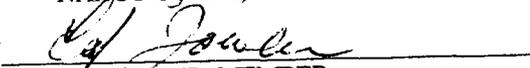
Thank you for your time and attention, and if you have any comments or questions, please do not hesitate to contact any member of the Mineral County Board of Commissioners at any time.

Respectfully,

BOARD OF MINERAL COUNTY COMMISSIONERS

BY   
RICHARD BRYANT, CHAIRMAN

BY   
NANCY BLACK, VICE-CHAIRMAN

BY   
ED FOWLER, MEMBER

**BOARD OF MINERAL COUNTY COMMISSIONERS**

LORRAINE T. HUNT  
Lieutenant Governor

STATE OF NEVADA



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LAS VEGAS:  
Grant Sawyer Building  
555 E. Washington, Suite 5500  
Las Vegas, Nevada 89101  
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Fax (702) 486-2404

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Nevada Commission on  
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CHAIR

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Transportation

OFFICE OF THE LIEUTENANT GOVERNOR

July 8, 2005

Commissioner Philip Coyle  
Base Closure and Realignment Commission  
2521 S. Clark St., Ste. 600  
Arlington, VA 22202

Dear Commissioner Coyle,

Thank you for visiting Nevada for your site visit to assess the Base Closure and Realignment Commission recommendations involving the Nevada Air National Guard and the Hawthorne Army Depot.

All Nevadans appreciate your attention in this matter that is vitally important to the safety and security of our State and our Nation. I would like to urge your strong consideration of the facts and viewpoints presented by Governor Kenny Guinn and other leaders from Nevada.

I believe an accurate and objective review of the BRAC recommendations will result in reversal of the decisions regarding the Nevada Air National Guard and the Hawthorne Army Depot.

As Lieutenant Governor and as chair of the Nevada Commission on Economic Development, I can personally attest to the fact that the BRAC recommendations will create severe and unfair economic impacts, especially on the citizens of Hawthorne, Nevada. I am personally aware of the unparalleled patriotism and love for the service to our Country held by the people of Hawthorne. Further, the economic impact of closing the Hawthorne Army Depot has been extremely underestimated.

Once more, I would like to thank you for visiting Nevada. I appreciate your gesture to personally inspect the facilities and hear from leaders and citizens from Nevada. Finally, I again urge you and the other members of the Base Closure and Realignment Commission to reconsider the recommendations involving the Nevada Air National Guard and the Hawthorne Army Depot.

Sincerely,

A handwritten signature in cursive script that reads "Lorraine T. Hunt".  
LORRAINE T. HUNT  
Lieutenant Governor

JIM GIBBONS  
2ND DISTRICT, NEVADA

**COMMITTEE ON RESOURCES**  
VICE CHAIRMAN

SUBCOMMITTEE ON ENERGY AND MINERAL RESOURCES

SUBCOMMITTEE ON NATIONAL PARKS, RECREATION  
AND PUBLIC LANDS

CONGRESSIONAL GAMING CAUCUS

CONGRESSIONAL MINING CAUCUS  
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**Congress of the United States**  
**House of Representatives**

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ANALYSIS AND COUNTERINTELLIGENCE

VICE CHAIRMAN, SUBCOMMITTEE ON TERRORISM  
AND HOMELAND SECURITY

VICE CHAIRMAN, SUBCOMMITTEE ON TECHNICAL  
AND TACTICAL INTELLIGENCE

**SELECT COMMITTEE ON  
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COUNTERTERRORISM

SUBCOMMITTEE ON EMERGENCY PREPAREDNESS  
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SUBCOMMITTEE ON CYBERSECURITY, SCIENCE, AND  
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**COMMITTEE ON ARMED SERVICES**

SUBCOMMITTEE ON TERRORISM, UNCONVENTIONAL  
THREATS AND CAPABILITIES

SUBCOMMITTEE ON TACTICAL AIR AND LAND FORCES

**STATEMENT BY CONGRESSMAN JIM GIBBONS**  
**BRAC COMMISSION SITE VISIT TO HAWTHORNE**  
**JULY 11, 2005**

First, I extend my gratitude to the Honorable Philip Coyle for representing the Base Realignment and Closure Commission in his visit here today. He and the other commissioners deserve our thanks for volunteering to be a part of this critical and important process in the service of our nation.

Today I am pleased to again join with the other members of Nevada's Congressional Delegation in asking the Commission for its strongest consideration of the facts presented in regard to the Department of Defense (DoD) proposals for "realignment" of the 152<sup>nd</sup> Air Wing in Reno and closure of Hawthorne Army Depot. After careful review of the DoD selection criteria, I believe "substantial deviations" are apparent regarding the selection criteria set forth by Congress.

The full commission, meeting at Clovis, New Mexico, last month, has already heard detailed testimony from Nevadans concerned with both bases regarding serious errors in fact-finding resulting in erroneous conclusions reached by the DoD in its recommendations to the commission.

Air National Guard C-130s, the foundation of the 152<sup>nd</sup> Air Wing in Reno, are vital not only to national defense but also to the Guard's Homeland Security mission and response to natural disasters in Nevada. Importantly, the Guard shares its airlift and other capabilities with neighboring Western states and other branches of the U.S. Armed Forces.

Regarding Hawthorne, the DoD appears to have seriously underestimated the amount of munitions stored here and the cost of relocating them. Information contradicting the DoD report has already been presented to the commission in detail.

Also of major consideration regarding Hawthorne Army Depot is DoD's grossly underestimated impact in terms of jobs that would be lost if the depot were to close and the economic impact upon Hawthorne and Mineral County. Survival of the community is truly at stake if the depot closes.

I believe Nevadans have presented significant evidence of the lack of consideration of critical selection criteria regarding both of these military installations.

Presentations Nevadans made at the BRAC hearing in Clovis were undoubtedly instrumental in persuading Commissioner Coyle of the need for today's site visit. I trust that what he has learned here will also be persuasive, and that he will share that information with other commissioners as a recommendation that these vital bases remain intact because of their military value to the United States of America.

###

CONGRESSIONAL OFFICES:

100 CANNON HOUSE OFFICE BUILDING  
WASHINGTON, DC 20515  
(202) 225-6155  
FAX: (202) 225-5679

400 SOUTH VIRGINIA STREET, SUITE 502  
RENO, NEVADA 89501  
(775) 686-5760  
FAX: (775) 686-5711

600 LAS VEGAS BOULEVARD SOUTH, SUITE 680  
LAS VEGAS, NEVADA 89101  
(702) 255-1651  
FAX: (702) 255-1927

491 FOURTH STREET  
ELKO, NEVADA 89801  
(775) 777-7920  
FAX: (775) 777-7922

DINA TITUS

SENATOR  
Clark No. 7

MINORITY FLOOR LEADER

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State of Nevada  
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Seventy-first Session

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Carson City, Nevada 89701-4747  
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Fax No.: (775) 684-6522

July 11, 2005

The Honorable Anthony J. Principi  
Chairman  
Defense Base Closure and Realignment Commission  
2521 South Clark Street, Suite 600  
Arlington, VA 22202

Subj: RENO ANGB AND HAWTHORNE ARMY DEPOT

Dear Mr. Chairman:

I am providing my strongest support for keeping the eight C-130 aircraft at the Reno Air National Guard Base (ANGB), and for removing Hawthorne Army Depot from the closure list.

The Reno ANGB can support up to twelve C-130 aircraft with ongoing host-tenant agreements. The flexibility, response and contribution of these aircraft, people and mission to the state as well as national security are vital. The state uses these capabilities for fire fighting and emergency response to mention just two important contributions.

The Hawthorne Army Depot has important and current military value in the joint use by all four branches of the service. It is used extensively by the U.S. Navy and U.S. Marine Corps in pre-Afghanistan training and other areas associated with the Global War on Terrorism. Its value as an ordnance depot is highlighted by its premier de-militarization facilities and fast ordnance response capability to the U.S. Pacific Fleet to again mention just two important resources. Finally, the economic impact to the Hawthorne community would be devastating, and is incorrectly reported in previous documents. The Nevada State assessment is a 70% - 75% direct and indirect job loss to the community using verified numbers. The significant military value coupled with the unaddressed community impact should be enough for reconsideration to keep Hawthorne open.

I appreciate your consideration in this matter and the site visits by Commissioner Coyle. Please feel free to contact me at any time on these important issues

Most sincerely,

A handwritten signature in cursive script, appearing to read "Dina Titus".

Dina Titus  
State Senate Minority Leader

MINERAL COUNTY COMMISSIONERS



GOVERNING BOARD FOR THE TOWNS OF  
HAWTHORNE, WALKER LAKE, LUNING  
AND MINA  
LIQUOR BOARD AND GAMING BOARD

July 11, 2005

D BRYANT, CHAIRMAN  
NANCY BLACK, Vice-Chairman  
EDWARD FOWLER, Member

Commissioner Coyle  
BRAC Commission  
Suite 600  
Arlington, Va. 22202

Re: BRAC closure listing for Hawthorne Army Depot

Commissioner Coyle,

On behalf of Mineral County and the Mineral County Board of Commissioners, it is with pleasure that I welcome you to Hawthorne, Nevada, "America's Patriotic Home", and home to the Hawthorne Army Depot. This County and Army Depot have given the Department of Defense over seventy-five (75) years of dedicated true military value, and we are just getting started. We are truly grateful for your decision to visit us.

I recognize that you and the Commission have been overwhelmed with data and materials that address and correct the inaccurate data provided you by DOD (Copy Attached) recommending closure for HWAD, to include this Board's letter of June 20, 2005.

It is this Board's decision that we will let the facts and data as outlined and presented speak for themselves. There are, however, a few areas that we wish to address.

Two key areas in determining an installation's military value were (1) the ability to expand both it's mission and it's borders, and (2) the all-important encroachment condition, both present and future.

Hawthorne Army Depot has ample room to expand, both inside and outside it's current boundaries to accommodate virtually any mission and/or assignment. This Board is currently in negotiations with the Army for the withdrawal of 10,000 acres of privately owned land and up to 142,000 acres of BLM lands adjacent to the HWAD. This land withdrawal would greatly enhance the fast-growing multi-services training and testing missions at HWAD, and would result in ABSOLUTELY NO ENCROACHMENT ON ANY COMMUNITY WITHIN THE COUNTY OR SURROUNDING AREA

CURRENT OR FUTURE. What other installation can request the withdrawal of an additional 152,000 acres to expand it's mission capabilities, and receive the blessing of the surrounding communities, with no encroachment, present or future?

It appears from all available data that the decision to place HWAD on the closure listing was made first, and then data compiled to attempt to justify that decision. How can HWAD be rated 1st and 2<sup>nd</sup> in military value by the Military Capabilities Report of 2005 and then be selected for closure based upon military value? Is there something that DOD is not telling us?

The original DOD recommendations clearly appear to discriminate against facilities that have been privatized or contracted out, and as such, are seemingly in direct conflict with previous directives/recommendations that direct the DOD to expand it's privatization and contracting out efforts to make DOD more efficient and reduce costs. Day & Zimmermann have contracts to operate five (5) installations to include HWAD, and ALL FIVE WERE RECOMMENDED FOR CLOSURE. Are we to believe this is just a coincidence? It is not only very conspicuous, it is very suspicious. Does this mean that privatization of an installation is just a step in closure process for that installation? The closure of these five installations also send the message that the DOD is not only willing, but is directing that installation closure costs be passed on to the private sector whenever possible.

No other community or County affected by the recommendations is faced with the level of negative economic impact Hawthorne and Mineral County will sustain if HWAD is closed. These are just some of the impact:

- loss of over 50% of jobs in area
- huge drop in property values and the ensuing decrease of assessed valuation for taxes
- default on school bond
- closure of all quality of life entities to include libraries, parks, museums, and youth Programs
- closure or downsizing of County Hospital
- loss of medical and dental service providers
- loss of paid fire department which will result is skyrocketing home and business insurance costs
- huge loss of revenue for public schools
- loss of Community College programs
- at least a doubling of water, sewer, and garbage collection fees
- large increase in Landfill Assessment
- downsizing or loss of our only food market and pharmacy (Safeway Store)
- and the list goes on

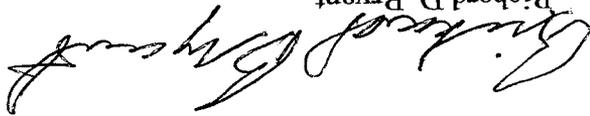
This community has already experienced the devastating nightmare caused by loss of workload at HWAD. When this installation went contract, Hawthorne had three new car dealerships, none today. We had three food stores, three pharmacies, and one drug store, one food store with a pharmacy today, we had a very low tax rate, we are maxed today, and so on. It appears that DOD is going for the kill this time around. And who will be

the recipient of all this? People who dedicated themselves to DOD directly or indirectly for 10,20, 30, 40 years at HWAD and chose to live and/or retire here. One heck of a "thank you" by DOD.

This Board requests that the BRAC Commission review and study all of the data provided, and make a decision based upon that review. We are confident that the result will be removal of HWAD from the closure list.

Again, thank you for your visit.

Respectfully,

  
Richard D. Bryant  
Board Chairman

MINERAL COUNTY COMMISSIONERS



GOVERNING BOARD FOR THE TOWNS OF  
HAWTHORNE, WALKER LAKE, LUNING  
AND MINA  
LIQUOR BOARD AND GAMING BOARD

June 20, 2005

RICHARD BRYANT, CHAIRMAN  
NANCY BLACK, Vice-Chairman  
EDWARD FOWLER, Member

BRAC Commission  
2521 S. Clark St  
Suite 600  
Arlington, Va. 22202

Re: BRAC closure listing for Hawthorne Army Depot

Sir:

It was with dismay that the Mineral County Board of Commissioners reviewed the published Department of Defense recommendation that the Hawthorne Army Depot in Hawthorne, Nevada be closed. Hawthorne is the County seat in Mineral County, and at approximately 4,000 in population, is by far the largest community in Mineral County. Hawthorne is located in a very remote and sparsely populated area of Nevada, about 135 miles south of Reno/Sparks, and 310 miles north of Las Vegas.

After reading your recommendation, and the data provided with it to support your recommendation, this Board was left bewildered with the inaccuracy of the data used to reach and support your recommendation. As such, this Board is compelled to not only question your decision and data, but to protest it as well.

A recent evaluation by the Military Capabilities Report of military installation assets as to their military value rated Hawthorne Army Depot currently as second only to McAlester as a whole, and first in several categories. For future, long term military value, Hawthorne Army Depot was rated as first. What has changed that would explain or justify the loss of all military value, current and/or future?

The BRAC Commission was charged with using an established set of principles in conjunction with military judgment to evaluate each installations' military value, and to use that military value as the primary consideration in making closure and realignment recommendations. From our perspective, it appears that a decision was made to close HWAD, and then to attempt to compile flawed data to support that recommendation. Our community, State, and County leaders have worked long and hard in researching data and developing a response to your recommendation that soundly and accurately address each and every aspect in determining HWAD's military value. All this data was compiled by the Mineral County Economic Development Authority and the Mineral County Chamber of Commerce into a large binder referred to as the "Hawthorne Fact Book". Your Commission will be receiving this document at the Clovis, N.M. hearings.

It is this Board's decision that we, for the most part, will let the facts and data as outlined and presented in the Hawthorne Fact Book speak for themselves. There are, however, a few areas that we wish to address.

Two key areas in determining an installation's military value were the installation's ability to expand both it's mission and it's borders, and also the all-important encroachment condition, both present and future. Hawthorne Army Depot is the Nation's largest Depot, and has ample room to expand to

# BOARD OF MINERAL COUNTY COMMISSIONERS

accommodate virtually any mission. This Board is currently in negotiations with the Commanding Officer, HWAD, for the withdrawal of 10,000 acres of privately owned land and up to 142,000 acres of BLM lands that are adjacent to the south side of the installation. This land withdrawal would accommodate the needs of multi-services training and testing requirements. This would greatly enhance the fast-growing training mission of the Army Depot, and would result in absolutely no encroachment on any community within the County or surrounding area. What other installation can request the withdrawal of an additional 152,000 acres to expand its mission capabilities, and receive the blessing of the surrounding area, with no encroachment, present or future?

There have been numerous studies conducted on developing more economical methods of conducting business within the Dept of Defense. Virtually all of these studies/reports have recommended increasing the privatization or "out-sourcing" of installations by going from a GO-GO to a GO-CO operation. Out-sourcing or contracting out facilities has proven to be a very effective cost-cutting tool for managing facilities. Hawthorne Army Depot was one of the first to become a GO-CO twenty-five (25) years ago, and has performed in an outstanding manner and has been an asset to the community and County for this entire time period.

The BRAC closure recommendations, however, appear to be not only conspicuous, but suspicious in relation to the recommendation of expanding GO-CO's. Day & Zimmerman Corp. has had the contract to operate HWAD for twenty-five years. They also have the contract to operate four other facilities, Newport Chemical Plant, Miss. Ammunition Plant, Lone Star Ammunition Plant, and Kansas Ammunition Plant. All five of these GO-CO's were recommended for closure by the BRAC. Are we to believe this was just a coincidence? We believe that it appears that the BRAC Commission is sending out the message that (1) the BRAC Commission is rejecting the directive to out-source, (2) That out-sourcing is the next step to facility closure, and (3) DOD has little regard for the well-being of private sector/contract employees versus that of public sector employees.

It is also troubling that HWAD was apparently the ONLY facility to have alternative scenarios performed, and this with flawed data. HWAD's stocks are destined for Tooele Army Depot. Has the BRAC Commission ever been to Tooele? Our Board Chairman spends a great amount of time in the Salt Lake City area that includes Tooele. Unlike Hawthorne, Tooele is within twenty straight-line miles of over 2 million people, and is already suffering from encroachment. The people in the Salt Lake Valley and surrounding area recognize the value of the land and facilities that comprise the Tooele Army Depot. It would be a very sound bet that by the time the movement of stocks from HWAD to Tooele is completed, DOD will be searching for a location to move Tooele Army Depot and its missions to, due to the encroachment created by the incredible growth the area is experiencing, and the resultant overwhelming resistance to Tooele's mission, especially Demil. We challenge the BRAC Commission to run an alternative scenario on the facility slated to receive HWAD's stocks.

We, as a Board, are requesting a site visit. We have become very frustrated in our efforts to inquire as to why a site visit was not scheduled for HWAD. One inquiry established criteria of 200 jobs lost before a site visit would be made, and we were at 199. That criteria later changed to 500 jobs lost when told the 199 was not accurate. Factual data shows that the job loss exceeds the 500 level also, but still no site visit. Conservative estimates show that the direct and indirect job loss in the community at about 900, or about 50% of the jobs within the community, and accompanied by the devastating economic impact in all facets of life, services, and government created by this large job loss. This community has dedicated itself to the service and support of the Department of Defense and its components for over seventy-five (75) years without question or complaint. No other community or County affected by the BRAC Commission recommendations is faced with the level of economic impact Hawthorne will sustain. We will incur a tremendous loss. Haven't we earned a site visit or at least a straight answer?

HWAD's and the County's infrastructure and ability to meet mobilization requirements has been brought into question. Close scrutiny by the BRAC will lay these concerns to rest. Our railroad and highways are sound and well-maintained, and our airport runway was recently expanded to accommodate military airlift and cargo aircraft. HWAD and the community have 75 years of outstanding performance in

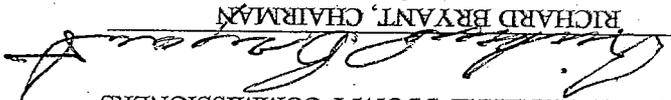
BOARD OF MINERAL COUNTY COMMISSIONERS

meeting mobilization requirements to include manpower and equipment. The BRAC report contradicts itself in regards to movement of stocks/materials. HWAD seems to get a failing grade for ability to respond for mobilization, but can meet a very ambitious shipping and demil schedule in order to meet the time line for closure.

In closing, we again request that the Hawthorne Fact Book be read and evaluated, and that the BRAC Commission listen to the presentation made at the Clovis hearing with an open mind. We are confident that a review of all data and materials will persuade the Commission of the importance of a site visit, and hopefully eventual removal from the closure listing.  
Thank you for your time and attention, and if you have any comments or questions, please do not hesitate to contact any member of the Mineral County Board of Commissioners at any time.

Respectfully,

BOARD OF MINERAL COUNTY COMMISSIONERS

BY  RICHARD BRYANT, CHAIRMAN

BY  NANCY BLACK, VICE-CHAIRMAN

BY  ED FOWLER, MEMBER

**Mineral County School District BRAC Presentation  
Kenneth Chase School Board President**

School funding in Nevada is different. In Nevada property tax is not the sole or main source of funding. Each Nevada school district's funding is based on a support figure set by the State. Next year our funding is \$6175 per pupil. Part comes from within the District, most comes from the State.

Our current student population is 684 students, 80 in Schurz the rest in Hawthorne.

Using the States Regional Economic Models Inc., or REMI, and the Districts information, we project we would lose at least 65% of our students.

The School District's projected income would drop from \$8,700,000 to \$3,000,000. We would lose \$5,700,000 in income.

For the District to continue functioning we would need to do the following:

1. Consolidate the buildings into a K to 6 school and a 7 to 12 school.
2. Close the Elementary Jr. High complex.
3. Cut 65% of all staff in all areas.
4. Default on our school bond.
5. Stop paying retirees health insurance premiums.
6. The high school with 75 students would lose many extracurricular activities and almost all special classes.
7. Poverty is a major problem. Mineral County leads the State with a poverty rate of 27%. The Walker River Piaute Indian Reservation at Schurz has a 56% poverty rate. Both would increase dramatically. This would increase poverty related problems. Yet our resources to deal with these problems would be radically reduced.

Finally, many of our former students have served or are currently serving in the military. Many made it a career. Many used it as a spring board out of poverty. With the Depot gone this opportunity would not be as available to our students.

Thus closing the Hawthorne Army Depot would be a disaster for the schools and the community.

# Mt. Grant General Hospital

P.O. Box 1510, First and A Streets  
Hawthorne, Nevada 89415  
(775) 945-2461  
FAX (775) 945-2359

## **(OPENING REMARKS):**

Thank you, Mr. Coyle, and the BRAC Commission, for the opportunity to express the concern of Mt. Grant General Hospital about the closure of the Hawthorne Depot.

## **(IMPACT):**

Included in the direct impacts to Mt. Grant General Hospital are:

- Reduced revenue,
- Loss of experienced staff,  
and
- Reduction in routine and specialty services offered.

## **(NARRATIVE):**

DZHC is the largest, single insured group in Mineral County. With their elimination the hospital will lose in excess of \$1 million per year.

We will lose 15% or more of our employees because of family relocations and we will lose at least one physician. It will be difficult to recruit and retain staff, including physicians and nurses.

We will be forced to reduce or eliminate some of the services we presently provide, such as Home Health and special radiological services, like MRI's. Our Home Health department makes about 5,500 home visits per year. With no home care available, many seniors will be forced to go to other communities that can provide assisted living or nursing home accommodations. Without the availability of MRI and other specialty services, Mineral County

residents will have to travel 75 to 135 miles to receive care from medical specialists.

The hospital will be unable to upgrade outdated equipment and maintain the infrastructure of the facility or provide new patient services as medical technology changes. These things will make it difficult to attract people to Mineral County.

**(IN CLOSING):**

- Mineral County will be losing its largest employer.
- The hospital will lose over \$1 million of revenue per year.
- Many skilled employees will relocate.
- Available medical services will be reduced.

So we ask you, Mr. Coyle, and the BRAC Commission, to include the hospital's concerns with those of the community during your considerations.

The Depot has supplied and supported military missions for over 75 years. Please, give us 75 more! Thank you!



## Walker River Paiute Tribe

1022 Hospital Road • Post Office Box 220 • Schurz, Nevada 89427

Telephone: (775) 773-2306

Facsimile: (775) 773-2585

July 11, 2005

Dear BRAC Officials,

On behalf of the Walker River Paiute Tribe, I thank you for this opportunity to address the possible closure of the Hawthorne Army Ammunition Depot. The Tribe would like to announce its request to participate as a stakeholder and continue to receive information, monitor and have input during this process.

There are many different concerns of the Tribe regarding the BRAC listing of the depot. For instance, this closure not only impacts the community of Hawthorne but surrounding communities as well. As 6% of the depot workforce is Native American and a majority of this workforce commutes to Hawthorne for work, this would greatly affect the already high unemployment rate of the reservation. Other concerns would include the environmental clean up of the facilities, water, Walker Lake and Mt. Grant. One other major concern would be the status of the railroad that intersects the reservation and the use agreement the Tribe has with the Army.

I believe there needs to be further discussions with the Walker River Paiute Tribe's Tribal Council and Tribal Membership before this process continues, so as to start the Government to Government consultations. Historically, it has been the position of the Tribe that the consultation process does not begin until the Tribe is contacted directly to determine the proper consultation process.

We look forward to your response. Thank You.

Sincerely,

Laurie A, Thom, Chairman  
WALKER RIVER PAIUTE TRIBE

# **A Brief Study of the Impacts Related to the Proposed BRAC Closing of The Hawthorne Army Depot, Mineral County, Nevada**



Prepared by:

**The Nevada State Demographer's Office and the  
Nevada Commission on Economic Development**

Jeff Hardcastle, Nevada State Demographer

Tim Rubald, CEcD, CMSM, Interim Executive Director and Director of Business  
Development & Research

Using:

Regional Economic Modeling, Inc. (REMI) 23 Sectors by County

July 11, 2005

## Executive Summary

Mineral County in west-central Nevada has been host to the Hawthorne Army Depot for decades. The county contains the community of Hawthorne, which is where the Depot is located, as well as a handful of smaller communities. The county's western boundary line also serves as the state border between California and Nevada. Hawthorne is the county seat and lies 130 miles southeast of the metropolitan area of Reno/Sparks, Nevada. It is approximately 310 miles northwest of Las Vegas, Nevada.

The county in fiscal year 2004-2005 had a total assessed valuation of only \$71.5 million<sup>1</sup>. Compare this to the statewide total of approximately \$69.7 billion<sup>2</sup>, this makes the total contribution of Mineral County, from an assessed value point, approximately one-tenth of one percent of the state's total value. When the similar comparison of population is calculated, the state with 2.2 million and Mineral County having 4,673<sup>3</sup>, putting Mineral County at approximately two-tenths of one percent of the state's population, or half the assessed valuation per person as the balance of Nevada.

PI = .01%

Pop = .02%

The significance of this is clear due to the inordinate amount of fed which doesn't pay taxes, despite the contract operator of the Hawthorn portion of the property used by them. This makes the economic activit that much more valuable compared to a more "normal" economic situa isolation of the community, as well as the county, simply emphasizes tl

Suffice it to say that if the BRAC recommendations are carried out, as the county, will suffer greatly unless they are able to develop some s the significant investment the DOD has in the region. Even with this ty take large amounts of capital to develop such an alternative use of those arises, from where would the county obtain such capital?

The results of the simulations created in this study show clearly that Mineral County, and of course the town of Hawthorne, as well as other related governmental entities, would suffer the inability to meet minimum operation costs as well as any outstanding debt service. The study further shows that with the significant decline in population of some 70 percent, it is reasonable to assume that a similar fate would await businesses as well as individuals which depend on the cash flow generated by the activity taking place daily on the Depot grounds and around the area.

The study does not address any issues regarding the BRAC Committee's erroneous data calls or any possible debate on those numbers. The study simply shows, clearly, that the community of Mineral County will suffer momentous decline if the Committee's initial recommendation is followed.

REM  
Simulation  
Model.

<sup>1</sup> Nevada Department of Taxation, Fiscal Year 2004-2005, Property Tax Rates, for Nevada Local Governments.

<sup>2</sup> Same as above.

<sup>3</sup> Nevada County Population Estimates July 1, 1990 to July 1, 2004; The Nevada State Demographer's Office

## The Model

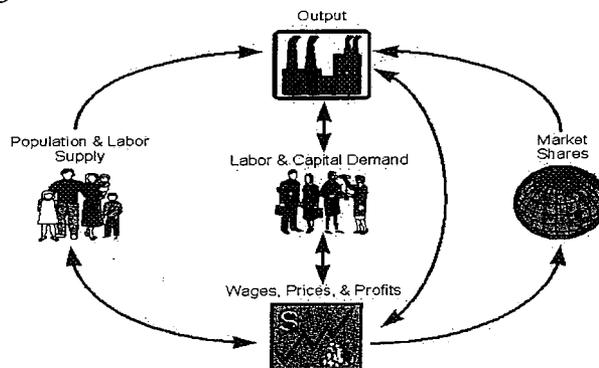
This analysis utilizes a structural economic model of Nevada developed by Regional Economic Models, Inc. (REMI) of Amherst, Massachusetts. The model is maintained by the Commission on Economic Development, the Department of Taxation through the State Demographer, and the Budget Division in the Department of Administration, with initial assistance from the Department of Transportation.

The model contains historical data from 1969 and provides forecasts and policy simulation capabilities through 2035. Shao and Treyz (1993)<sup>4</sup> and Treyz, Rickman, and Shao (1992)<sup>5</sup> provide additional information and documentation about the REMI model.

The REMI model is designed with the objective of improving the quality of research-based decision-making in the private and public sectors. The original REMI model was established in 1980 in response to demand for regional forecasting and simulation models. A precursor to the REMI methodology was first initiated in the mid-1970s and had its first application in the Massachusetts Economic Policy Analysis Model in 1977. The model was subsequently refined for applications by the National Academy of Sciences.

The REMI model incorporates inter-industry transactions and final demand feedbacks. In addition, the model includes substitution among factors of production in response to changes in relative factor costs, migration in response to changes in expected income, wage rate responses to changes in local labor market conditions, and changes in the share of local and export markets in response to changes in regional profitability and production costs.

The flowchart shown below provides a relatively simple overview of the model's structure and how it addresses policy-related questions. The REMI model is composed of output, labor and capital demand, population and labor supply, wage/price/profit, and market share "blocks". These blocks interact with each other to depict region-specific economic structure, and from which a consistent "control" forecast is generated. The model estimates the future impacts of the policy change (in this case, a reduction in electric rates) and generates policy effects by comparing the resulting "alternative" forecast to the control.



<sup>4</sup> Shao, G., and Treyz, G.I. (1993). Building U.S. National and Regional Forecasting Simulation Models. *Economic Systems Research*, 5(1), 63-77.

<sup>5</sup> Treyz, G.I., Rickman, D.S., and Shao, G. (1992). The REMI Economic-Demographic Forecasting and Simulation Model. *International Regional Science Review*, 14(3), 221-253.

Currently, REMI models are available for any county or state, or combination of counties and states, in the U.S. There are numerous and varied users of the REMI model throughout the U.S. There are approximately 35 government agencies which utilize the model, including the States of Florida, Illinois, Indiana, Iowa, Kansas, Kentucky, Maine, Massachusetts, Michigan, Minnesota, Missouri, New York, Vermont, and Wisconsin. Totally, about 26 consulting firms utilize various versions of the REMI model, as well as 18 universities and non-profit institutions. In addition, some six utility companies also are REMI users. Within Nevada, UNLV's Center for Business and Economic Research maintains a REMI model for southern Nevada.

Specific applications of the REMI model are also quite varied and cover a number of different policy areas including economic development, transportation, energy, the environment, taxation, and others. Specific examples include Nelson, Anderson, and Passmore (1997)<sup>6</sup>, Passmore and Anderson (1994)<sup>7</sup>. There are also several applications specific to Nevada, including Rubald (1999)<sup>8</sup>, Riddel (2001)<sup>9</sup>, and Schwer (2001)<sup>10</sup>.

The widespread use of the REMI methodology throughout the U.S. has led to extensive documentation of its value in socioeconomic analysis. The South Coast Air Quality Management District commissioned a study by the Massachusetts Institute of Technology designed to evaluate the REMI methodology and the entire socioeconomic analysis system used to obtain the impacts of implementing air pollution controls on the Los Angeles Basin (See Polenske, *et al* (1992)<sup>11</sup>). The study evaluated REMI and other socioeconomic analysis models and identified "...seven features often unavailable in many other microcomputer-based regional forecasting models":

- It is calibrated to local conditions using a relatively large amount of local data, which is likely to improve its performance, especially under conditions of structural economic change.
- It has an exceptionally strong theoretical foundation.
- It actually combines several different kinds of analytical tools (including economic-base, input-output, and econometric models), allowing it to take advantage of each specific method's strengths and compensate for its weaknesses.

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<sup>6</sup> Nelson, J.P., Anderson, W.D., and Passmore, D.L. (1997). Economic Development and Air Pollution Abatement: A State-Level Policy Simulation of the 1990 Clean Air Act. *The Journal of Environment and Development*, 6(1), 61-84.

<sup>7</sup> Passmore, D.L. and Anderson, W.D. (1994). What if it All Works? The Economic Stakes for Pennsylvania School Reform. *Pennsylvania Educational Leadership*, 14(1), 32-38.

<sup>8</sup> Rubald, T. (1999). Does Economic Development Pay for Itself in Nevada?. A research paper presented at the 1999 Annual Governor's Conference on Economic Development.

<sup>9</sup> Riddel, M. (2001). The Impact of the Maglev Train on the Economy of Southern Nevada: A Focus on Tourism Impacts. A research paper presented at the REMI Educational Seminar and Workshop.

<sup>10</sup> Schwer, R.K. (2001). The First Mile is Free: An Analysis of the VentureStar Project. A research paper presented at the REMI Educational Seminar and Workshop.

<sup>11</sup> Polenske, K.R. *et al.* (1992). Evaluation of the South Coast Air Quality Management District's Methods of Assessing Socioeconomic Impacts of District Rules and Regulations: Volume I, Summary Findings and Volume II, Technical Appendices.

- It allows users to manipulate an unusually large number of input variables and gives forecasts for an unusually large number of output variables.
- It allows the user to generate forecasts for any combination of future years, allowing the user special flexibility in analyzing the timing of economic impacts.
- It accounts for business cycles.
- It has been used by a large number of users under diverse conditions and has proven to perform acceptably.

*23 industrial sectors are too aggregated!*

## Approach

The model is available at various levels of industry detail, 23, 70, and 169 levels of industries based upon the North American Industrial Classification System (NAICS). In this study, a 23 sector model was used including Nevada's 17 counties. The model history is shortened compared to earlier versions but the economic theory is based on over 20 years of economic modeling experience by REMI. The model allows for updating county and national employment levels to reflect employment information that may become available to the user since the model was built. There are 155 policy variables that can be used to conduct scenarios to look at economic impacts.

An attempt was made to update the model with a number of significant economic activities in the state, region, and immediate area. This is a normal situation with REMI due to the fact the model is built initially with the most current data available from national sources but oftentimes local sources provide updated information.

In this case, national and county employment was updated using the Regional Information System (REIS) data from the U.S. Bureau of Economic Analysis for 2001 and 2002. The REIS data is used in building the REMI model and includes the full range of employment including proprietors. For 2003 and 2004 the update was done using employment data from the Nevada Department of Employment Security (DETR). This data is for covered employment and does not normally include proprietors. The DETR data was compared to REIS data to establish a proportional relationship and the proportion was applied to the 2003 and 2004 data to approximate the REIS data.

In addition to the updated employment information, the model has been run to create a baseline scenario that includes the proposed increase in hotel rooms through 2010 for Clark County. This created an updated baseline scenario against which simulations for Mineral County can be compared. The other baseline is what the model shows without doing any changes, that is, an "out of the box" baseline scenario.

There were three simulations run for Mineral County. The first included the expected private school proposed for the area and the High Desert Operations Center. Both of these

enterprises were included in the model as Educational Services. The assumption for this was that there are 12 employees in 2005, 55 in 2006, and 110 thereafter. The other two scenarios involved the base closing. One was with only the updated employment and the Depot closing, that is, there are no new educational establishments as businesses in Mineral County. The other was to have the Depot closing, but the educational establishments continue as businesses in the area. All the scenarios have different employment and population impacts.

Because of the prominence of the Depot, the model may be overstating its employment overtime. This is partly due to REMI having to deal with data suppression issues and the role of the Depot in the short economic history. The Depot is classified as Administration and Waste Services. The employment at BAE Systems was classified as Professional and Technical Services. Also considered was the civilian employment. The employees that were subtracted beginning in 2011 are shown in the table below.

**Hawthorne Direct Employment Losses**

	Admin, Waste Services	Profess, Tech Services	Civilian
<b>2011</b>	634	20	45
<b>2012</b>	636	20	45
<b>2013</b>	633	20	45
<b>2014</b>	631	20	45
<b>2015</b>	629	20	45
<b>2016</b>	626	20	45
<b>2017</b>	623	20	45
<b>2018</b>	620	20	45
<b>2019</b>	617	20	45
<b>2020</b>	613	20	45
<b>2021</b>	610	20	45
<b>2022</b>	606	20	45
<b>2023</b>	602	20	45
<b>2024</b>	599	20	45
<b>2025</b>	595	20	45
<b>2026</b>	592	20	45
<b>2027</b>	589	20	45
<b>2028</b>	587	20	45
<b>2029</b>	585	20	45
<b>2030</b>	583	20	45
<b>2031</b>	581	20	45
<b>2032</b>	579	20	45
<b>2033</b>	578	20	45
<b>2034</b>	576	20	45
<b>2035</b>	574	20	45

The study is limited to the impacts of the Depot closing in Mineral County. The impact of the closure on other counties is not included in this report. It appears that because of the

limited industry detail, a limited number of the jobs in the Administrative and Waste Services category that are lost in Mineral County are added into other counties. This transfer of jobs would likely not occur with a better ability to model the impacts with greater detail, such as running the simulation on a 70 or 169 level of industry classification. The model was run to 2035 as part of a larger process for developing Nevada's population projections by the State Demographer's office. The REMI model is based on Federal data and the population estimates in the model are based on Census data and are not the same as the estimates developed by the State Demographer's office.

## Outputs and Results

Depending on the possible development of other industries, which at this time the best opportunity for Mineral County appears to be Educational Services, there are a number of potential impacts that appear to happen as a result of the Depot closing. The model has the Depot losing 699 jobs in 2011 and is displayed in more detail in the following pages.

**Of particular significance, the model shows Mineral County, in 2035, under a base closing simulation, to appear as follows:**

- 1. There will be a loss of 1,116 to 1,224 jobs, or an additional .75 jobs lost for every job lost at the Depot.**
- 2. The population will decrease by more than 70% to somewhere around 1,300 people.**
- 3. The remaining population will be a much older population with over 38% of the population being 65 and over and a median age of 50 years compared to a current median age of 40.**

The change of demographics and workforce of a community that drastic is very significant. Unless something in the simulation inputs changes over time, such as not closing the Depot or somehow being able to replace its economic contribution to the region, it is painfully obvious the region will not survive economically.

The following tables show the results of the simulations, and impacts of the closure of the Depot. The following tables show the different baselines and the different scenarios for 2005. All values are reported as thousands in the following tables. Table One shows the levels in the scenarios for 2005. Table Two shows Mineral County in 2035. Table Three shows the differences between 2005 and 2035. Table Four shows the percentage differences for Mineral County by 2035. Table Five shows the age composition in 2005 and 2035.

**TABLE ONE – MINERAL COUNTY 2005**

Variable	REMI "Out of the Box" 2005	Employment Updated for All Counties 2005	Updated Employment with Base Closure 2005	Education Jobs Coming Into Mineral 2005	Education Jobs with Base Closure 2005
<b>Total Emp (Thous)</b>	2.277	2.465	2.465	2.478	2.478
<b>Variable</b>	<b>2005</b>	<b>2005</b>	<b>2005</b>	<b>2005</b>	<b>2005</b>
<b>Population (Thous)</b>	3.809	3.886	3.886	3.888	3.888
<b>Labor Force</b>	1.788	1.859	1.859	1.861	1.861
<b>Variable</b>	<b>2005</b>	<b>2005</b>	<b>2005</b>	<b>2005</b>	<b>2005</b>
<b>Profess, Tech Services</b>	0.055	0.066	0.067	0.067	0.067
<b>Mngmt of Co, Enter</b>	0	0	0	0	0
<b>Admin, Waste Services</b>	0.545	0.614	0.614	0.614	0.614
<b>Educational Services</b>	0	0	0	0.012	0.012
<b>Health Care, Social Asst</b>	0.133	0.125	0.125	0.125	0.125
<b>Arts, Enter, Rec</b>	0.089	0.099	0.098	0.098	0.098
<b>Accom, Food Services</b>	0.167	0.171	0.171	0.171	0.171
<b>Other Services (excl Gov)</b>	0.099	0.073	0.073	0.073	0.073
<b>Variable</b>	<b>2005</b>	<b>2005</b>	<b>2005</b>	<b>2005</b>	<b>2005</b>
<b>Ages 0-14</b>	0.555	0.575	0.575	0.575	0.575
<b>Ages 15-24</b>	0.635	0.650	0.650	0.650	0.650
<b>Ages 25-64</b>	1.790	1.831	1.831	1.832	1.832
<b>Ages 65 &amp; Older</b>	0.830	0.830	0.830	0.830	0.830
<b>Total Population</b>	3.810	3.886	3.886	3.887	3.887

Table One simply shows Mineral County in its current status. It's important to note that in this chart the base closure doesn't change the output numbers at all which is what would be expected considering the possible event, the modeled event, hasn't taken place at this point in time. Other tables take this possible event into consideration and then compare the two situations over the thirty year period of time.

**TABLE TWO – MINERAL COUNTY 2035**

	REMI "Out of the Box"	Employment Updated for All Counties	Updated Employment with Base Closure	Education Jobs Coming Into Mineral	Education Jobs with Base Closure
Variable	2035	2035	2035	2035	2035
<b>Total Emp (Thous)</b>	2.037	2.239	1.241	2.353	1.362
<b>Variable</b>	<b>2035</b>	<b>2035</b>	<b>2035</b>	<b>2035</b>	<b>2035</b>
<b>Population (Thous)</b>	2.295	2.397	1.038	2.478	1.122
<b>Labor Force</b>	1.320	1.401	0.593	1.458	0.652
<b>Variable</b>	<b>2035</b>	<b>2035</b>	<b>2035</b>	<b>2035</b>	<b>2035</b>
<b>Profess, Tech Services</b>	0.09	0.109	0.075	0.11	0.076
<b>Mngmt of Co, Enter</b>	0	0	0	0	0
<b>Admin, Waste Services</b>	0.518	0.574	0	0.575	0
<b>Educational Services</b>	0	0	0	0.103	0.101
<b>Health Care, Social Asst</b>	0.221	0.209	0.174	0.21	0.176
<b>Arts, Enter, Rec</b>	0.088	0.096	0.083	0.096	0.084
<b>Accom, Food Services</b>	0.160	0.162	0.129	0.162	0.130
<b>Other Services (excl Gov)</b>	0.066	0.048	0.036	0.048	0.037
<b>Variable</b>	<b>2035</b>	<b>2035</b>	<b>2035</b>	<b>2035</b>	<b>2035</b>
<b>Ages 0-14</b>	0.384	0.401	0.137	0.414	0.153
<b>Ages 15-24</b>	0.342	0.353	0.140	0.365	0.152
<b>Ages 25-64</b>	1.091	1.152	0.360	1.201	0.407
<b>Ages 65 &amp; Older</b>	0.477	0.491	0.401	0.498	0.410
<b>Total Population</b>	2.294	2.397	1.038	2.478	1.122

The columns "REMI 'Out of the Box'," "Employment Updated for All Counties," and "Education Jobs Coming Into Mineral County," all three anticipate there will be no base closure and no other significant changes in the economy. "Updated Employment with Base Closure" and "Education Jobs with Base Closure," both show the effects of the Depot closing; the first without the expected new educational sector jobs and the last column reflects the influx of the anticipated new jobs.

**TABLE THREE – DIFFERENCES BETWEEN 2035 AND 2005**

	REMI "Out of the Box"	Employment Updated for All Counties	Updated Employment with Base Closure	Education Jobs Coming Into Mineral	Education Jobs with Base Closure
Variable	2035	2035 vs. 2005	2035 vs. 2005	2035 vs. 2005	2035 vs. 2005
<b>Total Employment (Thous)</b>	-0.240	-0.226	-1.224	-0.125	-1.116
Variable	2035	2035	2035	2035	2035
<b>Population (Thous)</b>	-1.514	-1.489	-2.848	-1.41	-2.766
<b>Labor Force</b>	-0.468	-0.458	-1.266	-0.403	-1.209
Variable	2035	2035	2035	2035	2035
<b>Profess, Tech Services</b>	0.035	0.043	0.008	0.043	0.009
<b>Mngmt of Co, Enter</b>	0	0	0	0	0
<b>Admin, Waste Services</b>	-0.027	-0.04	-0.614	-0.039	-0.614
<b>Educational Services</b>	0	0	0	0.091	0.089
<b>Health Care, Social Asst</b>	0.088	0.084	0.049	0.085	0.051
<b>Arts, Enter, Rec</b>	-0.001	-0.003	-0.015	-0.002	-0.014
<b>Accom, Food Services</b>	-0.007	-0.009	-0.042	-0.009	-0.041
<b>Other Services (excl Gov)</b>	-0.033	-0.025	-0.037	-0.025	-0.036
Variable	2035	2035	2035	2035	2035
<b>Ages 0-14</b>	-0.171	-0.174	-0.438	-0.161	-0.422
<b>Ages 15-24</b>	-0.293	-0.297	-0.510	-0.285	-0.498
<b>Ages 25-64</b>	-0.699	-0.679	-1.471	-0.631	-1.425
<b>Ages 65 &amp; Older</b>	-0.353	-0.339	-0.429	-0.332	-0.420
<b>Total Population</b>	-1.516	-1.489	-2.848	-1.409	-2.765

If the Depot continues on its currently anticipated path with the BRAC recommendation, closing, Table Three shows the results of this in the "Updated Employment with Base Closure" and "Education Jobs with Base Closure" columns. The total population of the county will decrease by somewhere between 2,765 to 2,848 people.

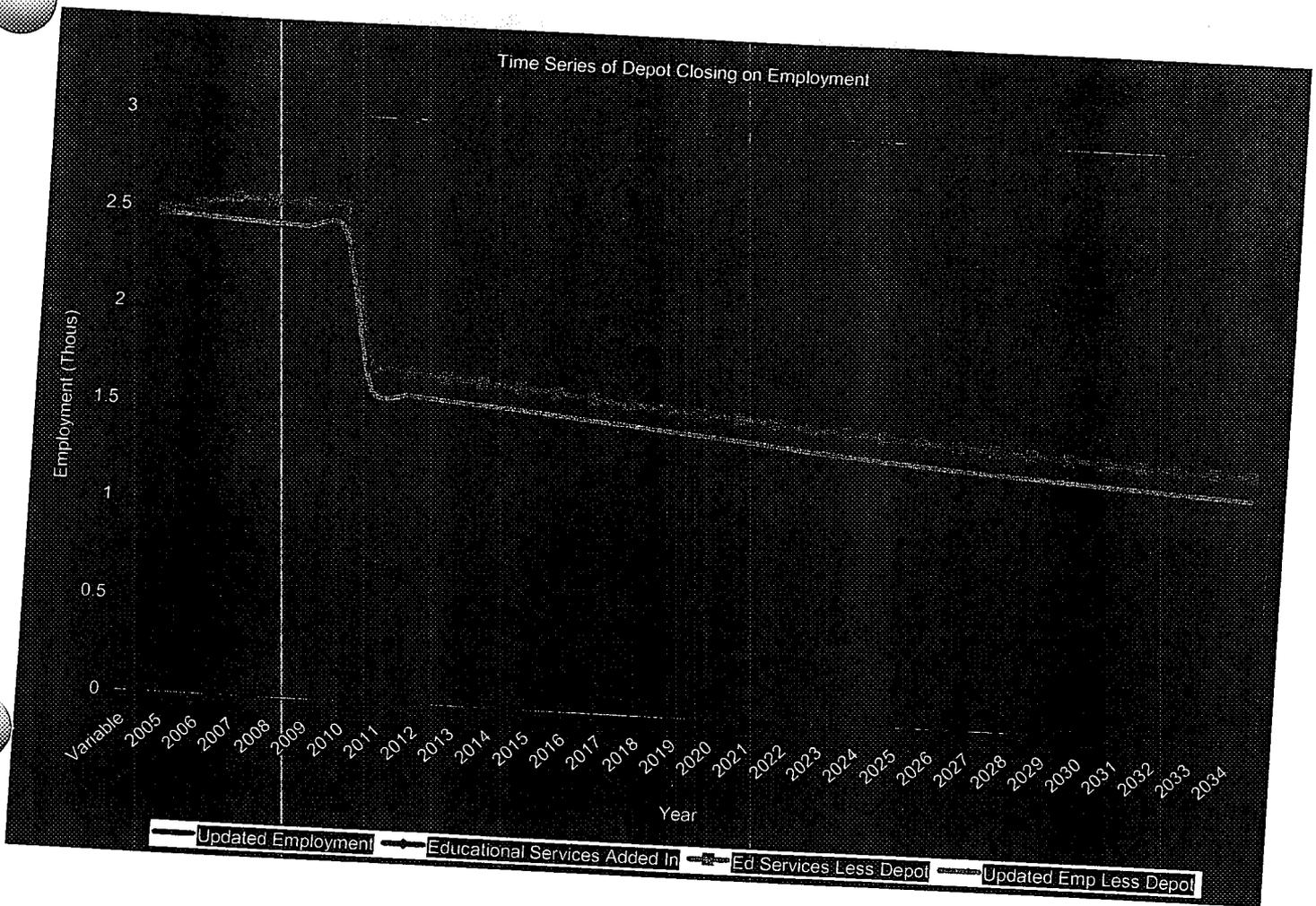
**TABLE FOUR – PERCENTAGE CHANGE FROM 2005 to 2035**

	REMI Out of the Box	Employment Updated for All Counties	Updated Employment with Base Closure	Education Jobs Coming Into Mineral	Education Jobs with Base Closure
<b>Variable</b>	<b>2035</b>	<b>2035</b>	<b>2035</b>	<b>2035</b>	<b>2035</b>
<b>Total Empl. (Thous)</b>	-10.5%	-9.2%	-49.7%	-5.0%	-45.0%
<b>Variable</b>	<b>2035</b>	<b>2035</b>	<b>2035</b>	<b>2035</b>	<b>2035</b>
<b>Population (Thous)</b>	-39.7%	-38.3%	-73.3%	-36.3%	-71.1%
<b>Labor Force</b>	-26.2%	-24.6%	-68.1%	-21.7%	-65.0%
<b>Variable</b>	<b>2035</b>	<b>2035</b>	<b>2035</b>	<b>2035</b>	<b>2035</b>
<b>Profess, Tech Services</b>	63.6%	65.2%	11.9%	64.2%	13.4%
<b>Mngmt of Co, Enter</b>	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Admin, Waste Services</b>	-5.0%	-6.5%	-100.0%	-6.4%	-100.0%
<b>Educational Services</b>	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Health Care, Social Asst.</b>	66.2%	67.2%	39.2%	68.0%	40.8%
<b>Arts, Enter, Rec</b>	-1.1%	-3.0%	-15.3%	-2.0%	-14.3%
<b>Accom, Food Services</b>	-4.2%	-5.3%	-24.6%	-5.3%	-24.0%
<b>Other Services (excl Gov)</b>	-33.3%	-34.2%	-50.7%	-34.2%	-49.3%
<b>Variable</b>	<b>2035</b>	<b>2035</b>	<b>2035</b>	<b>2035</b>	<b>2035</b>
<b>Ages 0-14</b>	-30.8%	-30.3%	-76.2%	-28.0%	-73.4%
<b>Ages 15-24</b>	-46.1%	-45.7%	-78.5%	-43.8%	-76.6%
<b>Ages 25-64</b>	-39.1%	-37.1%	-80.3%	-34.4%	-77.8%
<b>Ages 65 &amp; Older</b>	-42.5%	-40.8%	-51.7%	-40.0%	-50.6%

The above table reflects the numerical changes in the form of percentages. This definitely puts the situation into perspective, especially if you look closely at the third and also the last column of the table. The Health Care and Social Assistance category reflects a 40 percent loss in that category.

**Table Five – Age Composition 2035 vs. 2005**

Variable	REMI Out of the Box 2005	Employment Updated for All Counties 2005	Updated Employment with Base Closure 2005	Education Jobs Coming Into Mineral 2005	Education Jobs with Base Closure 2005
<b>Ages 0-14</b>	0.555	0.575	0.575	0.575	0.575
<b>Ages 15-24</b>	0.635	0.650	0.650	0.650	0.650
<b>Ages 25-64</b>	1.790	1.831	1.831	1.832	1.832
<b>Ages 65 &amp; Older</b>	0.830	0.830	0.830	0.830	0.830
<b>Total</b>	3.810	3.886	3.886	3.887	3.887
<b>2005 Median Age</b>	40.0	39.7	39.7	39.7	39.7
<b>Percentage Distribution</b>					
<b>Ages 0-14</b>	14.6%	14.8%	14.8%	14.8%	14.8%
<b>Ages 15-24</b>	16.7%	16.7%	16.7%	16.7%	16.7%
<b>Ages 25-64</b>	47.0%	47.1%	47.1%	47.1%	47.1%
<b>Ages 65 &amp; Older</b>	21.8%	21.4%	21.4%	21.4%	21.4%
<b>Total</b>	100.0%	100.0%	100.0%	100.0%	100.0%
<b>Variable</b>	<b>2035</b>	<b>2035</b>	<b>2035</b>	<b>2035</b>	<b>2035</b>
<b>Ages 0-14</b>	0.384	0.401	0.137	0.414	0.153
<b>Ages 15-24</b>	0.342	0.353	0.14	0.365	0.152
<b>Ages 25-64</b>	1.091	1.152	0.36	1.201	0.407
<b>Ages 65 &amp; Older</b>	0.477	0.491	0.401	0.498	0.41
<b>Total</b>	2.294	2.397	1.038	2.478	1.122
<b>2035 Median Age</b>	39.4	39.4	50.9	39.3	49.2
<b>Percentage Distribution</b>					
<b>Ages 0-14</b>	16.7%	16.7%	13.2%	16.7%	13.6%
<b>Ages 15-24</b>	14.9%	14.7%	13.5%	14.7%	13.5%
<b>Ages 25-64</b>	47.6%	48.1%	34.7%	48.5%	36.3%
<b>Ages 65 &amp; Older</b>	20.8%	20.5%	38.6%	20.1%	36.5%
<b>Total</b>	100.0%	100.0%	100.0%	100.0%	100.0%



In closing, the graphic above indicates the continuing decline of the employment in the county after the simulated closing of the Depot. The community has just recently recruited new companies into the area and they reflect the increasing trend shown in the light blue line during 2006 and 2007. The Depot being shut down at this point in time would probably jeopardize these new businesses as well.

###

Good Afternoon.

Since we have been put on the BRAC list, I have been consumed. I am sad, mad and confused over this decision.

Here is my take:

Close HWAD	Save \$777 million
Environmental Cleanup	deduct \$529 million
Ship stocks to Tooele	deduct \$81 million
Demil Stocks	deduct \$176 million
The balance is \$9 million.	
In the hole.	

The DOD says Hawthorne is simply a storage site, they have no active maintenance, no active distribution and no active demil. Hawthorne has accessibility and outloading problems. BRAC them.

If this is true, how can we demil over 130,000 tons of stocks in five years? How can we ship over 51,000 tons in each of three years? The DOD BRAC'd us for the very things they expect us to now accomplish.

The kicker is that in 2011, we will dismantle all our WADF equipment and ship to Tooele, where a new WADF will have been constructed.

It doesn't add up.

How many employees do you think will hang around if we remain on the BRAC list? Not many. Most will want to get off the sinking ship as soon as possible. This of course will start the ripple effect in the community.

I have lived in Hawthorne since 1964. I work for DZHC. I support all the local businesses. I do not have to lock my doors. My kids are safe walking to the park, to the store or to their friends.

I can water ski, snow ski, four wheel, and hike within minutes. I can see the stars every night and believe me they are beautiful. We have no encroachment whatsoever. This is quality of life and could only happen in a small town. I am here by choice.

We truly are America's Patriotic Home. The warfighter continues to be our #1 priority. By closing the depot, you will certainly issue the death sentence to the Town of Hawthorne.

I love Hawthorne, HWAD and the people of this community. Don't BRAC us. I will leave you with photos of what our community will look like if we are BRAC'd

Thank you.

D. Sitton



(775) 945-3321

540 F Street ~~~ HAWTHORNE, NEVADA 89415 ~~~ P.O. Box 1000

July 11, 2005

U.S. Department of Defense  
Base Realignment and Closure Commission

Re: Hawthorne Army Depot

Dear Commission Members:

I represent the El Capitan Casino and Resort in Hawthorne. Our business is the second largest private employer in Mineral County. Our business and our employees contribute a huge amount of financial support to Mineral County and the State of Nevada. Last year alone the El Capitan contributed \$680,000 in state and local taxes.

The possible closure of the Army Depot will devastate our community, our people, and our businesses. The impact, however, is much greater and deeper than that. Estimates of the financial impact predict thirty to fifty percent of the people of Hawthorne will lose their jobs. This will virtually turn our vital community into a ghost town.

For seven decades, or more, the patriotic and loyal people of Hawthorne and the Army Depot have proudly supported and worked with each other to benefit our country. It has been a strong and deep commitment. Some of America's finest have served and been trained here. The Hawthorne Army Depot has, for decades, served and protected America in times of war and in peace.

Closing the door on the community of Hawthorne, after this historic and patriotic relationship with our military base is not what this nation's citizens want or deserve. It is certainly not what the community of Hawthorne wants or deserves. In simple words, it's just plain wrong. We urge you not to close the Army Depot at Hawthorne.

We thank you for your service on this commission and ask for your careful and thoughtful consideration.

Respectfully,

A handwritten signature in cursive script, appearing to read "Bernard W. Curtis".

Bernard W. Curtis, Director of Government Relations  
Holder Hospitality Group // El Capitan

A handwritten signature in cursive script, appearing to read "Richard Metts".

Richard Metts, General Manager  
El Capitan Resort Casino

Statement by Wade Barton to the BRAC commission July 11, 2005

Every dollar spent at the Depot has a multiplier.

The dollars paid to the Depot employees, and the dollars spent at local businesses are spent again and again in our community.

I get paid for a sign. I go to Bruce Dow for a dental check up, & Scotty's, and get my truck serviced.

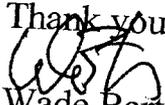
The dollars I spend are then used for wages and supplies. Scotty's get their fuel from Western Central. Those dollars are used for wages, supplies,. The people earning those wages spend their dollars at Safeway, Wagner's, Napa, etc.

Businesses survive because of the dollars that come through the Depot

Without those fresh dollars coming in our economic base is doomed. It will cause a domino effect. People will lose their homes. Property values will plummet. We will lose our Hospital, Library, and eventually our school.

If it is closed we must demand total cleanup and or the opportunity to solicit other parties interested in the storage business to utilize the facility.

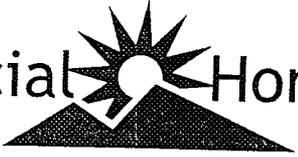
Thank you for this opportunity to speak.

  
Wade Barton

P.O Box 83

Hawthorne, Nevada 89415

(775) 945-8898.



Financial Horizons Credit Union  
Lifetime Banking Solutions

July 11, 2005

The Honorable BRAC Commission

Good Afternoon,

My name is Barbara Reuter, and I am President of Financial Horizons Credit Union, one of two Financial Institutions in Hawthorne. I am honored to have the opportunity to speak with you today. Our credit union originated as NAD Federal Credit Union in 1947, serving only the Naval Ammunition Depot employees. We have since changed to a community credit union, however a large number of our members work at the Depot.

We receive direct deposits bi-weekly from Hawthorne Army Depot payroll exceeding \$286,000, of that, approximately 15% are loan repayments. There would be a definite impact on our credit union if members were unable to repay their loans. As a mortgage lender, the most recent appraisals on homes now have a notation that the closing of the base would negatively affect the value of the home.

Can you imagine not only losing the job you thought would take you to retirement, but being unable to sell your home because of the economic conditions in your community? These are some of the issues we will be facing if the base closes. Please consider the impact of your upcoming decision on our community, Thank you.

Respectfully,

Barbara S Reuter  
President/CEO

Main Office - 895 Sierra Way P.O. Box 2288 Hawthorne, Nevada 89415 (775) 945-2421  
Yerington Office - 120 N. Main Street Yerington, Nevada (775) 463-7842  
Fallon Office - 48 Commercial Way Fallon, Nevada (775) 428-6768

Hello Commissioner Coyle,

My name is Yvonne Downs and I moved to Hawthorne seven years ago. In this time I've learned to love the safety & security that Hawthorne provides to families. I love that Hawthorne's citizens take great pride in being America's Patriotic Home. I love that the Depot is a family oriented business. My husband has a brain tumor & can only work part time. With his handicap, both the town & work provide a supportive environment that you can't get in the city. We also have a 77 year old Aunt that lives with us for about 1/2 the year. She has lived in Hawthorne for over 50 years. I am the sole supporter of our family & there is NO WAY that I would be able to live in a city & support us. My sister moved here this year to get away from the stresses of the city. We both feel that Hawthorne provides work comparable to city life with the safety & security that only a small town can provide. If you close the Depot it will mean that families such as mine will be forced to move & experience hardships that we can't imagine with the loss of our quality of life & limits to our choices. Please DO NOT close the Hawthorne Army Depot.

Thank you.



P.O. Box 2509  
3050 Industrial Loop  
Hawthorne, NV 89415  
(775) 945-2222

Good afternoon. I'm Burton Packard, owner and operator of Bucket of Mud Ready Mix. I bought this business about a year and a half ago with the dream of being a successful businessman. So far, so good.

Now we face the possible elimination of the largest employer of our community. The closing of the Hawthorne Army Depot would be devastating to our businesses, our families, and our community.

Twenty-five years ago I came to Hawthorne to begin my adult life. Since then, my wife and I have built our dream home with our very own hands, raised our family, and had a successful career with Day & Zimmermann progressing from a firefighter trainee to the fire chief. From there, I decided to take on the ownership of my own business. Where else but Hawthorne could I have all of these opportunities? I only hope my two children will be so fortunate.

I don't need to tell you that a 50% decrease in our small town's population will affect my concrete business. No people, no construction, no business. I don't want this town to perish. This is my home and I do not want to leave!

In closing, I would like to thank you for taking time out of your busy schedule to visit us. I'm sure that you will find we are worth the effort.

Sincerely,



Burton A. Packard Jr.

Owner, Operator