DCN: 5017

BRAC COMMISSION REGIONAL HEARING

AGENDA

July 6, 2005

4:00 – 5:00 pm

DEFENSE FINANCE AND ACCOUNTING SERVICE – LIMESTONE

Limestone, ME

Boston Convention and Exhibition Center
415 Summer Street, Boston, MA
(as of June 30, 2005)

1.	Senator Olympia Snowe	Case Overview/Military Value
2.	Senator Susan Collins	Cost/Benefit Analysis
3.	Rep. Michael Michaud	Limestone as a Center of Excellence
4.	Mr. Carl Flora	Local Ability to Respond to Growth Plans
5.	Senator Olympia Snowe	Closing Statement on DFAS
6.	Governor John Baldacci	Economic Impact
		A. Aroostook County
		B. State of Maine

DCN: 5017

Olympia Snowe

Testimony of

Sen. Olympia J. Snowe

before the

BRAC Commission Regional Field Hearing

On

Defense Finance and Accounting Service, Limestone

Case Overview and Military Value

July 6, 2005

Mr. Chairman and Members of the Commission, I will now proceed to the case for the Defense Finance and Accounting Service Limestone Field Site.

First, let me thank General Newton for being able to visit DFAS Limestone last week. We are pleased you were as impressed with the facility as we all are – and we realize you had quite a challenging schedule with Buffalo, Atlanta, and Limestone in just three days!

The case that we present to you today will demonstrate that DFAS Limestone should be maintained because the Department of Defense substantially deviated from the BRAC criteria in recommending its closure. I will begin by providing a brief overview and then I will discuss Limestone's distinct military value.

But first, allow me to tell you about one compelling aspect of this case.

Unlike most other BRAC proposals, this recommendation to close Limestone represents a double closure.

As the Congressional representative during the 1991 BRAC round that resulted in Loring Air Force Base closing in September of 1994, I can tell you, that closure had nothing short of a devastating impact on this very rural community. At the time of the closure announcement, the facility employed **4,500 military and 1,100 civilian personnel**, and their layoffs increased that region's unemployment by more than one-third.

[cue SLIDE 1]

This is crucial to understand, because DFAS Limestone has been the cornerstone of economic recovery efforts -- so hitting this area twice within fifteen years with additional job

losses would be a cruel blow to an area that is only now beginning to see progress in recovering from its prior BRAC loss.

Case Summary

During our presentation, we will demonstrate that this recommendation to close one of the most effective facilities in the DFAS system should be rejected for six essential reasons.

First, the Limestone Field Site is located in a secure, structurally sound facility that uses state-of-the-art technology.

[cue SLIDE TWO]

Second, it has highly-trained and motivated employees who provide premier finance and accounting services for our war fighters, and it has a proven track record of efficiently performing its mission at a cost substantially lower than the rate for other DFAS sites.

Third, the data that the Department used to determine the "Military Value Ranking" for DFAS facilities was based on a number of flawed assumptions that produced misleading and incorrect results, all in substantial deviation from Criteria 1 through 4, as well as Criterion 7.

Fourth, closing Limestone does not save the Department money. In fact, it would cost $7.8 million, and those costs are not recovered during the twenty-year BRAC time horizon. By contrast, expanding the number of personnel in Limestone's low-cost operation, in a facility that can readily absorb such expansion without additional military construction, saves the Department money. Limestone's operating costs are half those of DFAS facilities in Columbus and Indianapolis, and well under a third of those at Denver. It would make sense to expand your operations at the lowest-cost facility in order to save more in costs. The Department's own COBRA model demonstrates that expansion at Limestone would achieve that.

Fifth, DoD failed to consider the severity of the economic impact of the closure decision on Aroostook County.

DFAS Limestone is one of the area's largest employers, that its average wages are **50% higher** than rest of the county; and that the regional impact of this closure is greater than any other community in the nation.

Although DoD's own data does not contest these facts, DoD did not apparently weigh them properly, and DoD's failure to do so was a substantial deviation from Criterion 6.

And finally, this recommendation should be rejected because the Limestone facility is ideally suited for expansion as a "center of excellence" within DFAS.

My colleagues and I will speak to all of these issues, and I will get us started by turning to show how DoD substantially deviated from the statute's military value criteria.

Military Value

DoD's Headquarters and Support Activities Group based their closure recommendation on a flawed model and inaccurate information that underrepresented Limestone's military value.

Specifically, the data that the DoD used to determine the "Military Value Ranking" for DFAS facilities was based on at least four faulty assumptions that produced misleading and incorrect results, and thus led to a substantial deviation from Criteria 1 through 4.

[cue SLIDE THREE]

First, DoD's model automatically rated as "insecure" any DFAS site not on an active military base.

But this one part of the model – which accounted for a critical 15% of the overall military value score -- failed to recognize and account for the stringent anti-terrorism/force protection measures already in place at a former air force base like Limestone, such as an anti-vehicle fence, a large buffer zone, and controlled access.

While we certainly agree that security is a valid consideration, the facility's score should have been based on its own specific merits, and not given an arbitrary, "one-size-fits-all" score of zero. Even if full credit is arguably appropriate for facilities located on military installations, that does not mean that a unique location such as Limestone lacks necessary security and must, therefore, categorically be denied any such credit.

In fact, the **Army Corps of Engineers** recently performed a security assessment of DFAS Limestone and concluded that it meets nearly all DoD force protection standards and is far more secure than most other DFAS facilities.

Moreover, the assessment found that the standards Limestone does not currently meet can be corrected – both easily and inexpensively. Simple tasks: moving parking spaces back so that they are at least 33 feet distant from the building, relocating the mailroom to an exterior wall, and placing a wire mesh panel around an area where the roof overhangs the building.

And finally it should be noted that while DoD penalized Limestone for not having security cameras, new state-of-the-art digital cameras are, in fact, now up and running.

For all of these reasons, we believe that DFAS Limestone rates a security score of (point one five) .15

[cue SLIDE FOUR]

Second, an additional 5% of DoD's military value score was based on the nature of the local workforce pool. But DoD's model automatically gives a score of "zero" for facilities if they do not appear on a **Department of Labor workforce listing of Primary Metropolitan Statistical Areas or Metropolitan Statistical Areas of over 100,000.**

Obviously, this metric arbitrarily penalizes a facility such as Limestone for being located in a rural setting. In actuality, Limestone's local workforce pool has proven to be extremely effective in meeting the needs of DFAS.

Each and every time an expansion has occurred at Limestone, there has been a more than ample applicant pool from which to choose. In an area with **7.5% unemployment**, there are many qualified applicants looking to compete for what are high-paying jobs for the area.

In previous expansions, Limestone accomplished new hires in **9.2 days**, the lowest rate among all 26 DFAS facilities.

We believe Limestone should be afforded a score that recognizes this workforce exists and is commensurate with other rural areas such as Lawton, OK. Therefore we believe a score of (point zero zero two) .002 is a fair score for DFAS Limestone.

[cue SLIDE FIVE]

The **third** area where DoD fundamentally erred in assessing the military value of Limestone was in scoring the condition of its facility.

Here, Limestone received a "red" score, meaning that DoD thought Limestone required major construction, maintenance, or repairs greater than $250,000 over the next five years. In fact, though, Limestone should have received the *highest* score – a "green" score -- because its *actual* repairs amount to less than $100,000.

No aspect of the Limestone facility has failed, or is failing.

Rather, the budget data that DoD relied on here was not a required maintenance list, but an *optional wish list that,* ironically enough, DoD itself solicited from DFAS. The plain facts are that Limestone is in excellent condition; it just completed an $8.6 million renovation project in 2001; and the facility should have received the *highest ranking* in this category.

Therefore, we believe DFAS is actually a "green" facility and therefore rates a (point one four) .14 scoring.

[cue SLIDE SIX]

Finally, although Criterion 2 explicitly states that military value shall be based on "the availability and condition of land," the model DoD created to assess DFAS facilities did not even include a metric to capture that data. This clearly penalized Limestone which sits on 15 acres of land that could be available to DoD for possible expansion at little to no cost. DoD's failure to

recognize this fact again deprived Limestone of the more comprehensive and accurate military value scoring.

Conclusion

Given all these and all related errors by DoD in assessing Limestone, DoD deviated substantially from Criteria 1 through 4.

Had Limestone been given full credit for the secure nature of its facility under criterion one, its workforce pool, and its facility condition assessment rating had been changed from "red" to "green," then its **military value score would have been .840**, *giving it the second highest military value score among all 26 DFAS facilities.*

Such a rating clearly would not have warranted the profoundly wrong closure recommendation we face here today.

Let me now turn to Senator Collins who will discuss the issue of cost savings with regard to the DoD's flawed recommendation.

DFAS Limestone at the Former Loring Air Force Base

DFAS Limestone

DFAS Military Value Calculation

	DoD	Corrected
Installation Security		
Local Workforce Pool		
Facility Condition Assessment Rating		
TOTAL	.548	

DFAS Limestone Military Value Ranking: 17/26

DFAS Military Value Calculation

	DoD	Corrected
Military Value Baseline	.548	.548
Local Workforce Pool		
Facility Condition Assessment Rating		
TOTAL	.548	

DFAS Limestone Military Value Ranking: 6/26

DFAS Military Value Calculation

	DoD	Corrected
Military Value Baseline	.548	.548
Installation Security	0	.150
Facility Condition Assessment Rating		
TOTAL	.548	

DFAS Limestone Military Value Ranking: 6/26

DFAS Military Value Calculation

	DoD	Corrected
Military Value Baseline	.548	.548
Installation Security	0	.150
Local Workforce Pool	0	.002
TOTAL	.548	

DFAS Limestone Military Value Ranking: 2/26

DCN: 5017

Susan Collins

STATEMENT OF SENATOR SUSAN M. COLLINS

BRAC COMMISSION HEARING

BOSTON, MASSACHUSETTS

6 JULY 2005

DEFENSE FINANCE AND ACCOUNTING SERVICE

LIMESTONE FIELD SITE

Mr. Chairman, Commissioners, in deciding to close DFAS Limestone, the Department of Defense deviated substantially from criterion five. This criterion states that the Department must consider the potential costs and savings, including the number of years for the savings to exceed the costs.

The Department of Defense assumes that the DFAS closures would start in 2006 and be completed in 2011. The initial one-time cost for this plan is $282 million. It would be paid back in the first year, and the twenty-year net present value of total savings under this proposal would be $1.3 billion. Based on this analysis, it appears that the Department would reap substantial savings from an overall consolidation. There is, however, a fatal flaw in this analysis.

While the Department did an overall analysis of the savings that would result from consolidation, it did not examine the specific costs and savings related to the proposed closure of DFAS Limestone. In fact, the Department did not do COBRA runs for any scenarios that would involve keeping Limestone open. This is precisely the issue raised in Chairman Principi's letter of July 1. This omission led to a flawed conclusion that, if implemented, would not be in the best economic interests of the Department of Defense, the people of Maine, or the American taxpayer.

By using the Department's own certified data, and its own COBRA model, we have demonstrated that the best option for the Department is not to simply leave the Limestone Center open, but actually to expand it. Our analysis shows that keeping DFAS Limestone open would maximize savings and reduce costs overall.

An expert hired by the State of Maine examined the Department's COBRA run on the DFAS consolidation plan. He then ran the COBRA model to determine the effect on the bottom line costs and savings of three different alternatives to the Department's recommendation: first, assessing the impact of keeping the status quo at DFAS Limestone; second, examining the impact of growing DFAS Limestone to 480 positions; and third, evaluating the impact of expanding DFAS Limestone to 600 positions.

The analyst made no other changes to the overall data. For example, he accepted the Department's assumption that the planned reduction of the workforce to 241 would occur at DFAS Limestone even though the facility currently has 353 employees. He ran the entire COBRA model covering all 26 facilities. He then compared the scenarios where DFAS Limestone remained open or expanded with the Department's overall COBRA analysis under which Limestone would be closed.

The results of this analysis are remarkable. Using the Department of Defense's own certified data, it is clear that closing DFAS Limestone would result in significant costs, not savings. In fact, the COBRA model demonstrates that the best way to maximize savings for the Department of Defense is actually to increase the workforce at DFAS Limestone.

This chart[1] shows the COBRA results of the four possible scenarios. On the chart, the horizontal line in the middle represents the status quo, keeping Limestone open with its currently planned number of employees. The line above the horizontal represents the costs to the Department over time from closing Limestone. The lines below the horizontal represent savings to the Department from keeping Limestone open and expanding it.

The Department's own COBRA model demonstrates that, when you evaluate the proposed closure of DFAS Limestone on its own merits, the closure does not contribute anything to the savings from the overall DFAS consolidation. In fact, it is just the opposite. This chart demonstrates that the costliest option for the Department – the top line of the chart – is to close DFAS Limestone. Retaining DFAS Limestone would save the Department $1.4 million in one-time military construction costs to renovate the Columbus site, as well as $6.4 million in personnel and moving costs for a total of $7.8 million. These costs are the spike you see on the top line of the chart in year 2008.

According to the COBRA run, there would be no savings over the 20-year BRAC period from closing Limestone.

Even maintaining the status quo at DFAS Limestone is preferable. According to the COBRA run, if the status quo were maintained at Limestone – the horizontal line on the chart – the Department would avoid spending the $7.8 million just discussed. The twenty-year net present value of these savings is $1.7 million.

The first rule of BRAC should be to "do no harm." It's clear that closing DFAS Limestone would be costly to the Department, and thus the taxpayers.

As you can see, the greatest benefit to the Department is to increase the size of the DFAS Limestone workforce. The business case for increasing the workforce at Limestone is compelling. DFAS Limestone could accommodate an additional 239

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[1] All power point slides presented in connection with this testimony are hereby incorporated by reference and made part of this sworn testimony.

people for a total of 480 people with no military construction costs.[2] For the purposes of this model, it is assumed that these positions would be those that the Department proposes be moved from Norfolk to Columbus. By moving them instead to DFAS Limestone, it eliminates the need for military construction funding at Columbus. This also produces savings in other areas because overhead as well as personnel costs (due to differences in locality pay) are demonstrably lower at Limestone than at Columbus.

This alternative would save $2.9 million in one-time costs, and the twenty-year net present value of the savings would be $10.8 million. The savings for this scenario -- shown on this chart -- in comparison to the scenario proposed by the Department are even more startling. Compared to the Department's proposal, an expansion at Limestone to 480 people would save $10.7 million in one-time costs, and the twenty-year net present value of the savings from this alternative would be $12.5 million.

Growing DFAS Limestone would provide even greater savings to the Department over the long-term. This is evident when you examine the scenario – shown on the bottom line of this chart – whereby Limestone would receive an additional 359 positions, bringing its workforce up to 600. For the purposes of the COBRA run, this would entail the 229 Norfolk positions going to Limestone, along with 80 positions that would go to Limestone instead of to Columbus.

This scenario would require military construction funding of $1.23 million,[3] which would allow for the renovation of 24,000 square feet at DFAS Limestone. This cost is, however, more than offset by the savings that result from the reduced personnel and overhead costs.

Again, let's look at the substantial savings this option would provide in comparison to the Department's plan. Compared to that scenario, this proposal saves $11.9 million in one-time costs, and results in twenty-year net present value savings of $15.1 million to the Department and to the American taxpayer.

BRAC criterion 6 states that the Department needs to consider the economic impact on communities in the vicinity of military installations. While the Department did analyze the economic impact of the closure, this analysis did not play a role in determining which sites would be consolidated. At the onset of this process, the Department ran an optimization model to determine the shape of DFAS consolidation,

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[2] Although there likely would be a cost of approximately $391,000 to purchase workstations for these additional workers, the COBRA model does not include these costs because it includes the excess capacity of the facility in its calculation, and Limestone has sufficient excess capacity to accommodate these additional employees.

[3] In fact, a local contractor who renovated the Limestone facility in 2000 has estimated that this work would cost $808,000. Insofar as this contractor completed the previous Limestone renovation on-time and under the amount budgeted for that project, the contractor's estimate is probably more accurate than the Department's estimate. These lower military construction costs would result in even greater savings.

but that model did not take into account economic impact. Nevertheless, that was how the Department determined to go forward with the three sites.

We have asked the Department if economic impact was included in this optimization model. The answer we received back – quoted here directly from a Defense Department document – was that the optimization model to determine the three gaining locations for DFAS did not include economic impact on communities.

As the Department's own analysis shows, the economic impact of the closure of DFAS Limestone on the surrounding communities in Northern Maine is the most severe among all of the 26 affected DFAS sites.

In other words, the Department calculated economic impact, but did not consider it in making its decision to close DFAS Limestone. Despite the clear mandate in the BRAC criteria, economic impact was not factored into the initial closure decision, which became the final decision. This disregard represents a substantial deviation from criterion six. It is particularly important in this analysis, because this closure would be a double blow to Northern Maine, given the previous closure of Loring Air Force Base. DFAS Limestone has been the anchor for the redevelopment of the base, and closing this facility based on faulty analysis would be unfair and unwise.

Our next speaker is Congressman Michaud.

The Department of Defense DFAS Consolidation Proposal

Consolidating 26 DFAS facilities into 3 receiver sites (Columbus, Indianapolis, Denver)

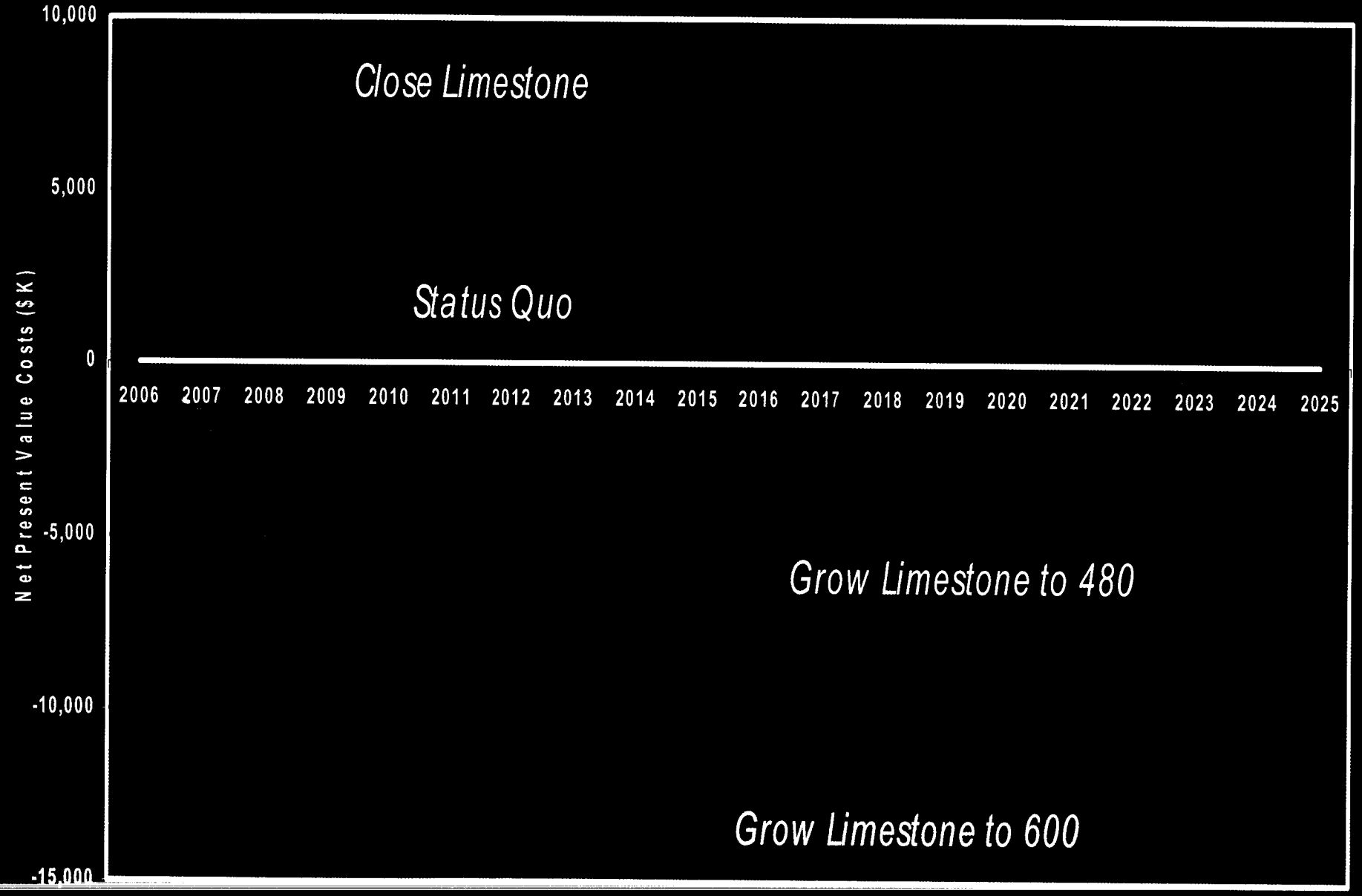
- COBRA Model analysis

Starting Year:	2006
Final Year:	2011
1-time Cost (K):	$282,062

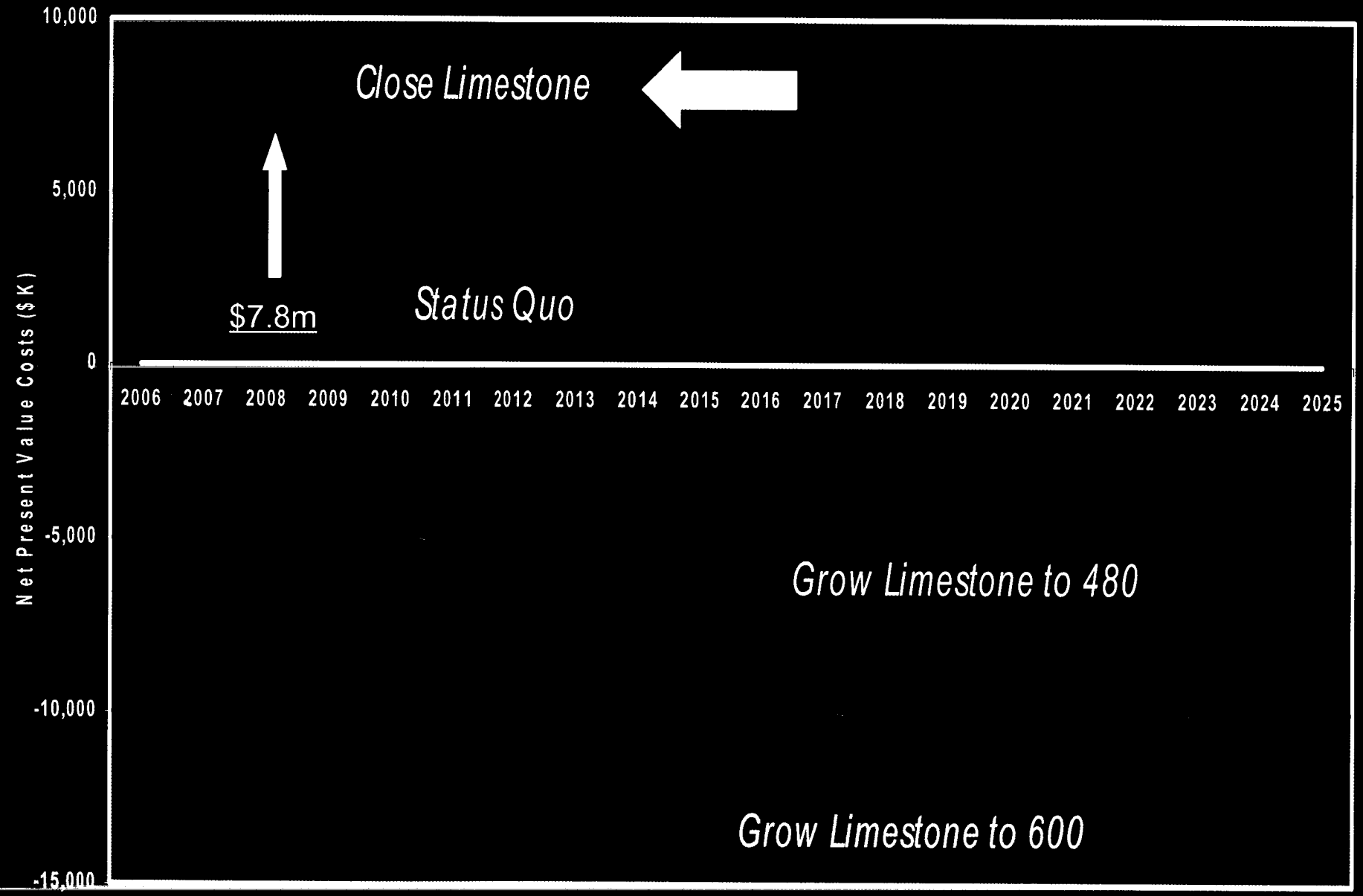
Return on Investment

Payback Year:	Immediate
NPV in 2025 (K):	-$1,313,813

Limestone Realignment Alternatives



Limestone Realignment Alternatives



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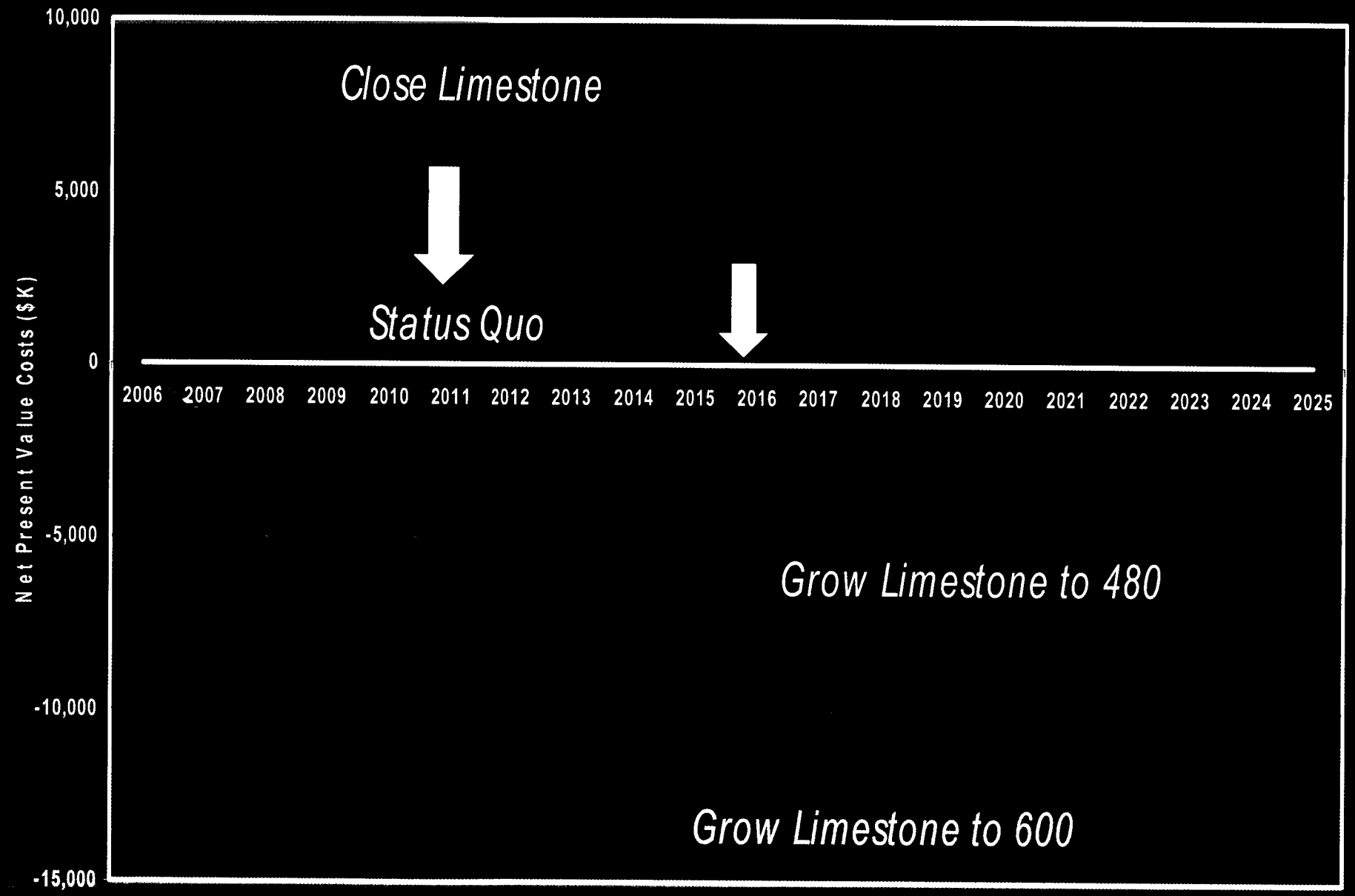
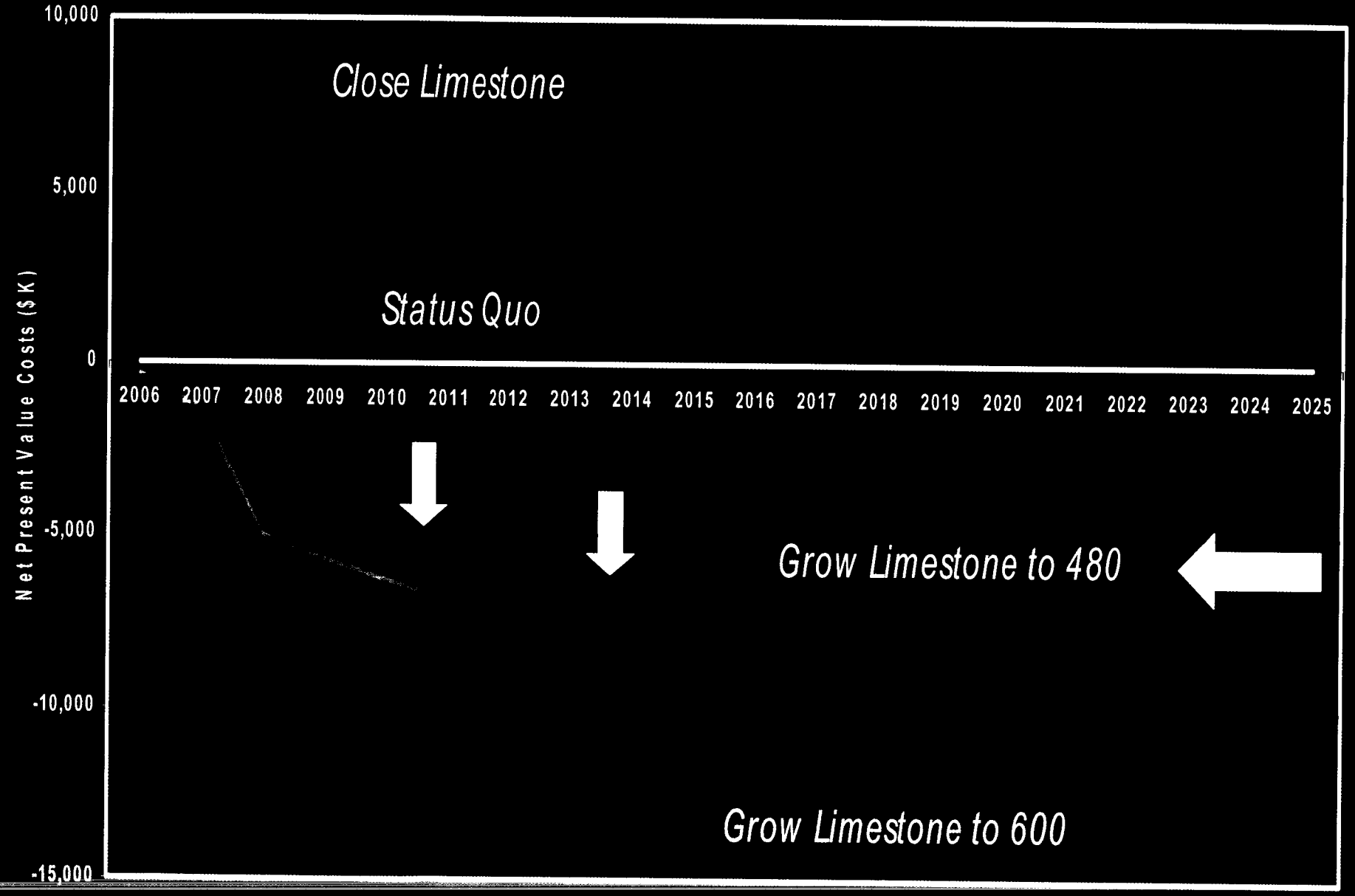
Limestone Realignment Alternatives



Limestone Realignment Alternatives



Grow DFAS Limestone to 480 Positions

<u>This scenario assumes that DFAS Limestone would receive an additional 239 positions</u>

- COBRA Model analysis

Starting Year :	2006
Final Year :	2008
1-Time Cost (K) :	-$2,947 (saved)

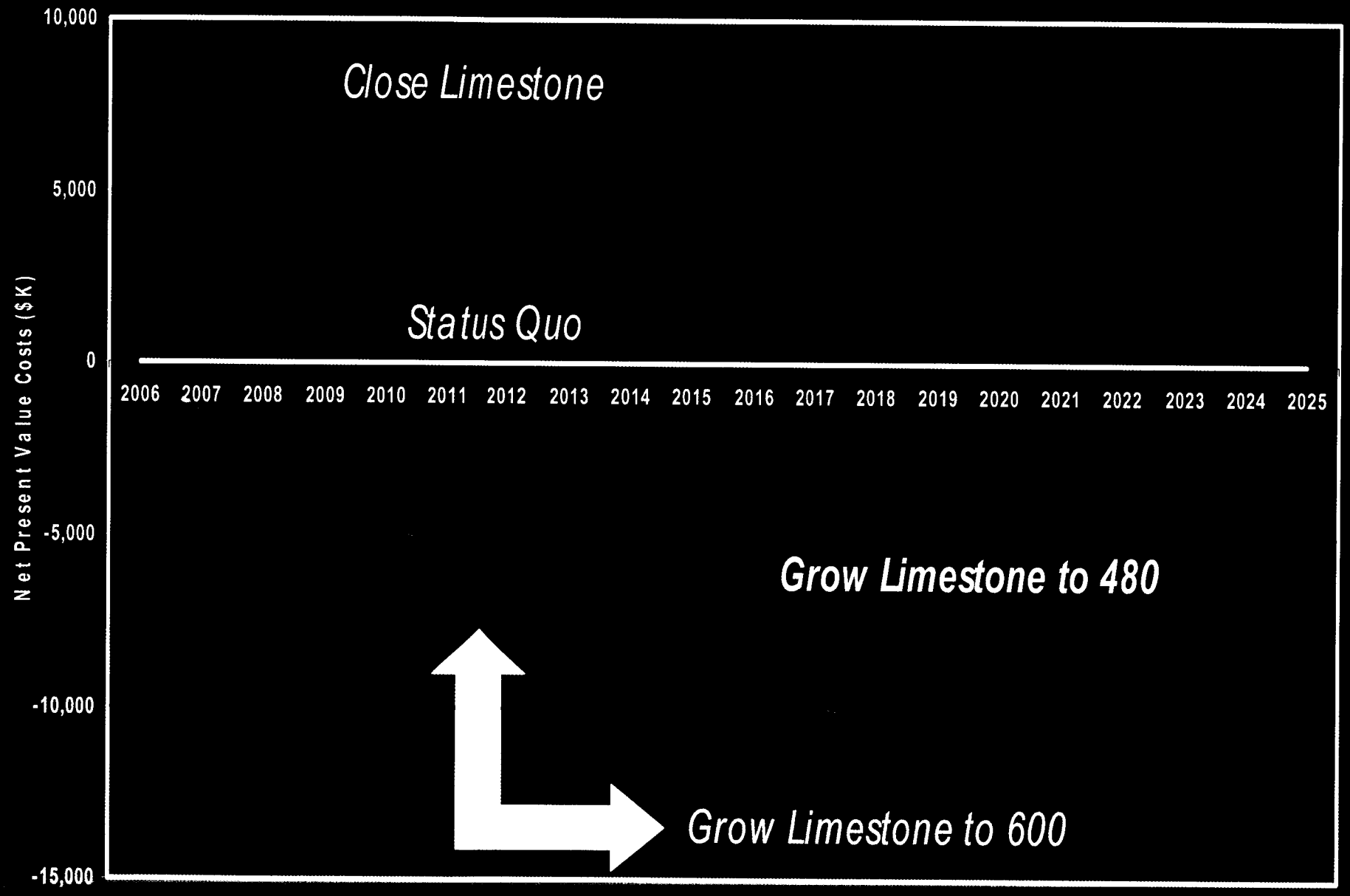
Return on Investment :

Payback Year :	Immediate
NPV in 2025 (K):	-$10,817 (saved)

Cost/savings Relative to Department's consolidation proposal :

1-Time Cost (K) :	-$10,753 (saved)
NPV in 2025 (K) :	-$12,551 (saved)

Limestone Realignment Alternatives



Grow DFAS Limestone to 600 Positions

<u>This scenario assumes that DFAS Limestone would receive an additional 359 positions</u>

-COBRA Model analysis

Starting Year : 2006
Final Year : 2008
1-Time Cost (K) : -$4,130 (saved)

Return on Investment :

Payback Year : Immediate
NPV in 2025 (K) : -$13,371 (saved)

Cost/savings Relative to Department's consolidation proposal :

1-Time Cost (K) : -$11,936 (saved)
NPV in 2025 (K) : -$15,105 (saved)

Optimization Model did not account for Economic Impact

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 was also considered in the scenario development phase.

7. From HSA-JCSG, DOD-BRAC documents contain the conclusion that "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." Given that conclusion, why wasn't this metric excluded from the final military value analysis results, and what would be the military value analysis results if that metric were excluded from the military value calculation for all DFAS facilities?

   The DFAS Military Value Scoring Plan, including the metric "One-of-a-kind Corporate Process Applications" was completed while the business process review of DFAS was on going. Thus, the revelation that one-of-a-kind corporate process applications identified through the military value data call would have limited or no real impact on possible workload and manpower relocations occurred after the military value data call responses were received. An EXCEL spreadsheet that replicates the military value model associated with the DFAS Military Value Scoring Plan is provided at enclosure 2. The Department cannot recalculate military value scores o elimination of this metric, or any metric, from the model because such elimination would leave the scoring plan skewed.

8. From HSA-JCSG, an explanation of how the optimization model u select the three gaining facilities included BRAC criterion 6: "Th impact on existing communities." If this criterion was not incl optimization model, please explain what model was used to into the final recommendation.

   The optimization model to determine the three gaining locations for DFAS did not include "Economic impact on existing communities." According to guidance provided in the ISG's sixth policy memorandum, Criterion 6 will be assessed against scenarios. (DoD Website http://www.defenselink.mil/brac/minutes/brac_guidance.html Policy Memos.) The optimization modeling starts scenario development, which precedes application of Criterion 6. Within the BRAC process, Criterion 6

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The optimization model to determine the three gaining locations for DFAS did not include "Economic impact on existing communities."

Economic Impact of Proposed DFAS Consolidation

Source: DOD BRAC Recommendation: Appendix VII. "Economic Impact on Communities." Pages 38-40.

	Top Ten Affected Communities	% of Area Workforce
1	***Aroostook County, ME***	***1.0***
2	Pensacola-Ferry Pass-Brent, FL	0.8
3	Lawton, OK	0.7
4	Utica-Rome, NY	0.4
5	Charleston-North Charleston, SC	0.3
6	Lexington Park, MD	0.2
7	Davenport-Moline-Rock Island, IA	0.2
8	Cleveland-Elyria-Mentor, OH	0.1
9	Kansas City, MO-KS	<.1
10	Washington-Arlington-Alexandria, DC-VA-MD-WV	<.1

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Testimony of

Congressman Michael H. Michaud

before the
BRAC Commission Regional Field Hearing
on

Defense Finance and Accounting Service, Limestone

Limestone as a Center of Excellence
July 6, 2005

Chairman Principi, Commissioners, based on the substantial deviations from the military value criteria outlined by Senator Snowe, and the potential cost savings shown by Senator Collins, a more efficient option for DFAS consolidation that would also enhance military value would be to grow operations at Limestone.

We understand that DFAS is using the BRAC process as a tool for transformation. But, they do not yet have a final vision. The Deputy Director of DFAS, General Eakle, has stated that: DFAS is not sure what its organizational structure will look like in the coming years; DFAS is looking to private industry for models for better organization, and; DFAS has not yet developed a model for its future structure, but is awaiting the outcome of BRAC.

So, many realistic options for the future of DFAS should be on the table. DOD created only one poorly-considered scenario for this future that does not take advantage of the potentially transformational business practices available to DFAS.

But it does not have to be this way. As a virtual network, DFAS operations can be performed at almost any facility with the proper technology and a motivated workforce. Because DFAS is a working capital fund, any savings or improved efficiencies result in direct benefits to the customer. And as we know, DFAS' customers are America's military personnel. So, DOD should follow the guidance of the private sector and put DFAS operations at the most cost effective and secure facilities for the entire system.

Limestone is exactly such a facility.

What role would Limestone have in a realigned DFAS system?

When asked what DFAS would do if the BRAC Commission decided to keep Limestone open, General Eakle responded that DFAS would determine an appropriate business line and would build a "center of excellence" in Limestone. As a center of excellence, Limestone could focus on and expand any of its current missions or perform a new business line as identified by DFAS following the BRAC process.

And why should Limestone be a center of excellence? What sets Limestone apart from other DFAS facilities?

Limestone's track record demonstrates that it already is the center of excellence for DFAS, and would have no difficulties expanding its mission within the realigned DFAS. Limestone has repeatedly and successfully gained work through DFAS-wide realignments because of its superior performance. And it has never had any difficulty in recruiting qualified and dedicated employees to fill these jobs.

Limestone is one of only two facilities serving the Air Force and now supports 72 Air Force and Air National Guard customers handling $7 billion in vendor pay and $14.5 billion in accounting. It provides critical accounting support for our warfighters serving in Operation Iraqi Freedom and Operation Enduring Freedom. And as we recently heard from Secretary of Defense Rumsfeld, we may be in Iraq for a significant amount of time, perhaps 12 years. We should not undermine this critical support for our troops in the field.

Limestone was recently selected to carry out:

- The consolidation of the US Air Force Europe, Air Force Special Operations Command, and Air Education and Training Command databases;
- The capitalization of workload for 34 Air National Guard Units, and;
- The processing of Defense Travel System payments and collections for the Department of Defense.

Limestone is the only facility with the unique expertise – including language and cultural skills – needed to effectively handle the business operations of the 8 "US Air Forces in Europe" main bases – expertise that according to the Director of DFAS Limestone, would take more then a year for new employees at other facilities to gain.

Limestone is also the award winning leader in improving DFAS-wide operations and cost savings efforts. Limestone led the way in developing cost saving database retrievals and the LOUIS software. And now Limestone is leading DFAS into the future as the first field site to use ePortal.

As a center of excellence, Limestone ($4.98) would continue leading DFAS at a substantially lower cost then the vast majority of other sites, including the recommended receiver sites in Columbus ($8.27), Denver ($9.15), and Indianapolis ($14.96). Because of its location, Limestone's costs are low and its efficiency is high. Limestone is in its first year of a no-cost renewable 50 year lease. And its costs could be further reduced because Loring BioEnergy is willing to provide energy for heat at one-half market value and electricity at cost for the next 15 years.

The Limestone facility is capable of adding a substantially greater number of employees and could be physically expanded while still creating overall cost savings through the BRAC process. Limestone can immediately expand operations by 36%—from its current size of 353 employees to 480—by simply installing cubicles and workstations, or by 65% to 600 employees with minor renovations. Limestone could then double its size by going to shift work. As Limestone serves

clients in 11 different time zones—most notably United States Air Force Europe—this change would make a great deal of business sense.

Unlike the proposed consolidation sites, Limestone is surrounded by 15 acres of free land, available through the Loring Development Authority, and it is likely that construction in Northern Maine would be significantly less expensive then in other parts of the country.

The Limestone facility is also certified as compliant with all force protection requirements. Recent renovations of nearly $8.6 million – which were performed by local contractors, below estimated cost, and ahead of schedule – make Limestone one of the most state of the art facilities in the DFAS system.

Limestone also has unique military value because it is located on its own local power grid with back up generators. Columbus and Indianapolis are located on the same power grid. Should this grid fail; two-thirds of the DFAS network under the DOD proposal could be shut down. Limestone uniquely fills the requirement for strategic redundancy for DFAS in the case of an attack or natural disaster. In a virtual network, this type of security and strategic redundancy is critical to ensuring continuity of business operations.

The low cost of operations and the nature of the facility clearly demonstrate the military value of Limestone to DFAS — but it is the employees that set Limestone apart from other DFAS sites. DFAS is not just a job for the employees at Limestone, it is a career. They are truly dedicated to serving our men and women in uniform. In fact, approximately 17% of the employees at Limestone are veterans. 85% of employees have at least some college education and 50% have associates degrees or higher. Labor relations are excellent: there has not been a single formal grievance or EEO complaint filed in the entire existence of DFAS Limestone.

These people love where they live and love where they work, and that comes through in their superior work product. Job satisfaction is higher at Limestone then the three recommended receiver sites according to the most recent Organizational Assessment Survey. The pay, working environment and mission make DFAS an employer of choice in Aroostook County and much of the state of Maine.

Limestone has never had any difficulty recruiting qualified applicants for new positions. In fact, it has the shortest hire time, at 9.2 days, of any DFAS site. And Mainers are ready and capable of filling new jobs at the facility. The population within 30 miles of Limestone is 38,300 and the total population for Aroostook County is 73,390. According to the *2000 Census of Population*, Mainers are willing to travel great distances for good jobs. As an employer of choice, DFAS is that good job. The University of Maine, the Northern Maine Community College and Husson College provide academic and professional courses that will sustain a strong supply of workers.

Studies performed by the University of Southern Maine Center for Business and Economic Research and the Northern Maine Development Commission have shown that individuals who have left the county would return and that young people would stay if good paying jobs were available. Again, DFAS offers that good job.

Finally, assuming that some sort of consolidation of the DFAS system will take place, the cost of living and quality of life would attract many realigned employees to Limestone.

DFAS Limestone has proven itself to be a critical part of both the DFAS community and the local community. Its closure would be devastating to both. Expanding Limestone is consistent with both the purpose of BRAC and the DFAS transformation strategy to focus work at virtual "centers of excellence." Limestone is capable of significant growth and as Senator Collins showed, growing Limestone would increase the cost savings of the BRAC process.

Let me now introduce Carl Flora to discuss in greater detail the ability of the local population to supply the necessary workforce.

Limestone: The Center of Excellence for DFAS

- Rewarding Success with Increased Workload
  - Supporting warfighters in Operations Iraqi Freedom and Enduring Freedom
  - Consolidation of USAFE, AFSOC, & AETC databases (new work)
  - Capitalization of workload for 34 ANG units (new work)
  - Selected to process Defense Travel System payments/collections for DoD
- Leading DFAS Innovation and Expertise
  - Unique expertise, including language and cultural skills, needed for business operations of the 8 "US Air Forces in Europe" main bases
  - Only site with full-time ANG liaison
  - Best 2004 OPM customer service survey results for sites supporting AF
  - First field site with ePortal – now open to our customers
  - Recognized for innovation – Vice Presidential Hammer Award, DOE Energy Saver Award, Wide Area Work Flow, AF accounting test site

Excellent Value

- Cost of Facility Operations = $4.98 per square foot, lower than all three gaining locations: Columbus ($8.27), Denver ($9.15), Indianapolis ($14.96)
- First year of a Fifty-Year No Cost Renewable Lease
- Locality Pay Costs = 10.9, lower than all three gaining locations: Columbus (13.14), Denver (16.66), Indianapolis (11.11)
- Future heating costs at one-half market value for the next 15 years (Agreement with Loring BioEnergy LLC)
- Future electricity at cost for the next 15 years (Agreement with Loring BioEnergy LLC)

"Rural areas can offer lower real estate costs, improved security, reduced parking and traffic congestion problems and better access to major transportation arteries."

-- GAO Report, September 2003

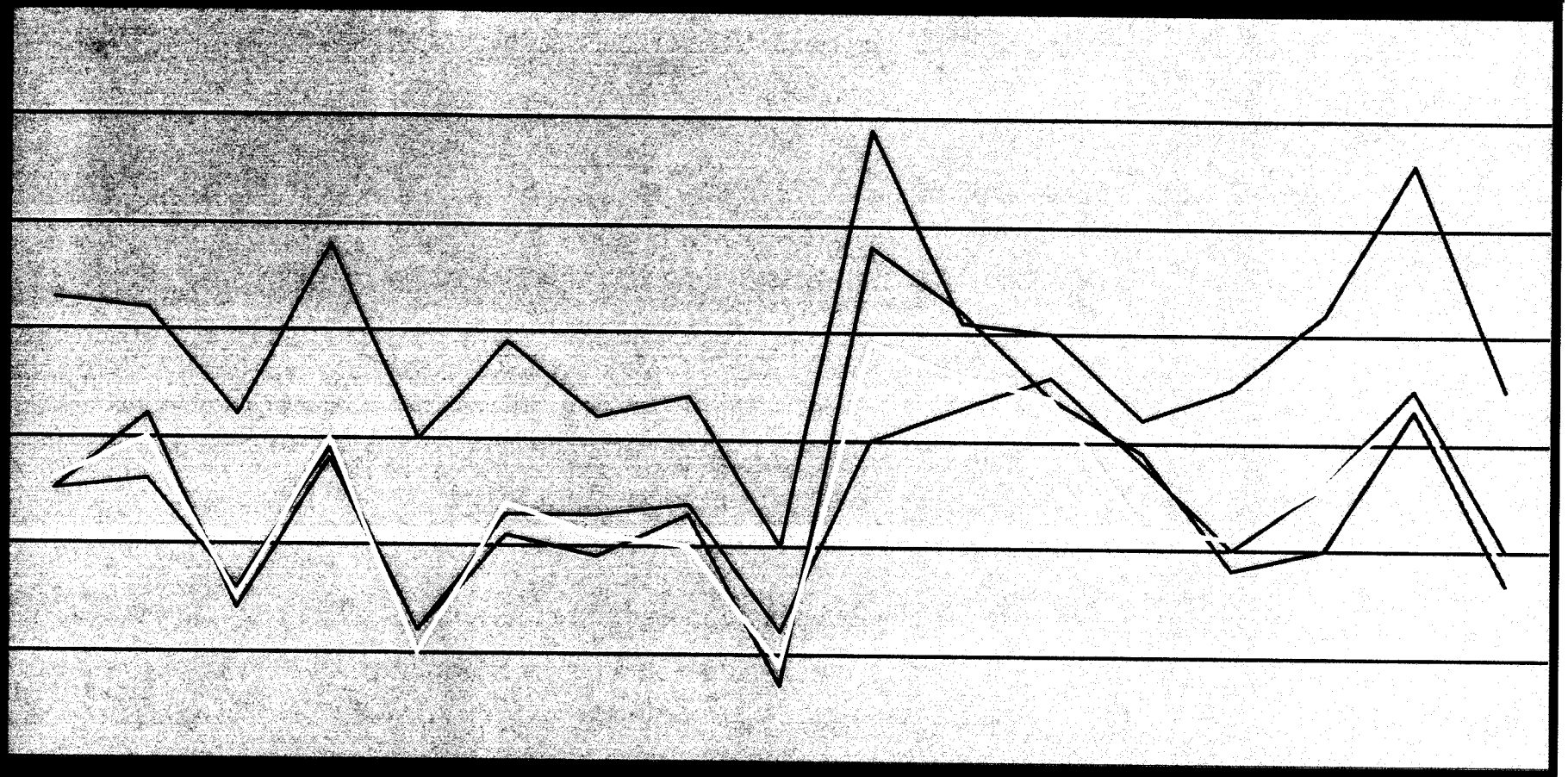
Limestone Capacity to Expand Now and in the Future

- Capacity for expansion of nearly 24,000 square feet or 35% of its utilized space
- Room to expand 36% to 480 employees at minimal cost
- Room to expand 65% to 600 employees with minor renovations
- 1200 employees with minor renovations and two shifts for European customers
- 15 Acres of free land available for future construction through the Loring Development Authority

Limestone Employees

- DFAS Limestone is an Employer of Choice for Aroostook County
- High Job Satisfaction and Morale
  - Turn over rate below 5%
  - Sick leave rate lower than DFAS national average
- High Education Level:
  - 85% with some college education
  - 50% with associates degrees
  - 36% with bachelors degree or higher
  - Intern/mentoring/coaching programs identified as best in DFAS
  - Strong Local College Support provide worker training and education in accounting and finance operations:
    - Two branches of the University of Maine
    - Northern Maine Community College
    - Husson College
- Excellent Labor Relations: No formal grievances or EEO complaints filed in its 10 year existence

Organizational Assessment Survey – Employee Satisfaction



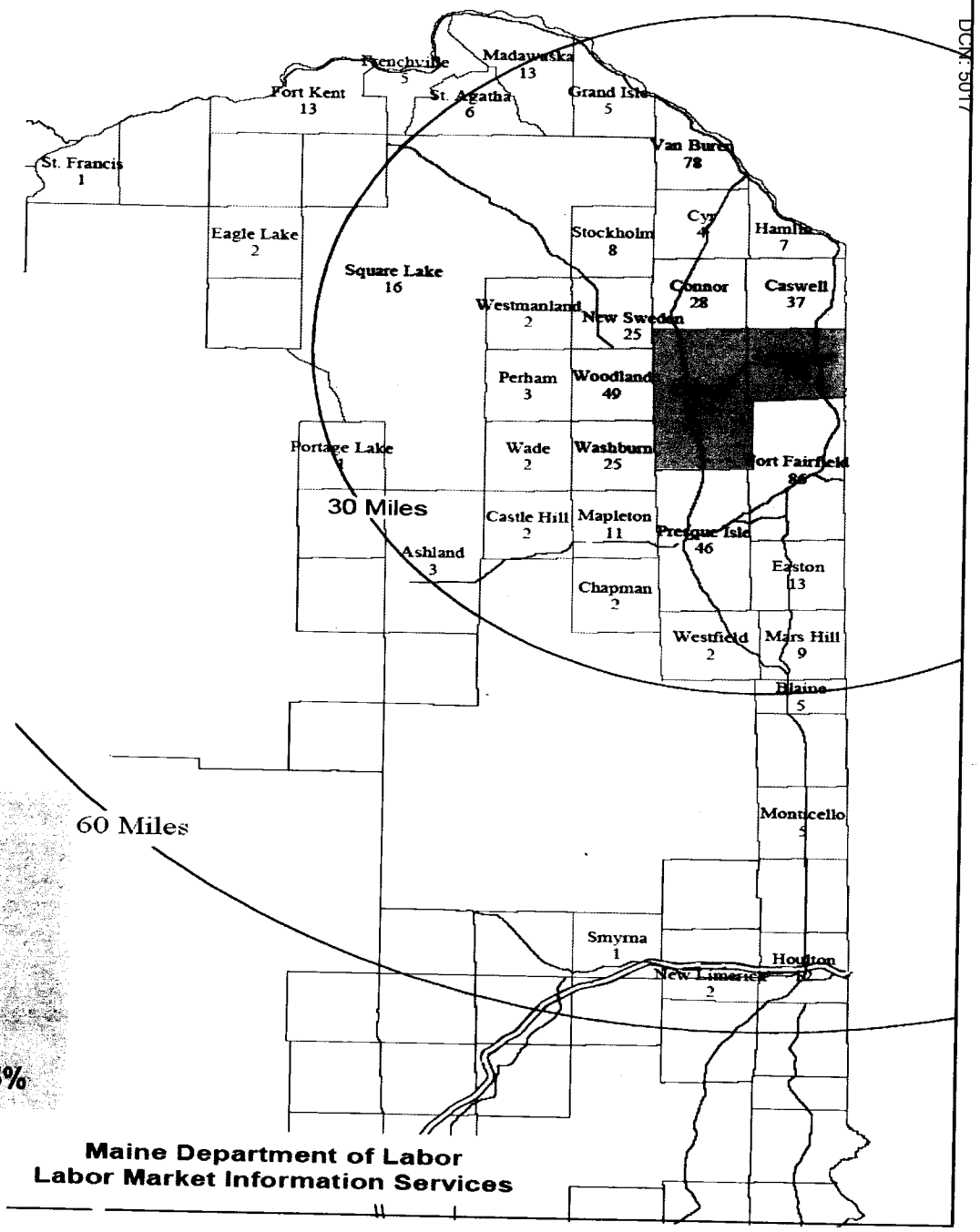
Place of Residence of People Working in Limestone

Total Commuters: 1,345

Commuters

- 1 - 15
- 16 - 100
- 101 - 150
- 151 - 476

Source: US Census 2000



Labor Force

30 Miles
Population: 38,291
Labor Force: 19,845
Employed: 18,827
Unemployed: 1,018
Unemployment Rate: 5.1%

Aroostook County
Population: 73,390
Labor Force: 36,830
Employed: 35,173
Unemployed: 2,762
Unemployment Rate: 7.5%

Maine Department of Labor
Labor Market Information Services

DCN: 5017

DCN: 5017

Testimony of

Carl Flora, President and CEO of Loring Development Authority

before the
BRAC Commission Regional Field Hearing
on

Defense Finance and Accounting Service, Limestone

Local Ability to Respond to Growth Plans
July 6, 2005

I am Carl Flora, President and CEO of the Loring Development Authority (LDA), the entity charged with redeveloping the former Loring Air Force Base, which closed in 1994. Loring Commerce Centre is now a thriving business and aviation park that is home to more than 20 diverse employers who have collectively created nearly 1450 jobs.

DFAS-Limestone was the first large employer at Loring Commerce Centre, having set up operations in 1995. It has served as the cornerstone for our economic rebuilding efforts. DFAS-Limestone's current 353 employees represent almost a quarter of the jobs that have been created at the former air base.

You have been asked to consider several possible scenarios under which DFAS-Limestone's mission would be expanded from its current level of 353 to 480, 600 or even 1,000 or more employees.

Given Loring's rural location and a relatively small local labor force, it is prudent to ask where the employees would come from to staff such a large expansion. During my ten years at the LDA, many of the other employers who ultimately chose to locate at Loring asked us the same question.

Following Loring's closure, there was a period of severe population loss, and while unemployment has subsided, what still remains today is chronic underemployment. According to the Maine Department of Labor, the average wage in the area is $25,000, which is well under the national average.

Again, according the state, the average pay for the DFAS jobs is $39,000. Because the salary and benefits at DFAS are high by local standards, DFAS is a regional "employer of choice". As such, DFAS has had no problem attracting qualified candidates to fill positions. It ranks best among all DFAS centers with its 9.2 day average hiring interval.

Indeed, this is exactly what other Loring employers have found: compensation that is perhaps only mediocre by national standards is extremely competitive in our region and will guarantee access to many workers with skills for which there is an oversupply or light demand in the

region. These workers do not show up in the unemployment statistics because they in fact are employed, but not in the best or most suitable jobs. These circumstances clearly open the door to hundreds, even thousands of workers.

Another factor that can assure an abundant supply of workers is the out-migration mentioned before. Many Aroostook County residents have found it necessary to leave the area in pursuit of a career, especially following Loring's closure. However, many of these people still have family connections and a desire to return to Aroostook County. These people constitute a "shadow workforce" and, given the right economic opportunity, they will return to Aroostook County to live and work. DFAS Limestone is that economic opportunity.

I would direct your attention to a group of letters from other large local employers testifying to the abundant supply of human resources and talent in the region. I would also point out the letter from Joseph Wischerath, who heads Maine & Company, a non-profit organization which has been at the forefront of business-recruitment efforts in the State of Maine for many years. Mr. Wischerath reports a shift in the thinking among private sector companies seeking to locate new operations, and among the "site location" consultants that assist them, such that underemployment is now considered as a major factor in the analysis of workforce "availability". He also notes the success of MBNA in Belfast, Maine, (which, incidentally, has a smaller labor market than Presque Isle) where MBNA is the regional "employer of choice" for 2,000 MBNA employees.

In summary, the loss of 353 DFAS jobs would be devastating to an area that has only begun to recover from the loss of Loring Air Force Base. But the loss of DFAS cuts deeper than just the lost jobs, loss of payroll, indirect impacts on the economy, and further out-migration – it would also represent the loss of a premier employer around which many people's hopes and aspirations are focused.

Thank you.

DCN: 5017

Olympia Showe

Testimony of

Sen. Olympia J. Snowe

before the
BRAC Commission Regional Field Hearing
on

Defense Finance and Accounting Service, Limestone

Closing Statement on DFAS

July 6, 2005

Mr. Chairman, members of the Commission, thank you again for your attention and patience in this final hour of what I recognize has been a very long day for you.

In summation, you have heard how DoD substantially deviated from core BRAC selection criteria –

[SLIDE ONE]

That DoD based Limestone's military value score of zero *solely* on the fact that Limestone is not located on an active military base.

And yet, *if* they had made a site visit, they would have seen a facility **located on a former strategic bomber base...with an anti-vehicle fence...large buffer zone...and a controlled access perimeter**. Those facts -- combined with the excellent condition of the facility – *should* have earned Limestone *one of the highest military value scores of any DFAS facility* – ***a "point-840"*** *(.840)* – above the three receiving sites.

Moreover, DoD's military value model *also* did not account for the reality that Limestone is already filling job vacancies in an **average of just 9.2 days**, <u>the quickest hiring time of any DFAS facility</u>.

<u>With regard to cost savings</u> – we have demonstrated that, in fact, there would be costs *incurred* from closing Limestone, while money could be *saved* by keeping and expanding the facility.

<u>You have also seen</u> how DoD *further* short-changed Limestone by wrongly counting future, purely *optional* projects against Limestone's facilities rating...and failed to give credit for the availability of **15 acres** of land for potential expansion – *at no additional cost to DoD.* If not for these oversights Limestone would have received the *highest* score for condition of land and facilities.

And we have shown how the Department *ignored* that closing Limestone would increase unemployment in Aroostook County by more than a *third*.

Finally, with its **reputation and numerous awards for excellence...low operation costs...low expansion costs... superior workforce...high degree of security...state-of-the-art technologies...and potential cost savings I referred to**, we submit that DFAS-Limestone should experience a *growth* in workforce, as a DFAS "Center of Excellence". *Because excellence is what DFAS-Limestone is all about.*

Mr. Chairman...commissioners...as a veteran of four previous BRAC rounds, I can only say I recognize the enormity of your responsibility, and we are extremely impressed with your courteousness...responsiveness...and seriousness of purpose.

All of us representing Maine and New Hampshire – as well as the thousands of workers and supporters from Portsmouth Naval Shipyard...Brunswick Naval Air Station...and DFAS Limestone – deeply appreciate your willingness to patiently hear our cases today.

I will now introduce the Governor who will speak to the state-wide economic impact of DoD's recommendations on all 3 facilities in Maine.

DCN: 5017

John Baldacci

Remarks of Maine Gov. John Baldacci

before the

Base Realignment and Closure Commission

Boston, Massachusetts

6 July 2005

Chairman Principi, members of the Commission, I am Governor John E. Baldacci of Maine, and I thank you for the opportunity to address the economic impacts on Maine people of the Department of Defense's BRAC recommendations. In the time available to me, I will speak first to impacts on the Limestone region by closure of the DFAS facility, followed by a discussion of the statewide impacts of the DOD plan; third, to their relative impacts here, compared to other states; and lastly, to some flaws in the DOD analysis and the underestimation of its numbers

The Limestone DFAS center is located in Aroostook County, one of the most economically depressed regions in the nation. The unemployment rate in Aroostook is currently 7.5%, and out-migration is a chronic problem, due largely to its remote location and the decline of traditional agriculture and forestry. DFAS is among the area's largest employers, and its average wages are 50% higher than the rest of the county.

(PUT UP SLIDE 1)

Unlike in most other communities, the DOD's decision to close Limestone, in fact represents a double closure. During the 1991 round of BRAC, Loring Air Force Base was scheduled for closure with a 1994 shutdown that had a devastating effect on the local economy. At the time of the closure announcement the facility employed 4,500 military and 1,100 civilians. Scores of businesses closed, mil rates rose drastically in surrounding communities because of a decrease in school enrollment, business failures and an overabundance of vacant commercial and residential real estate was prevalent.

While the region has not fully recovered from this painful blow, DFAS, Limestone has been the cornerstone of that effort and has provided area residents with well paying jobs with benefits. Employment and economic trends the last few years have been relatively stable, with the unemployment rate averaging at or near the national level. In recent months, however, the communities surrounding Loring have experienced some significant business closures and the unemployment rate for April 2005 is 7.5%, the highest it has been for many years and 2.3% above the national average. The additional job losses that would be experienced with the closure of the DFAS Limestone would be a huge blow to the area and would certainly erase a significant amount of progress that has been made in the recovery of the loss of the Loring AFB.

The DFAS job losses will increase the number of unemployed in the region by more than 1/3. When indirect jobs are included, our economists calculate 550 to 600 total positions will be eliminated, increasing the number of unemployed Aroostook residents by more than one-half.

There will also be a severe de-population effect in a county with a long history of out-migration; the loss of 360 well-paying DFAS jobs will deepen this problem. Workers who relocate to find work will take family members with them.

STATEWIDE IMPACT

The citizens of Maine have a long and distinguished history of service to our nation in times of need. From the 1863 Battle of Gettysburg, in which men of the 20th Maine Regiment led by General Joshua Chamberlain turned the tide at Little Round Top and, in the view of many historians, literally saved the Union; to today when, Maine has had one of the highest rates among all the states in deployment of National Guardsmen and women to Iraq and Afghanistan. Maine's population accounts for less than 1/2 of one percent of the nation, yet the state has consistently sent 2, 3, or even 5 times its share of servicemen and women in times of war. We did so during the Civil War, World Wars I and II, the Korean War, Vietnam, and Desert Storm. In each of those conflicts we suffered similarly disproportionate casualties.

Today, speaking on behalf of all Maine people, let me say that we wish to continue to serve the nation as best we may; and that we will continue to do so.

In establishing "economic impact" as one of the criteria for the Defense Base Realignment and Closure evaluation process, the Congress has created a dilemma for the Commission. No base closure or realignment will be without its economic impacts, at times positive, at other times quite negative. How then is the Commission to make "economic impact" a meaningful consideration?

Certainly, the most reasonable approach is to consider not the mere presence of economic impact, nor necessarily its absolute magnitude, but its relative size among affected areas. **No region should be asked to improve the nation's military efficiency by bearing a disproportionate share of the economic costs. Yet this is exactly what the DOD plan proposes. Its recommendations and their consequences will amount to a federally-induced, major economic recession in Maine** – one deeper than the DOD figures would lead you to believe, and one from which the people of Maine will be years in recovery.

(PUT UP SLIDE 2)

From the extreme northernmost point of Maine to its southernmost tip of Kittery, the home of the Portsmouth Naval Shipyard, the statewide impact of the DOD plan will be massive for Maine. The closure of any single installation would be painful; the closure of three together will be felt throughout the Maine economy for years to come. Closing the DFAS center will hurt an already struggling northern region. Closing Portsmouth and realigning Brunswick will compromise southern Maine, the very core of the state's overall economy.

(TAKE DOWN SLIDE 2)

Earlier today Governor Lynch described the impact of closing Portsmouth Naval Shipyard in Kittery, at the other end of Maine. The southern Maine / New Hampshire economy will lose some 12,000 jobs.

(PUT UP SLIDE 3)

In Maine's southern-most county of York, more than 4% of all workers will become unemployed as a result of the DOD plan. And since Portsmouth Shipyard pay levels are nearly twice the average in the region, the percent of total wages being removed from the regional economy will be even greater – fully 12% of all wages paid in the 20-mile region, and 11% of all wages in the 30-mile region. These are numbers one would expect to see only in times of severe recession.

(TAKE DOWN SLIDE 3)

Moreover, the thousands of workers who will lose their jobs at the Shipyard have highly specialized skills that do not transfer readily to other industries. Many Shipyard workers are advanced in their careers and have spent decades tailoring their skills to meet the Navy's needs. Their skills are today unmatched, yet there are not businesses or

industries in the region capable of absorbing thousands of newly jobless Shipyard workers.

Long-term employment projections suggest that traditional manufacturing jobs in the southern Maine region will continue a pattern of decline. Helping five thousand Shipyard workers adapt their skills to new industries while supporting their families will be an unprecedented undertaking for our state. The lack of immediate job opportunities in the area will inevitably force some workers and their families to leave southern Maine.

We would like to give you a similar assessment for the impact of Brunswick in the mid-coast region of Maine, but we have been unable to obtain the necessary information from the Navy. We have very little information on which positions will leave and which will stay, which buildings will be mothballed and which will be available for reuse. We know that DOD estimates a loss of 4,655 jobs and $135 million in wages and salaries in the region. This alone suggests that the economic impact will be far reaching; however, the impact of the realignment will be magnified by local economic conditions that DOD did not consider.

The mid-coast Maine economy is today struggling with major workforce reductions at Bath Iron Works (BIW), the state's largest defense contractor and builder of Navy destroyers, located next-door to Brunswick. In 2004 and 2005, BIW laid off 675 workers from jobs paying some of the highest wages in the region. Over 500 individuals are currently collecting unemployment insurance and face limited prospects for re-employment. The skills and occupational qualifications of the BIW workers are very similar to those employed at Portsmouth. Flooding the regional labor market with thousands of workers with similar skills will further handicap their re-employment prospects in Maine and New Hampshire.

In sum, the total direct and indirect effect on wages in Maine from the loss of these three facilities will be the equivalent of losing the state's entire farming, fishing, and forestry & logging industries, or its food, beverage, and textile

manufacturing industries. In terms of employment, it will be the equivalent of losing either the state's paper manufacturing industry, its wood product and computer and electronic product manufacturing industries, or the hotel and motel sector of Maine's tourism economy. It will be nothing short of a catastrophe!

2. Relative Magnitude of the Impacts. Under the DOD plan, the nation as a whole is asked to sacrifice some 26,000 direct jobs in order to improve overall military efficiency. Among the 50 states, there are 22 net gainers of direct jobs, and 28 net losers. The job losses will be difficult in every impacted state; but some states will feel the loss more deeply than others.

Of the 28 net losers, only three states will lose more than 4,000 direct jobs: Connecticut, Maine, and Alaska. Maine will lose 6,938 jobs directly, second only to Connecticut. In terms of the number of civilian job losses, Maine is second only to Virginia. And if you add in the indirect job losses calculated by DOD, Maine will lose a total of 13,418 jobs, 2.1% of the state's total employment in 2002, second only to Alaska's 2.4%, and far greater than that of any other state in the nation.

These dire numbers do not, however, paint a complete picture of the DOD plan's impact all across Maine. Job losses will be difficult for every state; but the size of many other states' economies will help them soften the blow. Maine has a small population and a small workforce compared to other states. Of the three states losing more than 4,000 direct jobs, Connecticut will lose civilian jobs equivalent to 0.5% of total employment, Alaska will lose 1.1%, and Maine will lose 1.7%, by far the highest percentage of any state in the nation.

Further, the sub-state area impacted by the DOD plan in Maine is far larger than that of any other area in the country. While other high impact areas tend to be small both in absolute size of labor market and relative to total state employment, the economic area absorbing the bulk of Maine's impact represents over half of the state's total employment.

(PUT UP SLIDE 4)

By any measure, Maine is being asked to carry a grossly disproportionate burden of the proposed reductions. For our state, the DOD plan will be nothing less than a federally induced, major recession. Total estimates of civilian job losses are the equivalent of a 1.5% increase in Maine's unemployment rate. Our best estimate of the percentage of total wage and salary earning that will be lost is even higher: 3.5%. Indeed, 13,418 direct and indirect jobs, the total that DOD predicts Maine will lose, will be **eight times greater than the job losses of the 2001 recession, and ever larger than the devastating recession of 1990-91.**

(TAKE DOWN SLIDE 4)

All this, as I say, is based on the DOD's own analysis. It is especially distressing to me to report, however, that this analysis appears seriously flawed, and not a reliable basis for the Commission's decisions in these most serious matters. Let me point briefly to just two of the significant problems we have encountered in trying to figure out for ourselves what the full economic impacts of the DOD plan will be.

The first is incomplete information. We lack, for example, critical information about the proposed realignment of the Brunswick Naval Air Station. The DOD analysis removes 2,420 military jobs from an authorized manpower level of 3,275, a reduction of 74%. However, our information is that current military personnel assigned to BNAS total fully 4,410. If the same proportion is to be reduced from the higher figure, the direct loss will be 3,260 jobs, equivalent to a complete shut down of the base using DOD figures.

Nor is it clear just what military personnel will be left at Brunswick – neither how many, nor what their roles will be. This is crucial to understanding the economic impact of the plan. The DOD analysis leaves 825 military employees at the base, but these may

have little or no positive role in the local economy. If the only military left are reservists doing training, there is almost no economic benefit to the community, as reservists and guard personnel are counted in the employment of their home regions and not where they are stationed.

Second, the economic impacts estimated by DOD are only a partial picture of what will actually happen. Critically, the DOD analysis for bases like Brunswick ignores the related effects on population migrations. In their analysis, it is as if all the military personnel were to leave, but their families were to stay. This is a particularly acute issue in the case of Brunswick, where up to 5,700 dependents of military personnel will leave the area under the proposed realignment.

Taking these losses into account, the employment impacts at Brunswick could range from 5,800 to 7,500 job losses – in comparison with DOD's estimate of 4,300 – as much as a 74% difference, depending on which figure for the military personnel at the base is correct. These figures also ignore the potential loss of some portion of the nearly 6,000 military retirees who live near BNAS.

A similar problem exists for the analysis of Portsmouth. Taking into account analyses of both the Maine and New Hampshire economies, the effects could be 15% higher than DOD estimates when population migration is taken into account. While a smaller number of military personnel are associated with the Shipyard and many Portsmouth employees will retire, the lack of similar work elsewhere in the region will inevitably draw many people away from Maine and New Hampshire.

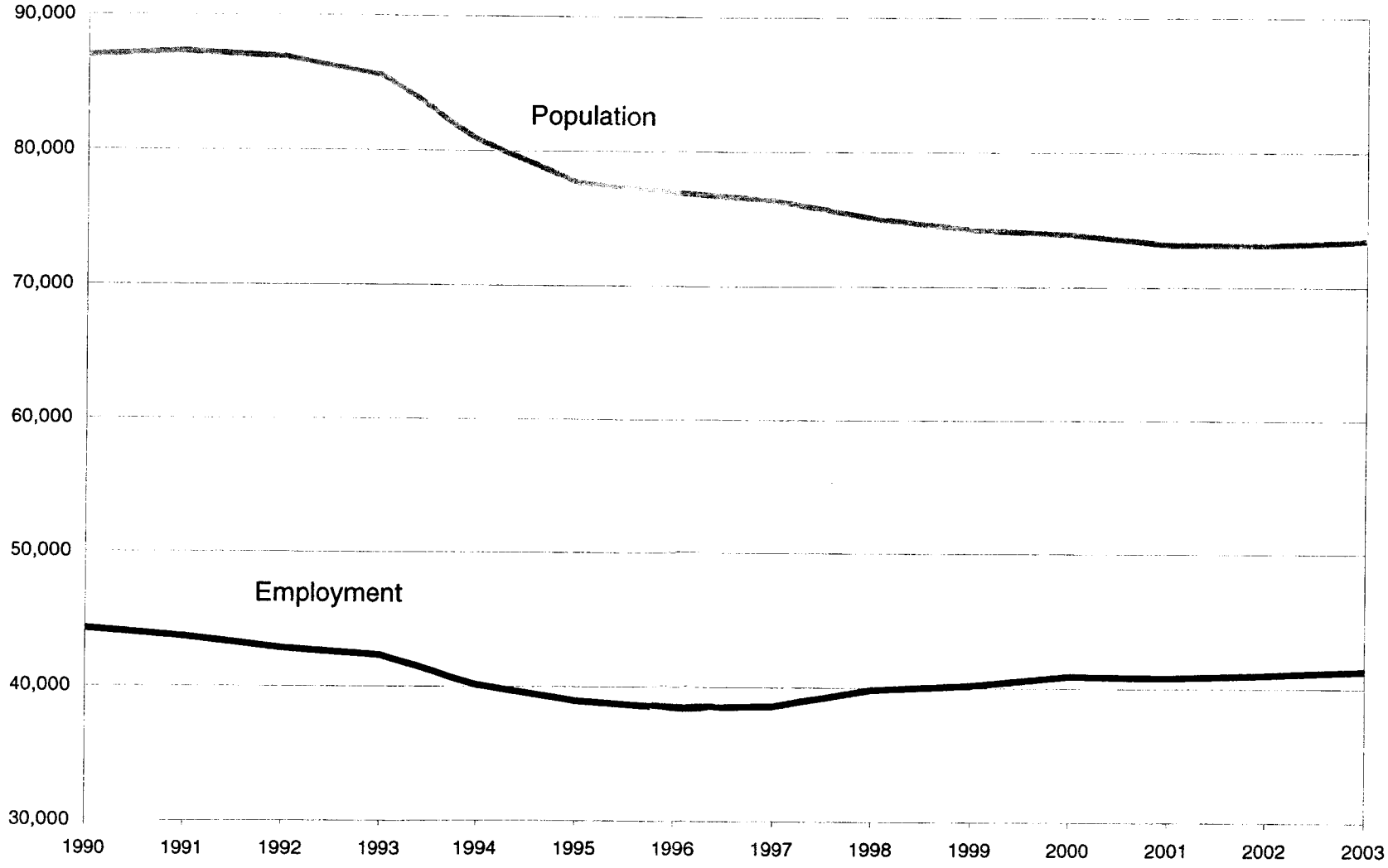
(PUT UP SLIDE 4 again)

In summary, then, we find that the DOD plan is founded upon a flawed economic and financial analysis which, if implemented, will have the effect of a federally-induced, major economic recession throughout the state of Maine. And I

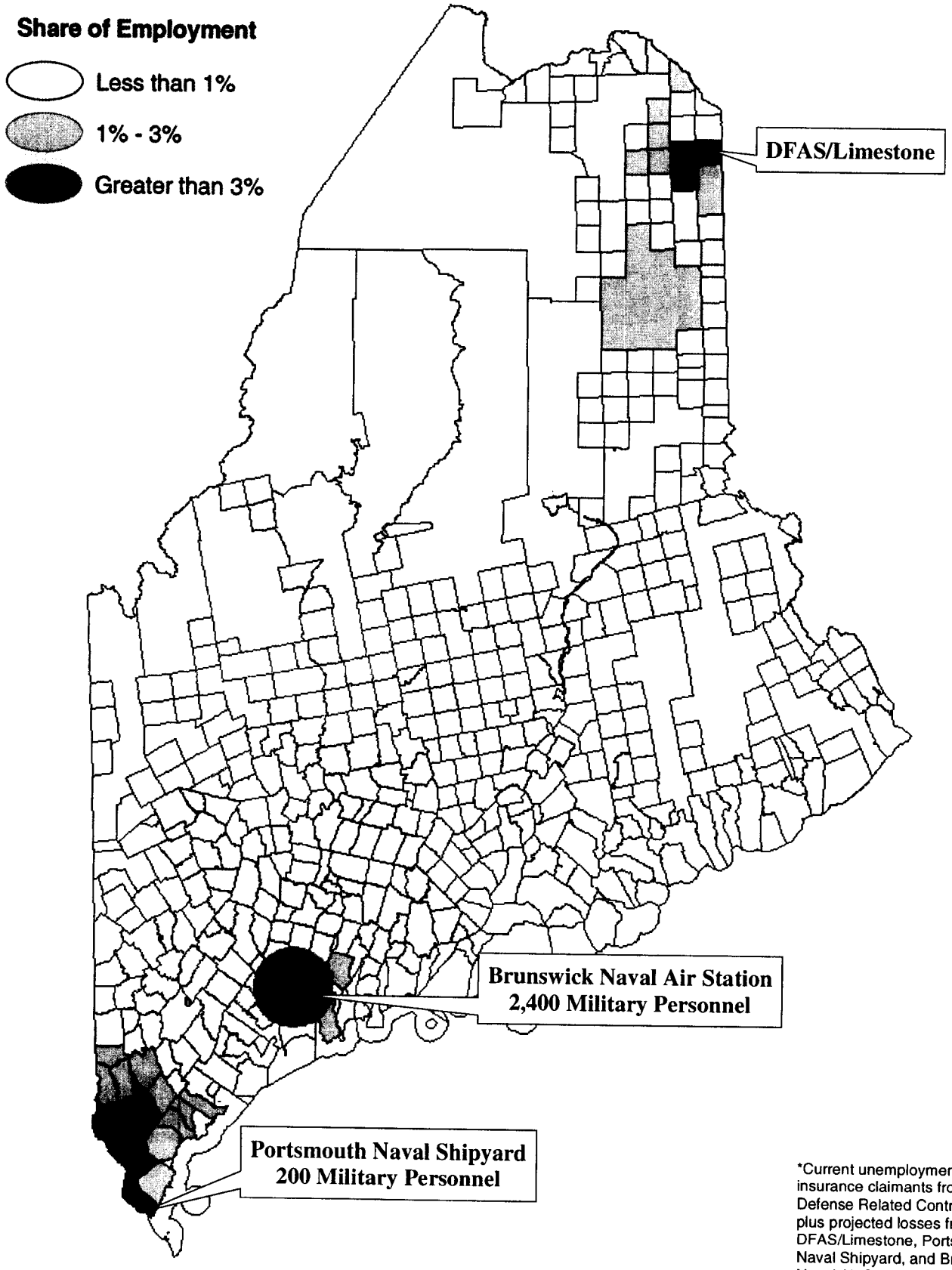
ask, is this the act of a grateful nation to a state that has, throughout its history, given so much of its own to the nation's highest purposes?

Again, on behalf of the people of Maine, I would like to thank you for your time, attention, and consideration.

Population & Employment in Aroostook County



DOD-Related Job Losses as a Share of Resident Employment*



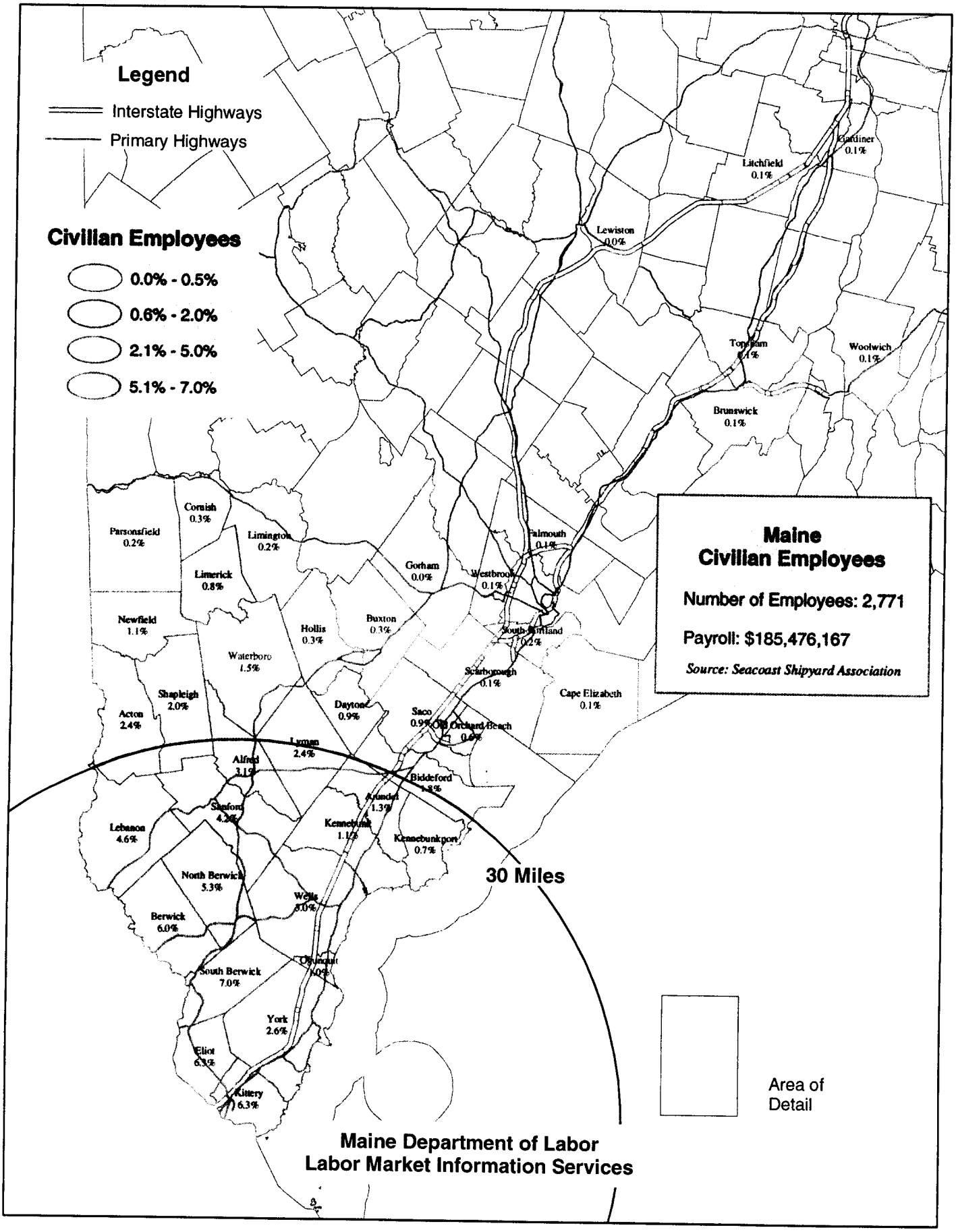
*Current unemployment insurance claimants from Defense Related Contractor plus projected losses from DFAS/Limestone, Portsmouth Naval Shipyard, and Brunswick Naval Air Station.

Maine Department of Labor
Labor Market Information Services

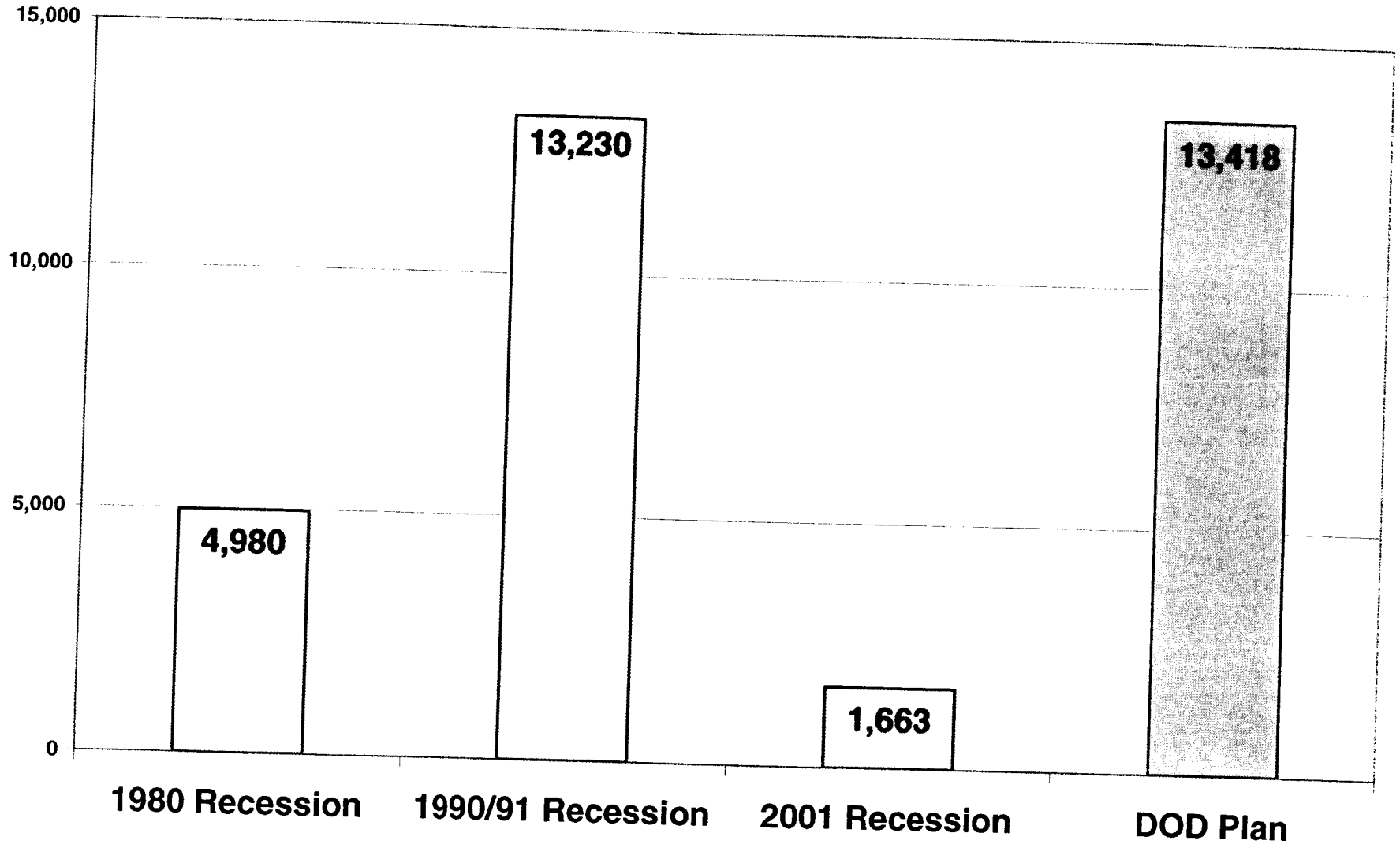
Map C

DCN: 5017

Share of Employed Residents Working at Portsmouth Naval Shipyard



Maine Job Losses



Source: Maine State Planning Office

ATTACHMENTS

Statewide Impact

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Map C: Share of Employed Residents Working at Portsmouth Naval Shipyard
Map D: Distribution of DOD-Related Job Losses

Contributors:

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STATEWIDE IMPACT

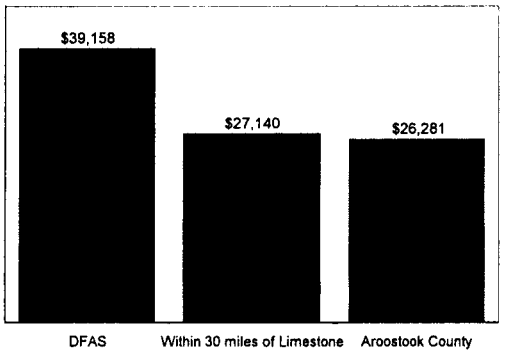
1A. Economic Impact of Closing DFAS Limestone

Closure of the Defense Finance and Accounting Service center in Limestone will have a major impact on the population of Aroostook County, which is among the most economically depressed regions in the nation. The county has long been heavily dependent on natural-resource-based industries, especially forestry and agriculture, which have been in decline for decades. The rise of mechanized potato and timber harvesting, increased competition from subsidized Canadian wood products mills, the closure of Loring Air Force Base in 1994, and other factors sent the economy into a decline that it has been struggling to reverse for more than two decades. The unemployment rate in Aroostook County currently is 7.5%. In 2000, 14.3% of residents lived in households with incomes below the poverty level. The economy is in a tenuous state and closure of the DFAS center will be a tremendous blow at an inopportune time.

Regional Employment and Wages of DFAS Workers

DFAS is one of the ten largest employers in Aroostook County and is also among the highest paying employers. As such, a sizeable share of workers commute great distances to work there. Those workers accounted for 1.5% of jobs and 2.2% of total wages paid by employers within 30 miles of Limestone in 2004. Limestone attracts a large number of commuting workers from throughout the county (see Map A).

Average wages at the Defense Finance and Accounting Service are substantially higher than the average among employers in the region



Local Population and Labor Force

Among Maine towns centered within 30 miles of Limestone, the population totaled just 38,290 in 2000 and the 2004 civilian labor force averaged 19,840, with 1,020 unemployed. The direct loss of roughly 360 DFAS jobs will increase the number of unemployed in the region by nearly one-third. That figure does not include secondary job losses that will occur as displaced workers reduce their spending on goods and services in the local economy.

Industry Structure of Employment and the Regional Job Outlook

Many DFAS workers have accumulated knowledge and experience in business, information systems, accounting, and other finance-related occupations. In the slow- or no-growth labor market that currently exists in the Limestone region, it is likely that most displaced workers will experience a substantial drop in earnings upon re-employment and that some will choose to move to another region in order to find suitable employment.

Critique of DOD Economic Impact Analysis

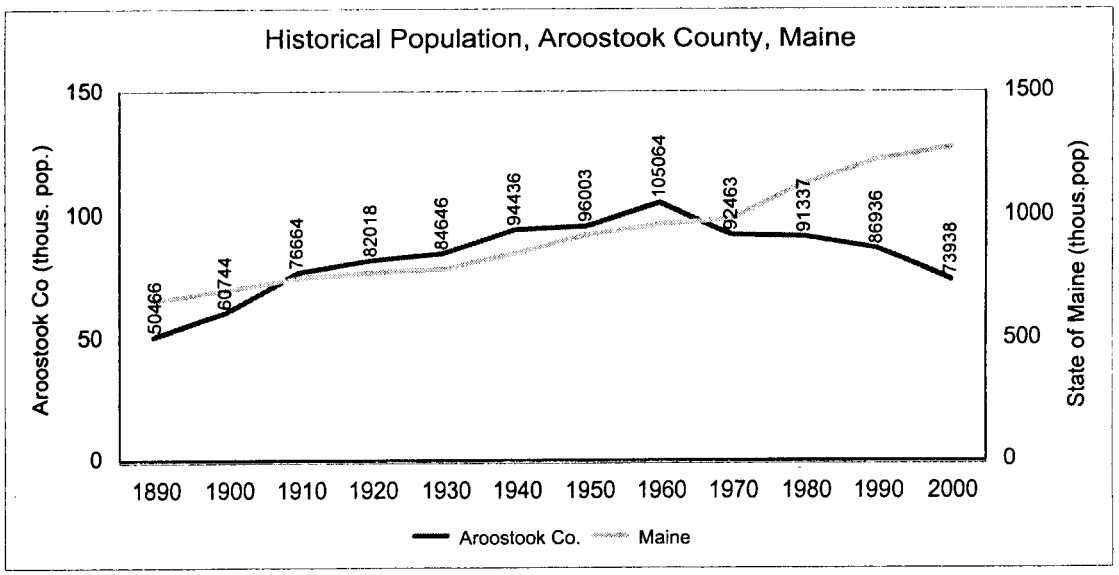
Baseline employment figure inaccurate

DOD estimates the impact of closing the Limestone DFAS center to be a loss of 391 jobs in Aroostook County, based on 241 employed at the center. However, the center currently employs just over 360 workers. The impact, using DOD's method of measuring job loss, is much greater if the current employment figures are used.

No consideration of impact of population losses associated with closure

Business closures that result in job losses impact entire families, not just the workers. When workers must relocate in order to find work, whole families leave. This effect will be more intense in areas that offer few alternative employment opportunities, such as Aroostook County. DOD did not consider this de-population effect in their analysis.

Aroostook County has had a long history of out migration, due largely 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.



Lack of data on operational costs and expenditures

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 little information has been released concerning expenditures.

Maine Economic Impact Analysis

A comparison of DOD's estimates of the impact of closing the Limestone DFAS center to other assessments show important differences. Had DOD used the current employment figures for the center, the results would have shown a greater impact.

The Maine State Planning Office and the Edmund S. Muskie School of Public Service at University of Southern Maine used two economic models (RIMS II from the US Department of Commerce Bureau of Economic Analysis, and Policy Insight from Regional Economic Models Inc. (REMI) to calculate the economic impact of the closure. 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 IMPLAN multipliers employed by DOD.

Employment Effect of Closing DFAS-Limestone

Area Profile	
Population Estimate - Aroostook County (2003 U.S. Census Bureau)	73,390
Civilian Labor Force (April 2005)	37,030
Employment (April 2005)	34,240
Unemployment Rate (April 2005)	7.5%
Poverty Rate (2002 Census)	15.3%
DOD Estimates	
DFAS Employment	241
Pct of Area Employment	NA
DFAS Employment Impact	391
Pct of Area Employment	1.0%
Actual Labor Force	
DFAS Employment	364
Pct of Area Employment	1.1%
RIMS II Impact Estimates	
DFAS Employment Impact	530
Pct of Area Employment	1.5%
REMI Impact Estimates	

DFAS Employment Impact	582
Pct of Area Employment	1.7%

Sources: DFAS, DOD, Maine State Planning Office, University of Southern Maine

The output of the two economic models is based on the effect of losing 360+ jobs at the DFAS center. The results differ due to the different methods the models employ. RIMS II measures effects of payroll and direct spending by the center, while REMI measures the effects of job 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.

Results

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

The results show a loss 546 jobs statewide, 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.

Economic Impact of Closing DFAS-Limestone:
RIMS II Model Output

	Direct	Indirect	Total
Earnings (million)			
Civilian	$10.0	$4.9	$14.9
Military	---	--	--
Procurement*	--	$0.465	$0.465
Total	$11.0	$5.365	$15.365
Employment			
Civilian	364	166	530
Military	--	--	--
Procurement	--	16	16
Total	364	182	546

* Based on $1 million in direct spending.

Source: Maine State Planning Office

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.

Economic Impact of Closing DFAS-Limestone:
REMI Model Output

Aroostook County	2007	2008	2009	2010	2011
Total Employment	-581.90	-598.5	-607.90	-612.10	-613.90
Total GRP (Mil Chained 96$)	-30.29	-30.96	-31.39	-31.64	-31.8
Total GRP (Mil Fixed 96$)	-33.00	-34.17	-35.10	-35.85	-36.5
Personal Inc (Mil Nominal $)	-28.18	-30.99	-33.45	-35.69	-37.81
Population	-120.4	-214.3	-293.0	-358.7	-413.8
Labor Force	-134.0	-220.9	-284.5	-331.3	-365.7
Maine					
Total Employment	-600.3	-619.4	-630.6	-635.7	-638.0
Total GRP (Mil Chained 96$)	-31.06	-31.85	-32.37	-32.67	-32.86
Total GRP (Mil Fixed 96$)	-33.84	-35.15	-36.19	-37.01	-37.72
Personal Inc (Mil Nominal $)	-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

Source: University of Southern Maine

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.

1B. Economic Impact of Closing Portsmouth Naval Shipyard

Portsmouth Naval Shipyard in Kittery, Maine, is among the largest, highest paying employers in Maine and New Hampshire. Its location on the border of the two states creates a unique situation. Approximately 58% of PNS workers live in Maine, 40% in New Hampshire, and the small remainder in other states. Overall, closure will have a

major impact on both the immediate region in which it is located and the Maine economy overall.

The total impact of closure of the Kittery shipyard is a loss of nearly 12,000 jobs and over $500 million in earnings, primarily in Maine and New Hampshire, with a small loss in other New England states from which the yard has significant purchases, primarily of replacement parts applied to submarines during the overhauling and refueling process.

Regional Employment and Wages of PNS Workers

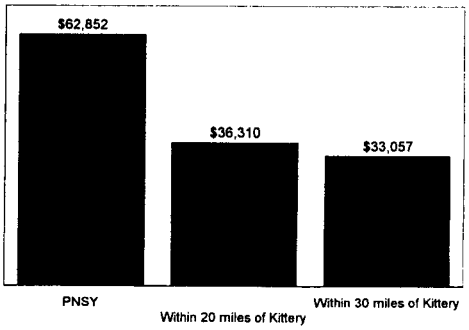
Figures for 2004 from the Seacoast Shipyard Association indicate that PNS's civilian workforce of 4,803 was paid a total of $318.3 million in wages, with an average wage of $62,852. Maine residents accounted for 58% of the jobs and 59% of payroll. The military payroll was an additional $29.3 million.

High levels of pay have attracted workers from throughout Maine to work at the yard. However, 55% of the workers who reside in Maine live in towns centered within 20 miles and 79% live in towns centered within 30 miles of Kittery (see Map B). Among these two commuting regions, the Maine resident PNS workers earned $105.2 million and $148.1 million in wages in 2004.

PNS workers accounted for 5% of all employed Maine residents living in towns centered within 20 miles of Kittery in 2004, and 4% of employed residents in towns within 30 miles of Kittery (see Map C).

With pay levels nearly twice the average of the region, the Maine Department of Labor estimates that PNS workers accounted for 12% of total wages paid in the 20 mile region and 11% of wages paid in the 30 mile region.

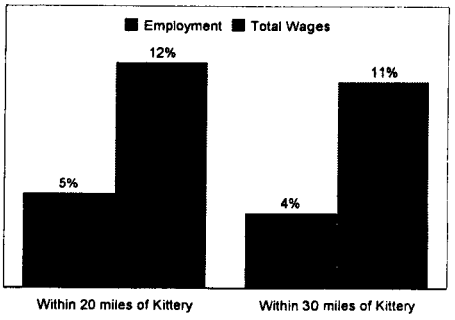
Average wages at the Portsmouth Naval Shipyard are nearly double those found among Maine employers in the region



Local Population and Labor Force

Maine towns centered within 20 miles of Kittery reported 56,300 residents in the 2000 Census. The 2004 average civilian labor force totaled 35,000 workers with an average number of unemployed workers of 1,200. The direct loss of 2,771 jobs by Maine residents will increase the number of unemployed in this region three-fold and cause the unemployment rate to spike from 3.5% to 8.1%.

The estimated share of employment and wages of Portsmouth Naval Shipyard workers in the residing in the primary Maine commuting region is quite high



In Maine towns centered within 30 miles of Kittery, the number of unemployed will increase twofold and the unemployment rate will spike from 3.9% to 7.7%. These numbers do not include indirect job losses that will occur as the displaced workers reduced their spending on goods and services in the local economy.

Industry Structure of Employment and the Regional Job Outlook

Many of the PNS workers have accumulated high-value, advanced skills in trades such as pipefitting, welding, and marine electronics. The knowledge, skills, and experience of those workers are not directly transferable to most industries in the region. As the table below indicates, the share of jobs in the manufacturing sector is relatively low. These figures include PNS workers, who account for more than half the manufacturing employment in the region.

Employment by Industry Sector in the Kittery Commuting Region

	Within 20 miles of Kittery		Within 30 miles of Kittery	
	Jobs	Percent	Jobs	Percent
Total	24,429	100%	41,794	100%
Goods-Producing	8,491	34.8%	11,946	28.6%
Natural Resources & Mining	35	0.1%	80	0.2%
Construction	1,024	4.2%	2,074	5.0%
Manufacturing				
PNS 2004	4,083	16.7%	4,083	9.8%
All Other Manufacturing	3,349	13.7%	5,710	13.7%
Service-Producing	15,937	65.2%	29,847	71.4%

Source: Maine Department of Labor

The Maine Department of Labor's employment projections to the year 2012 for southern Maine indicate that jobs in most manufacturing industries will continue the long-term pattern of decline. Based on past experience with base closings, plant closings, and major workforce reductions, it is likely that most displaced workers will experience a substantial drop in earnings upon re-employment, and that some will move to another region to find suitable employment.

The age and educational profile of the PNS workers, suggests that they will face formidable re-employment challenges. Data from the Shipyard indicates that 77% of workers are age 40 or over 43% are age 50 or over. The highest educational attainment of nearly two-thirds (63%) of them is a high school diploma, and 78% have achieved less than a bachelor's degree. Facing a weak job market demanding entirely different skill sets, the path to re-employment will be long and costly.

Critique of DOD Economic Impact Analysis

Baseline employment figure inaccurate

According to the Seacoast Shipyard Association, PNS's Calendar Year 2004 employment stood at 4,803 civilians. DOD calculated the impact on the region using only 4,510 jobs, of which 4,032 were civilian jobs.

No consideration of other nearby closures/realignments

DOD data show the impact on the region to be a job reduction of 2.8% of the Portland-South Portland-Biddeford MSA's employment. However, this MSA also contains the Naval Air Station at Brunswick, which is recommended for reduction and realignment. The combined effect, using DOD's figures, is a loss of 4.1% of the jobs in the MSA.

No distinction between and full- and part-time employment

The BEA employment measure used by DOD weighs full- and part-time employment equally. In Maine, especially, and south coastal New Hampshire as well, the economy is highly seasonal. The 2000 census shows that only 57% of Maine citizens have full time jobs. The BEA measure underestimates the impact that the loss of these full-time, year-round jobs will have on the economy.

Maine Economic Impact Analysis

The Maine State Planning Office assessed the economic impact of closing the Portsmouth Naval Shipyard using the RIMS II economic model from the US Department of Commerce Bureau of Economic Analysis. The baseline employment and payroll data to which the model was applied were from the shipyard and varied significantly from those provided by DOD in their initial impact report. The table below shows the residence of PNS workers by county and their associated payroll.

PNS Employment and Payroll by County, 2004

			Percent of Total	
	Workers	Payroll	Workers	Payroll
Maine				
York County	2,841	$179,019,518	55.4%	56.3%
Cumberland County	60	$3,441,941	1.2%	1.1%
Sagadahoc County	5	$249,987	0.1%	0.1%
Other Maine	46	$2,515,058	0.9%	0.8%
Total	2,592	$185,226,504	57.6%	58.2%
New Hampshire				
Rockingham County	686	$43,574,018	13.4%	13.7%
Strafford County	1,205	$71,918,212	23.5%	22.6%
Other New Hampshire	117	$7,143,678	2.3%	2.2%
Total	2,008	$122,635,908	39.2%	38.6%

Maine & New Hampshire	4,960	$307,862,412	96.8%	96.8%
All Other	164	$10,217,654	3.2%	3.2%
Total	5,124	$318,080,066	100.0%	100.0%

Note: Data reflects workers paid. Actual positions in 2004 = 4,803

Source: Seacoast Shipyard Association

York County, Maine, and Strafford County, New Hampshire, will bear the greatest impact of the PSNY closure. The Shipyard provides 4.2% of the jobs in York County and 2.5% of the jobs in Stafford County, based on 2003 BEA employment data. However, the BEA employment measure weighs full- and part-time employment equally and thus does not reflect the disproportionate impact that the loss of full-time, year-round jobs will have on these counties.

This difference in baseline and the available data on base spending (non-payroll) indicates a loss of almost 12,000 jobs in the region, rather than the 9,166 estimated by DOD.

Total Economic Impact of Closing PNS

	Maine	Other States	Total
Earnings (million)	$314.4	$225.0	$539.4
Employment	6,788	5,175	11,963
Percent of Total			
Earnings	58.3%	41.7%	100.0%
Employment	56.7%	43.3%	100.0%

Source: Maine State Planning Office

Maine will bear the greatest impact of a closure of the Shipyard, resulting in a net loss of nearly 6,800 jobs and over $300 million in lost wages. Other states, primarily New Hampshire, will suffer a loss of more than 5,000 jobs and $225 million in lost wages. The following table displays a detailed breakdown of those earnings and employment losses for Maine.

Maine Economic Impact of Closing PNS

Earnings (million)	Direct	Indirect	Total
Civilian	$185.5	$89.1	$274.6
Military	$16.8	$8.1	$24.9
Procurement	--	$14.9	$14.9
Total	$202.3	$112.1	$314.4

Employment			
Civilian	2,771	3084	5,855
Military	201	224	425
Procurement	--	508	508
Total	2,972	3,816	6,788

Source: Maine State Planning Office

1C. Economic Impact of Realigning Brunswick Naval Air Station

The State of Maine has been unable to obtain the information needed to conduct a reliable economic impact analysis of the realignment of the Naval Air Station in Brunswick.

The DOD analysis removes 2,420 military jobs from an authorized manpower level of 3,275, a reduction of 74%. However, our information is that current military personnel at Brunswick total 4,410. If the same proportion is to be reduced from the higher figure, the direct loss is 3,260 jobs, equivalent to a complete shut down of the base using DOD's figures.

It is not clear what military personnel will be left at Brunswick, neither how many nor what their roles will be. This is critical to understanding the economic impact of the DOD plan. The DOD analysis leaves 825 military employees at the base, but these may have little or no positive role in the local economy. If the only military to be left are reservists doing training, then there will be almost no economic benefit to the community since reservists and guard personnel are counted in the employment of their home regions, not where they are stationed.

In the absence of information about which positions are leaving and which are staying, or the level of activity that will continue at the base, it is impossible accurately to assess the impact of realigning BNAS. The table below represents our best estimate, based on the DOD's proposal to cut approximately 2,400 positions and using conservative procurement figures. Based on these assumptions, the realignment of BNAS will amount to a loss of approximately 4,655 jobs and $135 million in wages and salaries.

Economic Impact of Realigning BNAS

Earnings (million)	Direct	Indirect	Total
Civilian	$2.0	$1.0	$3.0
Military	$67.5	$19.4	$86.9
Procurement	--	$45.0	$45.0
Total	$69.5	$65.4	$134.9

Employment			
Civilian	61	33	94
Military	2,400	661	3,061
Procurement	--	1,500	1,500
Total	2,461	2,194	4,655

Source: Maine State Planning Office

Major Concerns

Redevelopment Possibilities

The loss of approximately 2,400 jobs in the town of Brunswick will cause ripple effects throughout the regional economy. In the long run, these effects may be lessened by concerted efforts to redevelop the installation. However, the DOD plan to "realign" Brunswick Naval Air Station will not allow the community to pursue opportunities for reuse. The base is located in the center of the Town of Brunswick and divides the community into two areas. The current plan will result in the de facto "mothballing" of portions of the base, which will permanently handicap the community's ability to seek redevelopment.

Real Estate Impact

Many BNAS employees and their families live in off-base housing. It is estimated that 500 military personnel own their homes and 1,500 live in rental units. The Town of Brunswick estimates that Navy personnel occupy 30-35% of multifamily units. Realigning BNAS will put these housing units at risk for becoming vacant and could depress the local real estate market. It will also have impacts on the local rental market.

1D. Cumulative Impact

Under the DOD proposal, Maine will lose 6,938 direct jobs. Sixty percent are civilian jobs and have an accompanying payroll of about $200 million. Forty percent are military positions and have an accompanying payroll of $132 million (2003 payroll data). Adding direct losses and losses in surrounding regions, the total impact becomes even greater. Total estimates civilian job losses are the equivalent of a 1.5% increase in Maine's unemployment rate. Because these are some of the best jobs in our economy, the percentage of total wage and salary earning that will be lost is much higher: 3.5%.

17,000 Lost Jobs

According to the State of Maine's own analysis, the combined direct and indirect losses from the proposed closings and realignment will be nearly 17,000 lost jobs and $690

million in lost wages and salaries in Maine and southern New Hampshire. These numbers fully account for the potential gain of 240 jobs at the Air National Guard Station in Bangor, Maine.

Portsmouth

The closure of Portsmouth Naval Shipyard alone will mean a loss of nearly 12,000 jobs in Maine and New Hampshire, and more than $500 million in earnings. Approximately 58% of the impact will be in Maine (6,800 jobs and $314 million in wages and salaries).

Limestone

Preliminary figures for closing the DFAS Limestone center show a loss of at least 546 jobs and at least $15 million in wages and salaries. Operation and maintenance expenditures and current payroll information, when known, will undoubtedly increase these figures.

Brunswick

The realignment of Brunswick Naval Air Station will amount to a loss of approximately 4,655 jobs and $135 million in wages and salaries. These are conservative figures, based on the DOD's proposal to cut approximately 2,400 positions at BNAS.

Total Economic Impact of DOD Plan

Earnings (millions)	Direct	Indirect		Total
		from payroll	from spending	
DFAS Limestone	-$10.0	-$4.9	-$0.5	-$15.4
NS Portsmouth*	-$335.1	-$161.9	-$42.4	-$539.4
NAS Brunswick	-$69.5	-$20.4	-$45.0	-$134.9
Naval Reserve Center - Bangor	?	?	?	?
Air National Guard - Bangor	?	?	?	?
Total	-$414.6	-$187.2	-$87.9	-$689.7
Employment				
DFAS Limestone	-364	-166	-16	-546
NS Portsmouth*	-5,004	-5,512	-1,447	-11,963
NAS Brunswick	-2,461	-694	-1,500	-4,655
Naval Reserve Center - Bangor	-7	-2	?	-9
Air National Guard - Bangor	+240	+173	?	+413
Total	-7,596	-6,201	-2,963	-16,760

*Reflects impact on both Maine and New Hampshire.

In Maine, the total direct effects alone of lost payroll (civilian and military) and jobs at the Portsmouth, Limestone, and Brunswick facilities will be greater than losing the state's entire farming and fishing industry, its food processing industry, its wood

products manufacturing industry, the computer and electronics industry, or the entire hotel and motel sector of Maine's tourism industry.

Earnings in Selected Sectors of the Maine Economy

Sector	Earnings (million)
Farming and Fisheries	$210
Food Processing	$258
Wood Products Manufacturing	$255
Computer & Electronics Manufacturing	$276
Hotel and Motel Sector	$248
DOD Plan	**$280+ (Direct Effect Only)**

Source: Bureau of Economic Analysis, 2003

Loss of Maine's Best Jobs

These proposed cuts will hit Maine from its most southern to its most northern locations. In a state known for its lack of large, stable employers that offer earnings and benefits aligned with the national economy, the magnitude of such a loss will be devastating and come at a time when Maine's economy is just starting to move forward.

Of critical importance is that these jobs are nearly all full-time jobs. Maine's economy is highly seasonal, dominated by natural resource industries and tourism. The 2000 census shows that only 57% of Maine citizens hold full time jobs. Maine can ill afford to lose full-time year-round jobs.

The jobs at the DFAS center, PNS, and BNAS, pay some of the highest wages in their respective regions, and their loss will be a profound economic blow. Many of the jobs are highly specialized. History has shown that when such jobs leave, replacing them with jobs of comparable skill level is exceedingly difficult and most laid off workers will find themselves choosing between accepting a job at much lower pay or out-migrating.

Compounding Effects: The Bath Iron Works

The picture is even bleaker in light of potential major reductions at Bath Iron Works (BIW), the state's largest single-site employer and a builder of Navy destroyers. BIW is located less than ten miles from Brunswick, Maine. In 2004 and 2005, BIW laid off 675 workers from jobs paying some of the highest wages in the state. Based on current DOD plans for future construction of destroyers, there is potential for additional major reductions at BIW.

Layoffs at BIW, in combination with cuts at PNS and BNAS, will severely weaken the entire Maine economy. These three employers are located in the same MSA, and

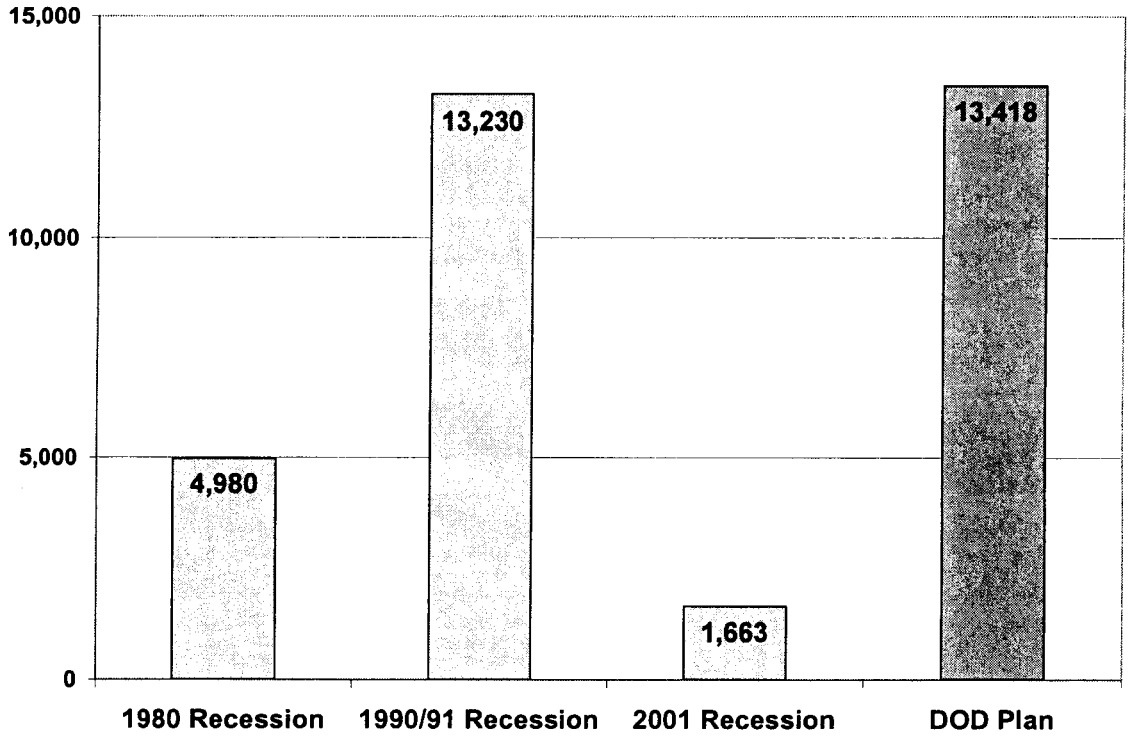
between them account for 16,500 jobs, or 5% of the total (BEA full and part time) jobs in the Portland-South Portland-Biddeford MSA. Along with DOD's proposed reductions at BNAS and closure of the shipyard, one must note the uncertainties surrounding the future workforce level at BIW. DOD's future plans and contracting policies for new Navy destroyers has been unclear and created a high level of uncertainty.

The Portland Region MSA is the core of Maine's economy. It holds 39% of the state's population, 42% of the jobs, and 44% of the personal income. In few, if any, states does a single MSA account for so large a portion of the state's economic activity. A significant loss of jobs in the Portland MSA impacts the entire state of Maine.

Statewide Recession

In short, the DOD plan will constitute a major, federally-induced recession for the state of Maine. The job loss will be seven times greater than that of the 2001 recession, and even larger than the devastating recession of 1990/91.

Maine Job Loss by Event



Sources: Ibid. and Maine DOL

RELATIVE IMPACT

2A. Relative Magnitude of Impact on Maine and Other States

By virtually any measure, Maine will suffer the greatest economic impact of any state in the nation, should the currently proposed DOD recommendations stand. This section compares the impact on Maine and other states using DOD's own estimates.

In terms of direct job losses, Maine is second only to Connecticut among the 50 states. Excluding military job losses, however, Maine is by far the most heavily impacted state. This conclusion is evident using the job figures provided by DOD. Once these figures are adjusted for numerous omissions and miscalculations, the impact will be even greater.

Top 5 States by DOD-Estimated Job Loss

State	Direct Job Loss	% Civilian	Total Job Loss	Multiplier
1. Connecticut	8,586	12%	16,049	1.87
2. Maine	**6,938**	**60%**	**13,418**	**1.93**
3. Alaska	4,619	13%	7,653	1.66
4. New Jersey	3,760	99%	8,176	2.17
5. Missouri	3,679	64%	5,124	1.39

Source: DOD

DOD reports that Maine will lose 6,938 direct jobs as a result of its plan. Sixty percent of these jobs are civilian, far more than Connecticut and Alaska, the other major job-losing states.

In part because of this difference, Maine's total job loss is relatively greater still, at 13, 418. The job loss in Maine, by the DOD's own impact analysis, has a multiplier effect of 1.93, greater than the 1.87 multiplier for Connecticut and the 1.66 multiplier for Alaska.

Another way of illustrating Maine's disproportionate share of the burden of the DOD plan is to consider job loss as a percentage of total state employment.

Top 5 States by DOD-Estimated Job Loss:
BRAC Job Loss as Percent of Employment

State	Total Job Loss	Civilian Job Loss
Connecticut	0.9%	0.5%

Maine	**2.1%**	**1.7%**
Alaska	2.4%	1.1%
New Jersey	0.4%	0.5%
Missouri	0.2%	0.2%

Sources: DOD and BEA

The 13,418 jobs the DOD estimates Maine will lose as a result of this process amount to 2.1% of the state's entire non-farm wage and salary employment in 2002, the year the DOD used for impact calculations. This rate was second only to Alaska's 2.4%, well above the rates for New Jersey and Missouri, and far greater than those for any other state in the nation.

Considering only the 10,619 civilian jobs to be lost in Maine, Maine jumps to first in the nation. The civilian job loss in Maine amounts to 1.7% of total employment.

Economic Area Impact

The DOD plan impacts 234 economic summary areas nationwide. The total DOD-estimated related job loss (direct plus indirect) amounts to more than 10% of the area's employment in just 10 of these areas. Portland ranks number 10 on this list at 4.0% of area employment.

However, the sub-state area impacted by DOD's plan in Maine is far larger than that of any other area in the country. Maine's impacted economic summary area accounts for over half of the state's total employment. This is over twice as large as the next largest area. As a consequence, the job loss in Maine (direct plus indirect) as a proportion of total state employment is the largest of any MSA in the nation.

Job Loss by Economic Area

Area	State	Area Employment	Loss as % of Area Employment	Area Employment as % of State Employment	Loss as % of State Employment
Portland	**ME**	**331,655**	**-4.0%**	**52.7%**	**-2.11%**
Rapid City	SD	79,970	-8.5%	20.3%	-1.73%
Grand Forks	ND	66,242	-7.4%	19.2%	-1.42%
Fairbanks	AK	54,469	-8.6%	16.9%	-1.45%
Norwich/New London	CT	168,620	-9.4%	9.7%	-0.91%
Elizabethtown	KY	65,926	-4.5%	3.5%	-0.16%
Clovis	NM	23,348	-20.5%	2.9%	-0.60%
Mountain Home	ID	14,441	-6.2%	0.5%	-0.03%
King George County	VA	14,171	-5.5%	0.4%	-0.02%
Martin County	IN	8,525	-11.6%	0.3%	-0.03%

Sources: Ibid.

In short, while other high impact areas tend to be small both in absolute size of labor market and relative to total state employment, the economic area absorbing the bulk of Maine's impact represents over half of the state's total employment.

Finally, it must be noted that Maine's first-in-the-nation impact is not entirely a matter of jobs. Maine has a long history of personal commitment to the nation's defense. Maine has sent a larger percentage of its population to war over the past century and a half than virtually any other state. Economically, this is evident in the high proportion of veteran's benefits.

Relative Veterans Benefits by Economic Area

Area	State	Veterans Benefits per $10,000 State Personal Income
Portland	**ME**	**$74.59**
Clovis	NM	$74.35
Rapid City	SD	$56.97
Fairbanks	AK	$51.96
Mountain Home	ID	$47.49
Elizabethtown	KY	$47.06
Grand Forks	ND	$43.11
King George County	VA	$39.72
Martin County	IN	$25.94
Norwich/New London	CT	$16.55

Sources: Ibid. and BEA.

Maine has the highest proportion of personal income deriving from veteran's benefits of any of the ten most impacted states, and, save New Mexico, has a vastly greater dependence on veteran's benefits.

In sum, Maine can legitimately claim to have been the single most negatively impacted state in the nation by the DOD plan. In light of Maine's traditional commitment to the national defense, such an impact must not be allowed to stand.

THE DOD ANALYSIS

3A. Critique of DOD's Methodology

The DOD's analysis of economic impact is seriously flawed, and is not a reliable source of information for the BRAC Commission.

Inaccurate Measurement of Regional Employment

In its economic impact analysis, DOD reported only the number of jobs that would be lost as a result of closures and realignments. It did not report wage levels. The omission of wage information implies that the DOD jobs are no better or worse than other jobs in an MSA. This is rarely the case. In Maine, DOD jobs generally pay much higher wages than other jobs in the economy and provide more stable, year-round employment.

Further, the BEA employment measure used by DOD in its computations of economic impact is total full- and part-time employment. This measure weighs full- and part-time employment equally. Maine's economy is highly seasonal. The 2000 census shows that only 57% of Maine citizens have full time jobs. Using the BEA measure underestimates the impact that the loss of these full-time, year-round jobs will have on the economy. This limits the Commission's ability to make reliable cross-state and cross-MSA comparisons when considering economic impact.

Lack of Information

As we strive to anticipate the impact that the DOD plan will have on Maine's economy, we have been continually challenged by the lack of information available to us. We have struggled to collect accurate data on current employment levels at each installation, payrolls figures, and estimates of operational expenditures within the state.

We lack critical information about the proposed realignment of the Brunswick Naval Air Station. The DOD analysis removes 2,420 military jobs from an authorized manpower level of 3,275, a reduction of 74%. However, our information is that current military personnel at BNAS total 4,410. If the same proportion is to be reduced from the higher figure, the direct loss is 3,260 jobs, equivalent to a complete shut down of the base using DOD's figures.

It is not clear what military personnel will be left at Brunswick, neither how many nor what their roles will be. This is absolutely critical to understanding the economic impact of this proposal. The DOD analysis leaves 825 military employees at the base, but these

may have little or no positive role in the local economy. If the only military to be left are reservists doing training, there will be almost no economic benefit to the community since reservists and guard personnel are counted in the employment of their home regions, not where they are stationed.

Lack of Consideration of Population Effects

The economic impacts estimated by DOD are only a partial picture of what will occur when installations are closed or realigned. The DOD analysis ignores the effects on population. By only reporting estimated job losses, it is as if the military personnel leave while their families stay.

Consider the case of Brunswick, where up to 5,700 dependents of military personnel will leave the area with the proposed realignment. Taking these losses into account, the employment impacts could range from 5,800 to 7,500 (in comparison with DOD's estimate of 4,300) depending on which figure for the military personnel at the base is correct. These figures also ignore the potential loss of some portion of the nearly 6,000 military retirees who live near BNAS.

A similar problem exists for the analysis of Portsmouth. Taking into account analyses of both the Maine and New Hampshire economies, the effects could be 15% higher than DOD estimates if population migration is taken into account. While a smaller number of military personnel are associated with the Shipyard and many Portsmouth employees will retire, the lack of similar work anywhere in Maine or the region will inevitably draw many people away from Maine and New Hampshire.

ENVIRONMENTAL IMPACT

4A. Environmental Impact

Maine Department of Environmental Protection (DEP) staff has undertaken a careful review of the estimated cleanup costs included in the DOD report to the BRAC Commission. They report that **these costs are substantially underestimated, are missing entire categories of likely costs, and are based on inaccurate and misleading assumptions**. Actual costs of meeting DOD's legal obligations for environmental clean-up in a base closure scenario are substantially higher than estimated by at least $100 million. In addition, there are areas of major uncertainty which DEP is unable to estimate due to inadequate and incomplete information provided by DOD.

The Portsmouth Naval Shipyard is one of oldest military installations in the U.S. inventory and also one of the oldest industrial facilities in the State of Maine. One would therefore expect to find a history of environmental contamination issues. In addition to the $46.9 million spent through FY03 and $47 million in costs to complete estimated by DOD, **there are likely an additional $100 to $200 million in further non-radiological, environmental compliance and cleanup costs that will be incurred to comply with legal requirements before transfer of the facility for re-use.** In fact, closure of the facility will accelerate and increase these costs which ordinarily would be spread out over many years as the facility continues to operate.

The detailed analysis of these costs from the Maine DEP follows:

Hazardous Waste Regulation Requirements

The Maine DEP's analysis of the costs associated with compliance with the hazardous waste regulations law not included in the current Department of Defense estimates for the Portsmouth Naval Shipyard (PNS) indicates substantial obligations and associated costs not accepted in the COBRA analysis.

A. Hazardous Waste Storage Facility Closure: PNS currently has a licensed hazardous waste storage facility known as Building 357. This is know as a "TSD License" and has substantial closure obligations associated with closing the license to ensure that no hazardous waste or contamination is left on-site. At the time the facility will no longer be active, it must undergo State of Maine Closure as described in the Hazardous Waste Rules Chapter 854, Section 12G. Under these rules, all waste must be removed from the site, including tanks, materials, equipment, structures and soils containing or contaminated with hazardous waste or waste residues. The estimated cost for closing out PNS's current license is $1.3 to $1.5 million.

A further obligation and cost under the current PNS RCRA license is the requirement to excavate and remove contaminated soils and the roll-off pad at building 357 upon termination of the license. The estimated cost for this activity is $161,000. Third, there is a requirement to cap SWMU-11, located adjacent to building 357 with a plume of contamination emanating from it. The estimated cost by the Navy for this action is $1.6 million.

Fourth, when costs for TCLP samples and disposal of decontaminated waste are included, the total **overall estimate for closing out PNS's RCRA TSD license alone is $2.9 to $3.1 million.**

B. RCRA Generator Closure: PNS has approximately 160 Hazardous Waste generator areas on site utilized over the lifetime of the facility. When the shipyard closes, it will need to undergo generator closure as per the Maine Hazardous Waste Rules Chapter 851, Section 11, which apply to the entire site. Each hazardous waste generator area will need to be certified as having undergone clean closure. The estimated cost for closing the 160 areas is $4.8 million. The estimate is based on $30,000 per area, and is based on two recent case studies of military generator area closures in Maine: Brunswick Naval Air Station closed out a photo lab area at a cost of approximately $30,000, and PNS closed out an abbreviated license unit on site, also at a cost of approximately $30,000.

C. Removal of Hazardous Materials: There are multiple industrial areas on site that will need to have hazardous materials and wastes removed. These include the cleaning of equipment and removal of structural components that cannot be cleaned, such as creosote coated wood flooring. Some examples of these requirements are:

- demolition and disposal of the blast and paint facility (Building 285) at an estimated cost of $512,000;
- disposal of hazardous materials stored in lockers (throughout facility – flammables lockers, etc.) at an estimated cost of $1.29 million;
- cleanup and closure of hazardous materials storage building (commodities) and associated post-cleanup sampling at an estimated cost of $1 million.

In the event that all the contaminated soil and/or water cannot be removed form the site, the facility will need to undergo post-closure care in accordance with the closure and post-closure requirements pertaining to landfills under Chapter 855, Section 9(A)(15) and (16) of the Rules. This possibility would require substantially more money (approximately $150,000 per year of post closure care per area) for ongoing oversight and monitoring.

Additional costs for cleanup of industrial areas, sampling and disposal of decontaminated waste bring the **overall estimated total for generator closure to $23 million.**

D. Former Oil Terminal Tank Farm: Further site investigation will be needed for the former oil terminal tank farm, including soil testing and groundwater sampling. Soil removal would be expected plus toxicology assessments of soil proposed to be left in place. An evaluation will be necessary of the feasibility of extracting petroleum from bedrock fractures, as well as an investigation and removal of underground pipelines that remain. The need for asbestos removal from the heated lines would be assessed. Previous oil terminal closures of this size in Maine without the piping that is present at PNS, cost $1,000,000 (Sprague, Bucksport North) and $2,000,000 (Long Island). Based on the State's experience with those closures, **the total estimated cost for these actions is $1 to $2 million.**

E. Tank and equipment survey: An inventory of the entire facility for tanks, containers and equipment that contain petroleum and hydraulic fluids would be required, as well as removal and disposal of fluids plus contaminated soil removal. Maintenance on certain pieces of equipment in working order would be required for re-use or sale (for example: cranes and manufacturing equipment that require fluids to remain or be circulated to ensure seals, hoses, and gaskets do not deteriorate). **Total estimated cost for these actions is $1 to $2 million**.

F. Heating and Power Plant: Since the facility is centrally heated, the power plant will need to be maintained and remain operational to ensure buildings are heated during winter months. This will be necessary to ensure that pipes do not freeze and burst and that other equipment or storage tanks do not undergo adverse consequences such as releases of miscellaneous fluids due to freezing. Also, the plant will need constant maintenance to ensure it does not deteriorate while being left idle. **Total estimated cost for keeping the power plant operational is $4.65 million per year or $23.25 million over a projected 5 year closure period.**

G. PCB Investigations: A site assessment will be required in areas of known historic PCB storage and use. The facility is old enough that PCB's may be found in conjunction with uses other than electrical transformers. Likely areas of PCB investigation based on examples with which Maine's RCRA program is familiar are PCBs used in the rubber coating of electrical cables (Maine Yankee), hydraulic fluid (Loring and other military sites), and paint (Naval Base at Cutler and Maine Yankee). Investigation and remediation of PCB contaminated areas can be costly, for example: the Bath Iron Works drydock remediation at $2 million and the Kimberly Clark Winslow Mill remediation at $2 million. Confirmation samples for dioxin-like congeners for PCB clean-ups run approximately $1,200 each. A concern for PCBs is the likelihood of encountering contaminated sediments that would need to be remediated. **Total estimated cost for PCB investigation and remediation is $2 million.**

RCRA Closure Costs Not In COBRA Analysis

Description of Expense	Costs
Hazardous Waste Storage Facility	$2,900,000 - 3,100,000

Closure	
Generator Closure	$23,000,000
Tank and Equipment Survey	$1,000,000 - 2,000,000
Heating and Power Plant	$4,650,000 per year
PCB Investigations	$2,000,000
RCRA Costs Subtotal	***$28,900,000 - 30,100,000***

Boiler Operation and Maintenance for Closure Period - costs not accepted by COBRA: $4.65 million per year in heating costs to maintain buildings and systems prior to transfer of property – assume five years

Superfund Cleanup Costs

The COBRA analysis packet points out several factors that can only increase the cleanup costs at Portsmouth Naval Shipyard, assuming the BRAC closure is accepted by the panel. The primary factor is the increased cost of more conservative cleanup levels to account for future use. A large portion of the current shipyard is residential or non-industrial in nature. Most of the sites being considered for remediation under Superfund are not in the central industrial area and are ideal for residential development (condominiums, apartments, residences etc.). In particular, the Defense Reutilization and Marketing Office (DRMO) storage yard, Topeka Pier, and Building 62 areas are on scenic, non-industrial, shorefront property. In and of itself, the cost of removing lead soil contamination at the DRMO to residential instead of industrial standards increases the cost of the clean-up by more than $7.3 million.

The following additional factors not accounted for in the COBRA documents will add significantly to the environmental cleanup costs:

- Increased cost of greatly accelerating the cleanup schedule in a closure scenario increases the clean-up budget because of the need for additional contractors and supervision. In addition, these costs are front-loaded, requiring higher appropriations for cleanup in earlier years than the Navy had planned.

- The cost of developing Environmental Baseline Studies and Findings of Suitability to Transfer. These are required due diligence documents which may uncover additional contaminated areas.

- The security costs of protecting the sites and the base after the departure of an active military presence and before full re-use could add additional costs not accounted for by COBRA.

Taking these concerns in order:

A. The increased cost of more conservative cleanup levels: The most recent Feasibility Study (FS), for Operable Unit 2 the Defense Reutilization and Marketing Office (DRMO) storage yard and Old Incinerator, includes 5 Alternatives. The FS is a draft and more investigation is required before it may be finalized. Nonetheless, the Net Present Worth Cost for Alternative 4, closure to meet the current military-industrial use, is $11,346,000. The Net Present Worth Cost for Alternative 5, closure to meet future use residential standards, is $18,675,000. This represents a 65% increase to meet the likely future use standards for residential purposes. Applying this increase across the board to the Navy's estimated cost to complete cleanup of the entire base ($46,552,000) presented in the 2003 Annual Report to Congress, an additional $30,258,800 would be added to the cleanup cost due solely to the need for a higher standard resulting from non-industrial reuse.

B. The increased cost of greatly accelerating the schedule: In order to meet BRAC transfer and reuse deadlines, the Navy's efforts would need to be ramped up. More contractors, more supervision, more contingencies, better QA/QC, more presence on the facility, and more delegation of decisions to personnel on the scene would be necessary to expedite cleanup. Maine DEP's experience at Loring Air Force Base demonstrates that such an additional level of effort is required to meet the Navy's need for rapid transfer and the communities need for expedited reuse of the facility. While the state cannot speak for the Navy's procurement process, based on our own State experience the need to expedite cleanup in this manner is likely to increase costs to the Navy by 25% to 50%. This factor alone will increase the Navy's cost estimate by an additional $11,638,000 to $23,276,000.

C. The cost of developing Environmental Baseline Studies and Findings of Suitability to Transfer and required due diligence documents that may uncover additional areas of concern: The State notes with concern that the costs of activities necessary to adequately address environmental issues prior to reuse were disallowed by COBRA. CERFA requires that transferred federal property undergo the equivalent to due diligence environmental review to produce disclosure documents. During the process of closing the former Loring Air Force Base, all of the buildings received thorough inspections and documentation of asbestos and lead hazards, and these buildings are much newer than the buildings at the Kittery Yard, most of which pre-date World War II. The state would likewise require a review based on unrestricted use, including lead and asbestos abatement prior to approval for transfer. Existence of substantial lead paint and asbestos remedial activities is likely based on the age and history of use of many buildings at the Kittery Yard. Further, it is likely that further releases of petroleum or hazardous substances will be discovered during the due diligence process. In the absence of hard figures, the State used its experience at the former Loring AFB to estimate that the $5.2 million listed under "Miscellaneous" on the "Costs Disallowed in COBRA" worksheet is an accurate estimate of additional environmental investigation costs.

D. The security costs of protecting the sites and the base after the departure of an active military presence and before full reuse. Given the shoreline and surrounding

population, the historical structures and the nature of the sites, this could be a significant cost: Maine DEP's main concern is keeping the public away from sites that may pose a hazard, protecting our monitoring devices such as monitoring wells, and protecting remedial measures from damage. This will add to the facilities operation and maintenance costs, already estimated as $8,000,000, but hopefully not by a significant amount.

Thus the total increase in costs based on the Navy's own estimates are:

Portsmouth Naval Station Remedial Costs

Description of Expense	Costs
DOD Cost to Complete as of 2003	$46,552,000
Increased cost of stringent standards	$30,258,800
Cost to accelerate cleanup	$11,638,000 - 23,276,000
ESB/FOST	$5,200,000
Revised Total Cost to Complete	***$93,648,000 - 105,286,000***
Increase	*$47,096,000 -58,734,000*

Cleanup Precedents at Other Bases Suggest Environmental Cleanup Costs will be much Higher than Projected to Congress

While the figures above are greater than the environmental costs reported to Congress by the Navy by approximately 100%, consideration of similar BRAC sites known to the DEP suggests that environmental cleanup costs will be even higher. The current estimate to complete the clean-up of Pease AFB is over $200 million (Dick Pease, NH DES), and the cost to complete Mare Island in California (Portsmouth's sister base) is over $225 million (Isabella Alasti, CA). Portsmouth's age and documented contamination problems suggest a minimum $200 million cleanup cost is likely to prepare the property for reuse.

Dredge Costs of Contaminated Sediment in the Back Channel, Drydock, and Former Industrial Waste Outfalls

Due to a lack of information from the Navy, the Maine DEP is not able to estimate the cost to dredge contamination from the shipyard in the Portsmouth Estuary. Two areas of particular concern have not been addressed by the Navy. The area adjacent to the Former Gasification Plant in the Back Channel and the submerged areas adjacent to the Drydocks and Former Waste Outfalls may require extensive dredging to remove heavy metals, PCB, and Poly-aromatic Hydrocarbon-contaminated sediment. If contaminated, this material would be banned from ocean disposal, requiring disposal in a hazardous waste landfill. The costs of dredging contaminated sediments run in the many millions of dollars.

Summary of Environmental Compliance and Closure Costs not Accounted for in COBRA Analysis

Based on information known to the State, primarily the Maine DEP, the COBRA's analysis dramatically under-accounts the costs of closing and cleaning up the results of over 200 years of operation of the PNS as a naval shipyard.

The figures in this table are likely a low-estimate of environmental costs, based on the history of closure of similar military bases as described in Section III. The age and history of this base suggest that likely additional and substantial environmental issues will be discovered. And the costs of cleaning up contaminated dredge spoils in the Back Channel, drydock, and former waste outfall areas are not included because the State has no basis to estimate these costs at this time.

Summary of Environmental Compliance Closure Costs not Accounted for in COBRA Analysis

Description of Expense Remedial Costs	DOD accepted costs for future work	Costs not accepted by COBRA
DOD's Cost to Complete as of 2003	$46,552,000	$0
Increased cost of stringent standards	$0	$30,258,800
Cost to accelerate cleanup	$0	$11,638,000 - 23,276,000
ESB/FOST	$0	$5,200,000
Remedial Subtotal	***$46,552,000***	***$47,096,800 - 58,734,800***

Description of Expense RCRA Costs	DOD accepted costs for future work	Costs not accepted by COBRA
Hazardous Waste Storage Facility Closure	$0	$2,900,000 - 3,100,000
Generator Closure	$0	$23,000,000
Tank and Equipment Survey	$0	$1,000,000 - 2,000,000
PCB Investigations	$0	$2,000,000
RCRA Costs Subtotal	***$0***	***$28,900,000 - 30,100,000***

Description of Expense Heat & Power	DOD accepted costs for future work	Costs not accepted by COBRA
Heating and Power Plant – facility operations & maintenance during closure $4,650,000 – 5 years	$0	$4,650,000 per year

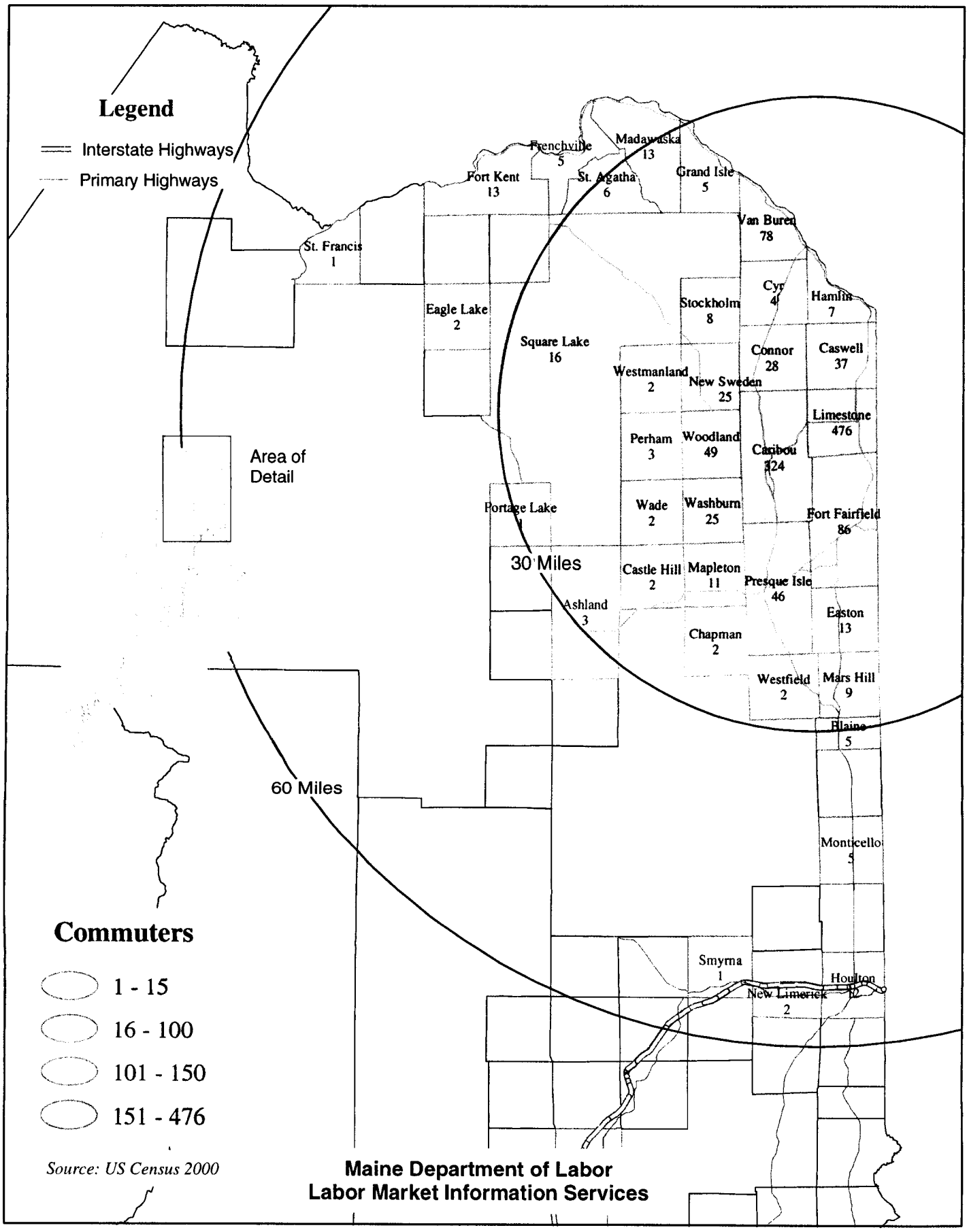
Heating and Power Plant Subtotal		***$23,250,000***

TOTAL Environment Closure Cost not accounted for in COBRA Analysis	**$46,552,000 accepted by COBRA**	**$99,246,800 - 112,084,800 in foreseeable environmental costs in immediate future due to closure**

Map A DN: 5017

Place of Residence of People Working in Limestone

Total Commuters: 1,345

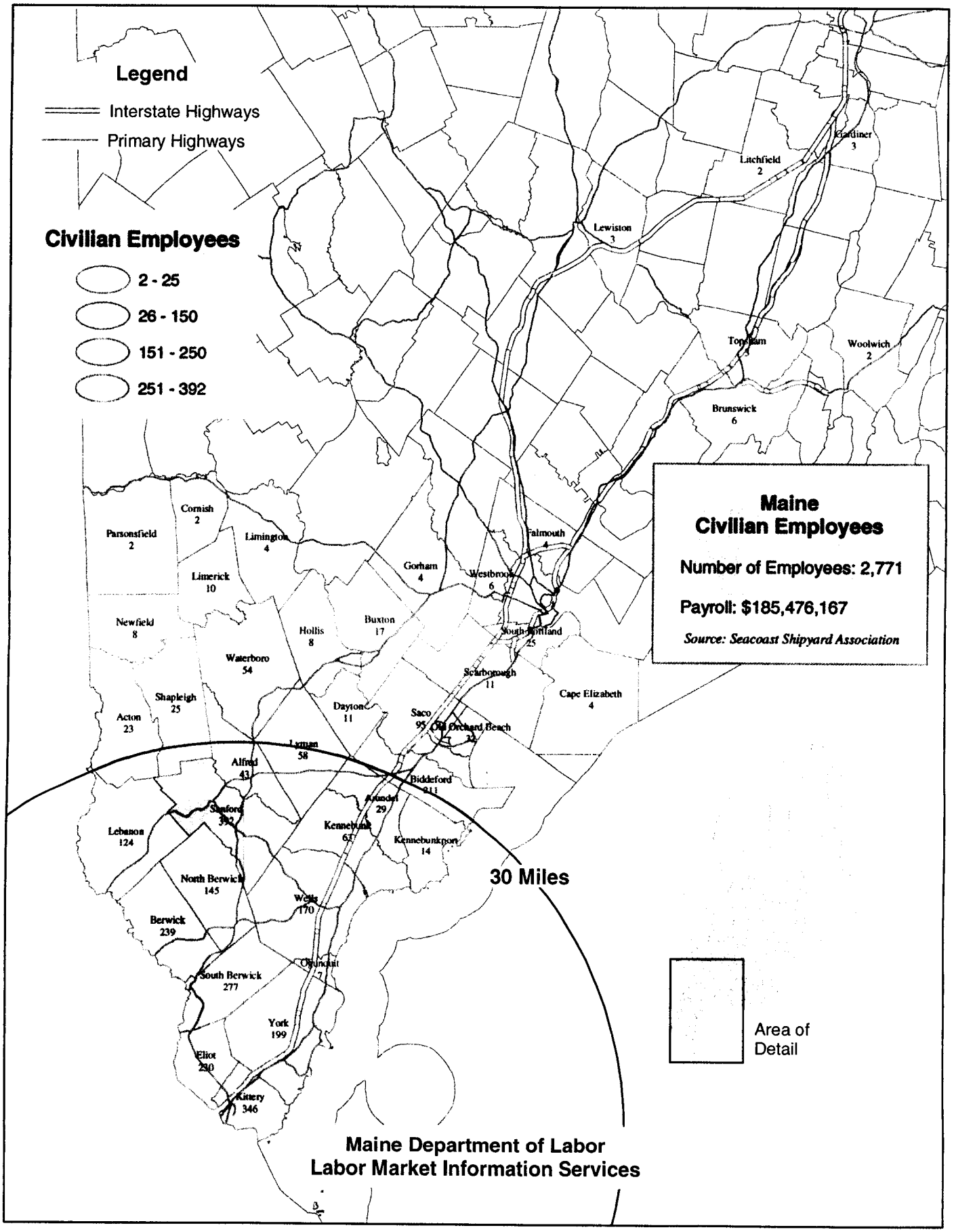


Source: US Census 2000

Maine Department of Labor
Labor Market Information Services

Map B
DCN: 5017

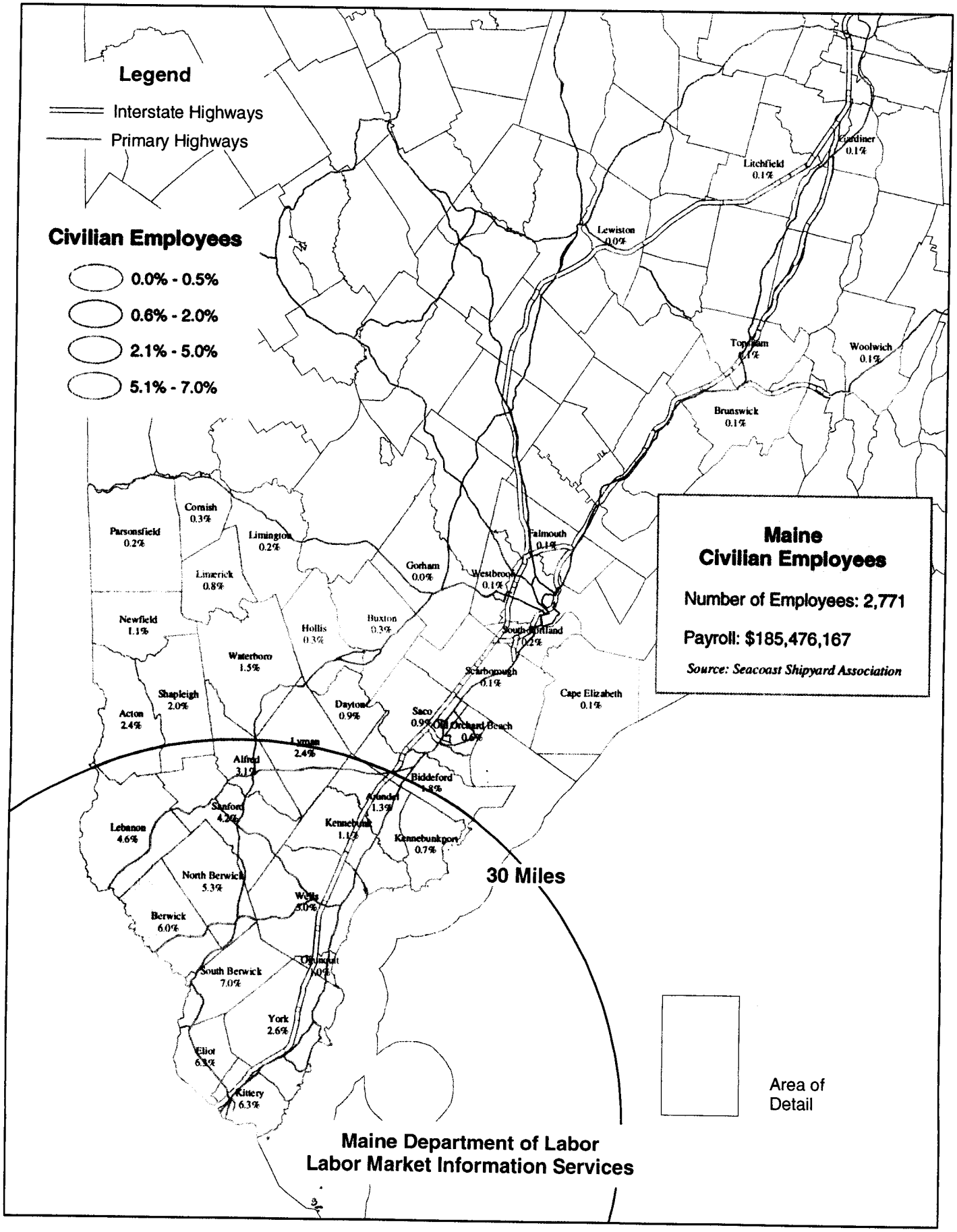
Place of Residence of Civilian Employees at Portsmouth Naval Shipyard



Map C

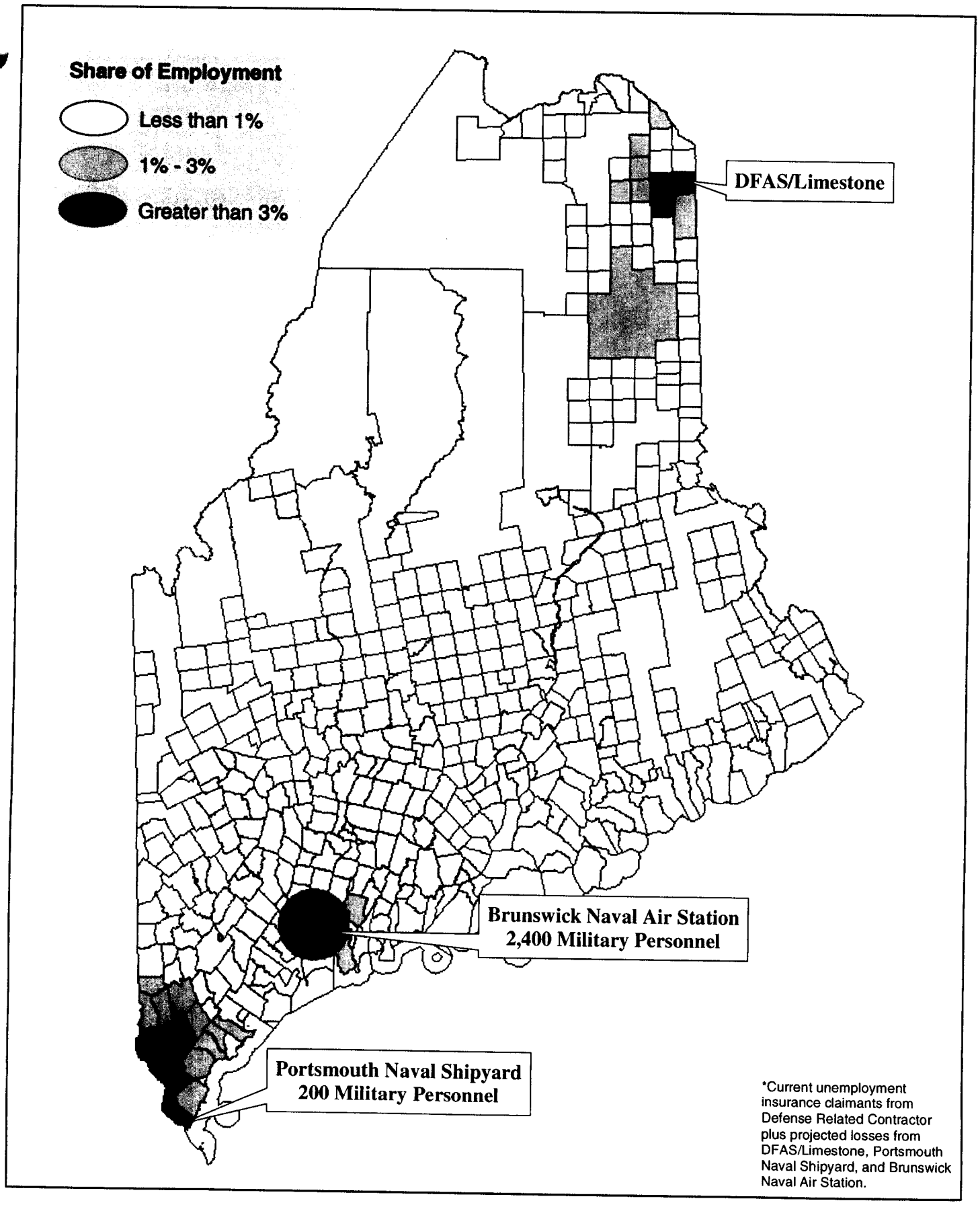
DCN: 5017

Share of Employed Residents Working at Portsmouth Naval Shipyard



DGN: 5017

DOD-Related Job Losses as a Share of Resident Employment*



*Current unemployment insurance claimants from Defense Related Contractor plus projected losses from DFAS/Limestone, Portsmouth Naval Shipyard, and Brunswick Naval Air Station.

Maine Department of Labor
Labor Market Information Services

DCN: 5017

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DCN: 5017

Executive Summary

The Defense Finance and Accounting Service Limestone Field Site is located in a secure facility that uses state-of-the-art technology. Limestone's highly-trained and motivated employees provide premier finance and accounting services for our service men and women, and unique services for their European customers. DFAS Limestone has a proven track record of efficiently and effectively performing its mission at a cost substantially lower than the rate for other DFAS sites. The exceptional performance of DFAS Limestone has been recognized through the receipt of the prestigious President's National Performance Review Hammer Award and in comments by Dov Zakheim, former Under Secretary of Defense Comptroller, who said DFAS Limestone has "a reputation in DFAS . . . a good one . . . We think we can be more efficient doing the work here."

The decision to close Limestone was flawed for several reasons. First, the DOD used faulty data and incorrect assumptions in determining the Military Value of the facility. This deviated substantially from BRAC criteria 1 – 4. Second, he DOD failed to analyze the cost savings of Limestone's closure outside the overall consolidation plan. Alternative COBRA runs that calculate costs and savings of keeping Limestone open or expanding it show that instead of saving money, the closure will actually cost the DOD $7.8 million in personnel and military construction costs. In fact, the Department's own COBRA model shows that the way to maximize cost savings is to grow Limestone to 600 employees. In fact, Limestone could be expanded to approximately 1200 employees either through military construction or through the use of shift work, and such an expansion would result in increased cost savings relative to the Department's consolidation plan.

Finally, the DOD failed to consider the impact of Limestone's closure in formulating the consolidation plan. Limestone's closure, unlike in most other communities, actually represents a double closure. During BRAC 91, Loring Air Force Base was selected for closure. The closure was completed in September 1994, and it had a devastating effect on the local economy. At the time of the closure announcement, the facility employed 4,500 military and 1,100 civilians.

The additional job losses that would now be experienced with the closure of DFAS Limestone would be a huge blow to the area and would certainly erase a significant amount of the progress that has been made in the recovery from the loss of Loring AFB. DFAS Limestone is among the area's largest employers, and its average wages are 50% higher than the rest of county.

The recommendation to close one of the most efficient and effective facilities in the DFAS system was based on flawed assumptions and inaccurate information that substantially deviate from BRAC criteria. It should be rejected.

FLAWS IN THE DEPARTMENT OF DEFENSE'S CLOSURE DECISION

The Department of Defense deviated substantially from the BRAC selection criteria in its recommendation to close DFAS Limestone. The Headquarters and Support Activities Group based their closure recommendation on a flawed model and inaccurate information that underrepresented Limestone's Military Value. The Group also failed to adequately consider the economic impact of the closure decision on Aroostook County, which would be harmed by the closure more than any other DFAS community.

Military Value

The data the Department used to determine the Military Value Ranking for DFAS facilities was based on a number of flawed assumptions that produced misleading and incorrect results. DFAS Limestone's military value was calculated inaccurately because:

- DOD's model rated as insecure all DFAS sites that are not on an active military base. This flawed model failed to recognize and account for the stringent anti-terrorism/force protection measures in place at Limestone such as an anti-vehicle fence, a large buffer zone, state-of-the-art surveillance cameras, and controlled access. Limestone should have received a score of "1" in the military value model for its security situation rather than a score of "0."
- Limestone received a poor grade for facility condition because the DOD wrongly used budget projections for optional facility improvements or for improvements that have already been made. The DOD has admitted they didn't even visit Limestone to evaluate the facility. In fact, nothing at the facility is failing. A proper assessment of the facility would have significantly boosted Limestone's military value score and should have produced a rating of "green" in the military value model.
- Limestone received a "0" in the category of Local Population Workplace Pool simply because it is not located near a Metropolitan Statistical Area of over 100,000. However, actual economic data shows that there is a sufficient available workforce. In previous expansions, Limestone accomplished new hires in 9.2 days – one of the lowest rates among all DFAS facilities.
- Limestone received no credit for the fact that it has ample land available around its facility at no cost to DOD, even though BRAC criterion 2 explicitly requires that the DOD consider "the availability and condition of land."

Had it received appropriate credit in the military value analysis, Limestone's score would have been higher than the score for any of the three receiving sites under DOD's plan.

Cost Savings Analysis

The DOD based its cost savings analysis on the impact of the consolidation plan as a whole. However, the analysis missed a very important fact. They did not do COBRA runs for any scenarios that would involve keeping Limestone open. They only performed COBRA runs for the scenario where three sites remained open. Our analysis using the DOD COBRA model shows that keeping Limestone open, or expanding it, strengthens the DFAS consolidation plan. The COBRA runs show that:

- The closure of Limestone would require a one-time investment of $7.8 million, which would take 25 years to recover. There would be no savings realized by the DOD during the 20-year BRAC net present value period.
- Increasing personnel at DFAS Limestone to 480 would produce an immediate, substantial return on investment. By pursuing this scenario, the government would save over $10.7 million in implementation costs and achieve a twenty-year net present value savings of over $12.5 million.
- Increasing personnel at DFAS Limestone to 600 would produce an immediate, substantial return on investment by saving over $11.9 million in implementation costs and twenty-year net present value in savings of over $15 million.

Economic Impact

The Department of Defense violated Criterion six of the Department of Defense Base Closure and Realignment Selection Criteria by failing adequately to consider the economic impact on the community. DOD calculated the number of job losses as a percent of the area employment, and determined that Aroostook County would lose 1% of the area's employed population if Limestone were closed -- the greatest negative economic impact on any DFAS community, and more than ten times the loss suffered by most other DFAS communities affected by the proposed consolidation.

More disturbingly, DOD has admitted that this extremely harmful negative economic outcome was factored into their Optimization Model. Not only did DOD perform little economic impact analysis, but DOD admits that what data they did collect was not given any weight in their closure decision.

STRENGTHS OF DFAS - LIMESTONE

DFAS, Limestone, a Center of Excellence

The DFAS system is undergoing significant transformation, technologically, in personnel numbers, and in its business model. DFAS is a virtual organization capable of existing in any secure location with sufficient telecommunications links and skilled personnel. DFAS is seeking through BRAC to reduce redundancy, eliminate excess capacity, and improve the quality of service it delivers to its customers. As part of this transformation, DFAS plans to develop business line Centers of Excellence where skilled workers can excel in specialized business line functions. DFAS has not yet decided what will be the size and mission of these Centers pending the outcome of the BRAC process.

DFAS Limestone is ideally suited to be realigned as a DFAS business line Center of Excellence handling, for example, the Defense Travel System (DTS) that will automate the travel computation function across DOD. With its secure facility – that is readily expandable at minimal expense, low operating costs, and skilled available workforce, Limestone is the perfect location to house a DFAS Center of Excellence within a transformed DFAS organization.

Workforce Capabilities
The Limestone region has a labor force that will support an expansion of DFAS operations. Past successful expansions at DFAS prove there is a readily available applicant pool with qualified candidates to choose from.

- New hires for facility expansion activities have taken less than ten days to complete, which is the lowest in the DFAS system.
- DFAS Limestone consistently attracts qualified and dedicated employees - with resumes received to position ratios exceeding 5 to 1 in most cases.

Operating Costs
DFAS Limestone is located in a premier facility in the former Loring Air Force base hospital constructed by DOD in 1988. An investment of nearly $6 million in 2000 allowed the facility to maximize space efficiencies and accommodate a planned expansion.

- Operating costs at DFAS Limestone are $4.98/square foot, about half the cost of the existing centers in Columbus and Indianapolis, and under a third the cost of operating at Denver.

Room for Expansion
DFAS, Limestone could significantly increase its workload with little or no impact on its operating costs.

- The facility currently has excess capacity of nearly 24,000 square feet or 35% of its utilized space.
- DFAS Limestone could increase its current mission from its current level of 353 civilian employees up to 480 employees (approximately 36% increase) simply by installing cubicles and work stations in space that has already been renovated.
- With minimal renovation costs workspace could be added for an additional 120 employees bringing the total to 600 employees.
- With either military construction (an expansion of 70,000 square feet) or by moving to shift work, Limestone could increase its personnel to approximately 1200 employees. This expansion would still result in increased savings relative to the DOD DFAS consolidation proposal.

Force Protection - DFAS, Limestone is a secure facility with numerous modern Anti-Terrorism/Force Protection systems in place. These include:

- An anti-vehicle fence around the perimeter of the building with concrete barriers at two of the four entrances.
- Security gates at all vehicle entrances that comply with DOD Guidelines and that require swipe entry to gain access.
- A large buffer zone between the secure perimeter and the building itself.
- State-of-the-art surveillance cameras installed in 2005.

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Economic Impact of Base Closure

Impact of Prior BRAC Decisions

Unlike in most other communities, the DOD's decision to close Limestone, in fact represents a double closure. During BRAC 91 Loring Air Force Base was scheduled for closure. The closure of the former Loring Air Force Base in September 1994 had a devastating effect on the local economy. At the time of the closure announcement, the facility employed 4,500 military and 1,100 civilians. Scores of businesses failed, local schools saw a dramatic decrease in their enrolment, local property tax revenues fell, and there was a resulting overabundance of vacant commercial and residential real estate.

While the region has recovered somewhat from that painful blow, DFAS Limestone has been the cornerstone of that effort and has provided area residents with well-paying jobs that carry benefits. Employment and other economic indicators have stabilized, with the unemployment rate approximating the national average. Recently, however, the communities surrounding the former Loring base have experienced some significant business closures, and the unemployment rate rose in April 2005 to 7.5%, the highest it has been for many years and 2.3% above the national average.

Impact of DFAS, Limestone's Closure on the Local Community

The additional job losses that would be experienced with the closure of DFAS Limestone would be a huge blow to the area and would certainly erase a significant amount of the progress that has been made in the recovery of the loss of Loring AFB. DFAS is among the area's largest employers, and its average wages are 50% higher than rest of county. The DFAS job losses estimated by DOD will increase the number of unemployed in the region by more than one third.

The one piece of economic impact data that the DOD gathered in connection with their closure recommendation was the percent increase in the affected area's unemployment rate from the proposed closure. Using this measure, Aroostook County is hardest hit by the DFAS consolidation plan. If Limestone were closed, the employed population of Aroostook County would be reduced by 1%. Moreover, the Limestone region would suffer significantly more than the other sites, fifteen of which would suffer losses that amount to .1% or less of the area's employed population. Unfortunately, this factor was not considered in the DOD's closure decision.

There would also be a severe de-population effect if Limestone were closed. Aroostook County has a history of out-migration; the loss of 360 well-paying DFAS jobs would exacerbate this problem. Workers who would relocate to find work would take family members with them.

Economic Impact of BRAC 2005 on the State of Maine

The statewide impact of the DOD plan will be truly massive for Maine. The closure of any single installation would be painful; the closure of three will be felt throughout the Maine economy for years to come. The Brunswick Naval Air Station and the Portsmouth Naval Shipyard between them account for 16,500 jobs. The total direct effects alone of lost payroll at these facilities and DFAS would be greater than losing the State's entire farming and fishing industries, its food processing industry, its wood products manufacturing industry, the computer and electronics industry, or the entire hotel and motel sector of Maine's tourism industry. It would be nothing short of catastrophic.

Of the 28 net losing states under DOD's BRAC recommendations, only three states would lose more than 4,000 direct jobs: Connecticut, Maine, and Alaska. Maine will lose 6,938 jobs directly, second only to Connecticut. In terms of the number of civilian job losses, Maine is second only to Virginia. And if you add in the indirect job losses calculated by DOD, Maine will lose a total of 13,418 jobs, 2.1% of the state's total employment in 2002, second only to Alaska's 2.4%, and far greater than that of any other state in the nation.

These dire numbers do not, however, paint a complete picture of the plan's impact all across Maine. Job losses will be difficult for every state; but the size of many other states' economies will help to soften the blow. Maine has a small population and a small workforce compared to other states. Of the three states losing more than 4,000 jobs, Connecticut will lose civilian jobs equivalent to 0.5% of total employment, Alaska will lose 1.1%. Maine will lose 1.7% of its total employed workforce, by far the highest percentage of any state.

Further, the sub-state area impacted by the DOD plan in Maine is far larger than that of any other area in the country. While other high impact areas tend to be small both in absolute size of labor market and relative to total state employment, the economic area absorbing the bulk of Maine's impact represents over half of the state's total employment.

By any measure, Maine is being asked to carry a grossly disproportionate burden of the proposed reductions. For our state, the DOD plan will be nothing less than a federally-induced, major recession. Indeed, 13,418 direct and indirect jobs, the total that DOD predicts Maine will lose, will be 15% greater than the job losses of the 2001-02 recession, and 80% as large as the devastating recession of 1990-91.

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Flaws in the Military Value Assessment

Four of the eight BRAC criteria relate to military value. The DOD determined military value by creating a military value model that assigns weights 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.

Criterion One Violations:

Flawed Assumption - DFAS Facility Must be on a Military Base to be Secure

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 secure facility like Limestone which has an anti-vehicle fence, controlled entry, state-of –the-art surveillance cameras, and large buffer zone around it. Security is a critical consideration, but should be considered on a facility-specific basis. The OSD-BRAC staff did not visit each facility to evaluate security apparently because they viewed the time commitment required to do so as "prohibitive." Yet this approach inherently results in unfair treatment to DFAS facilities, including Limestone. While full credit might arguably be given facilities on military bases, 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 a facility's electricity 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.

It is our understanding that since the announcement of the BRAC closure list on May 13, 2005, the DOD has performed security and safety assessment of the DFAS Limestone facility. The security assessment concluded that the Limestone facility meets virtually all DOD Force Protection Standards, and is far more secure than most other DFAS facilities. Moreover, the assessment found that the standards Limestone does not meet are easily and inexpensively corrected by, for example, moving parking spaces back so they are thirty three feet away from the building, relocating the mailroom to an exterior wall, and placing a wire mesh panel around an area where the roof overhangs the building. This assessment proves that DOD deviates substantially from the BRAC criteria if it does not give Limestone full credit for facility security in its military value analysis.

Flawed Assumption - DFAS Facility Must be near a Major Urban Area to Recruit Workers

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/PMSA workforce listing. This metric arbitrarily and capriciously penalizes a facility such as Limestone for being located in a rural location. The local population workforce pool is more than adequate for DFAS's needs; each time an expansion occurred at DFAS Limestone, there was more than ample applicant pool to choose from. In October 2002, decision to realign Air Force accounting and vendor pay workload resulted in the creation of 80 new positions at Limestone. After initial job announcements were made, 200 resumes were received in the first week, with a total of 400 resumes ultimately received, a 5:1 ratio. DFAS Limestone consistently attracts qualified and dedicated employees each time it hires new employees. The April 2005 unemployment rate in the Aroostook County LMA is 7.5%, with 2,790 unemployed and 34,240 employed.

Criterion Two Violation:

Flawed Assumption - Projected Budgets Reflect Facility Condition

Limestone received a "red" score for facility condition assessment rating when it should have been "green". The DOD ranked facility condition based on the total amount of projected budgets submitted by facility managers. "Green" meant maintenance repairs less than $100,000 in the next five years; "Amber" meant repairs of $100,000 - $250,000 in the next five years; "Red" meant "major construction/maintenance/repairs greater than $250,000 within the next five years." Limestone has submitted budgets for projects during the period of 2007 through 2011. However, no aspect of the Limestone facility has failed or is failing. Rather, the facility manager submitted proposals for optional improvements during that period, including, for example, $557,000 requested in FY 2006 for an auditorium project, and $225,000 in FY 2009 to perform roof repairs. These projects are optional, not needed maintenance. The roof is not failing.

The DOD has admitted in a June 24, 2005 letter that it based its "red" score on these erroneous assumptions regarding future facility costs. Even worse, the DOD admitted that it included as a future cost $216,000 in FY 2005 for replacing security cameras. These funds have already been spent, and the cameras installed. With these optional and already-completed projects excluded, Limestone would fall into the category of facilities requiring maintenance and repairs less than $100,000 in the next five years, and would receive a facility condition score of "Green."

Limestone completed a $6 million renovation project in 2000. The facility is in excellent condition and should have received the highest ranking for its condition. By failing to appropriately account for the difference between needed and optional/already completed

facility construction and maintenance, DOD substantially deviated from the BRAC criteria.

Flawed Assumption – Available Land is of No Military Benefit

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 for capturing that data. This penalized the Limestone facility, which sits on 14.9 acres of land which could be made available at little or no cost to the DOD. Again, the Military Value assessment failed to include information that should have benefited Limestone's ranking. This was a substantial deviation from the plain language of this criterion.

Flawed Assumption -- No Credit for Workforce in a Rural Area

Five percent of the DOD's military value score was based on the nature of the local workforce pool. But DOD's model automatically gives a score of "zero" for facilities if they are located in an area that does not appear on a Department of Labor workforce listing of Primary Metropolitan Statistical Areas or Metropolitan Statistical Areas of over 100,000 people.

Obviously, this metric arbitrarily penalizes a facility such as Limestone for being located in a rural setting. In actuality, Limestone's local workforce pool has proven to be extremely effective in meeting the needs of DFAS.

Each and every time an expansion has occurred at Limestone, there has been a more than ample applicant pool from which to choose. In an area with 7.5% unemployment, and significant under-employment, there are many qualified applicants looking to compete for what are high-paying jobs for the area.

In previous expansions, Limestone accomplished new hires in 9.2 days, the lowest rate among all 26 DFAS facilities.

Limestone should be afforded a score that recognizes this workforce exists and is commensurate with other rural areas such as Lawton, OK, which received a score of (point zero zero two) .002.

<u>Corrected Military Value Score for DFAS Limestone</u>

If DFAS Limestone is given full credit for the secure nature of its facility under criterion one, its facility condition assessment rating is changed from "red" to "green," and is given some credit for its local workforce pool, then its military value score would be .840, making it the second highest military value score among all 26 DFAS facilities, and giving it a higher score than any of the proposed receiving facilities.

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Flaws in Analysis of Cost Savings

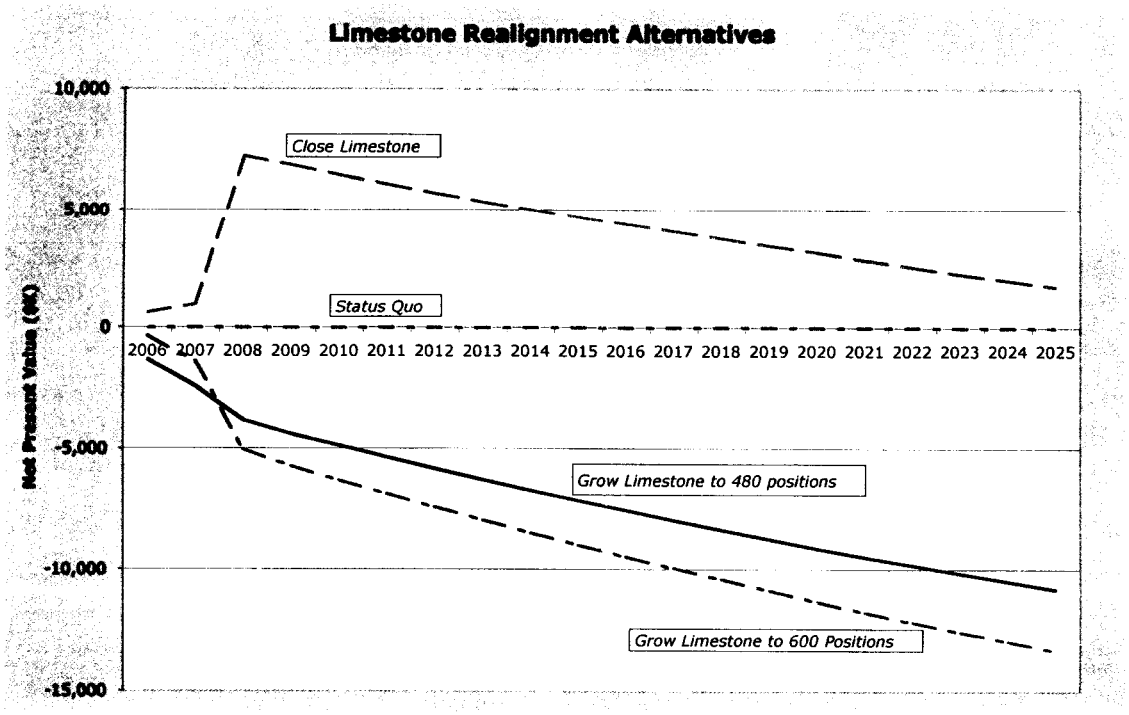
Criterion Five of DOD's Base Closure Selection Criteria states that consideration must be given to the timing of potential costs and savings, including the number of years for the savings to exceed the costs. While the DOD may have based its cost savings analysis on the nationwide consolidation plan in the aggregate, isolating the savings associated with Limestone proves that its closure is not cost effective. *In fact, as the following COBRA scenarios will show, the way to produce cost savings is to actually increase the number of personnel at the Limestone facility.*

Summary

This analysis uses the COBRA model to analyze the Return On Investment for the DOD recommended scenario (Scenario HSA0018) for closing DFAS Limestone and to explore three alternatives scenarios. The four scenarios evaluated are:

Close Limestone – as per Scenario HSA0018
Status Quo – Retain DFAS Limestone with 241 positions
Grow Limestone to 480 Positions
Grow Limestone to 600 Positions

The following chart shows the comparative Net Present Value of these four alternatives: (Note, the status quo is shown for reference only. It involves no investment or return so the NPV is zero)



The DFAS Consolidation Scenario – HSA0018 V5

The baseline scenario is the Pentagon's proposed DFAS Consolidation Scenario – HSA0018 V5. This scenario consists of consolidating 26 current DFAS facilities into three receiver sites:

Columbus, Ohio
Indianapolis, Indiana
Denver, Colorado

The COBRA model is not capable of handling more than 20 bases in a realignment scenario. Therefore, the analysis was broken down into two parts, which were then added using the ADDER module. The following is a summary of the key financial results of this scenario:

Report Created:	5/4/2005 9:34:55 AM
ADDER Data File:	HSA0018
Starting Year :	2006
Final Year :	2011
1-Time Cost (K):	$282,062
Return On Investment:	
Payback Year :	Immediate
NPV in 2025 (K):	-$1,313,813

The Baseline Scenario – Close DFAS Limestone

It is clear from the above results that the overall business case for DFAS consolidation is compelling. However, the question remains, "Is there a business case for closing DFAS Limestone?"

In order to answer this question, we ran an alternative COBRA scenario where the data in the COBRA input fields were changed to indicate no Limestone realignment at all. Then, the new scenario results were compared to the original to measure the difference. This difference represents the costs/savings attributable exclusively to the realignment of Limestone.

Limestone Positions:		
Before BRAC	241	
Gained/eliminated	-7	
Realigned	-234	
After BRAC	0	
Starting Year :	2006	
Final Year :	2008	
1-Time Cost (K):	$7,806	
Return On Investment:		
Payback Year :	2033	(25 Years)
NPV in 2025 (K):	$1,734	

Among other considerations, this scenario requires the renovation of 29,600 sq ft of administrative space to accommodate 148 positions realigned from Limestone to Columbus, at a cost of $1.4 million. Personnel and moving costs are $6.4 million.

Conclusion: While the overall business case for DFAS consolidation is good, the closure of DFAS Limestone would not contribute to that result. In fact, the closure of Limestone would require a one-time investment of $7.8 million, which would take 25 years to recover. There would be no NPV savings realized during the 20-year NPV period.

Another way of stating this is, "The business case for DFAS consolidation would be improved if DFAS Limestone were not closed/realigned."

Alternative 1 – The Status Quo

This scenario represents the net costs/savings of keeping DFAS Limestone open in its "Before BRAC" status. (Note: The "before BRAC" personnel count at Limestone is 241 positions. This represents a programmed drawdown from the current count of 309 positions.)

In effect, this represents the "null case." No investment is required and no return is expected. Therefore, the net costs/savings of this scenario are zero. This scenario merely serves as a cross check for accuracy and as the baseline for measuring the net costs and net savings of the scenarios being evaluated.

Limestone Positions:	
Before BRAC	241
Gained/eliminated	0
Realigned	0
After BRAC	241
Starting Year :	2006
Final Year :	N/A
1-Time Cost ($K):	0
Return On Investment:	
Payback Year :	N/A
NPV in 2025 ($K):	0

Costs/savings Relative to Scenario HSA0018:		
1-Time Cost (K):	-$7,806	(saved)
NPV in 2025 (K):	-$1,734	(saved)

Conclusion: When compared to the HSA0018 scenario, the status quo "saves" money by avoiding $7.8 million in implementation costs.

Alternative 2 – Grow DFAS Limestone to 480 Positions

In this scenario, DFAS Limestone would become a receiver site for 239 additional positions, bringing the total count up to 480. In defining this scenario, we assumed 239 Norfolk positions would relocate to Limestone instead of Columbus. This resulted in further savings by totally eliminating the need for Military Construction at Columbus without requiring any Military Construction at Limestone.

Limestone Positions:		
Before BRAC	241	
Gained/eliminated	0	
Realigned	239	
After BRAC	480	
Starting Year :	2006	
Final Year :	2008	
1-Time Cost ($K):	-$2,947	(saved)
Return On Investment:		
Payback Year :	Immediate	
NPV in 2025 ($K):	-$10,817	
Costs/savings Relative to Scenario HSA0018:		
1-Time Cost (K):	-$10,753	(saved)
NPV in 2025 (K):	-$12,551	(saved)

This scenario completely eliminates the requirement for Military Construction. It also produces savings in other areas because personnel costs, overhead, etc are lower at Limestone than at Columbus.

Conclusion: Realigning DFAS Limestone as a receiver site would produce an immediate, substantial return on investment, strengthening the overall case for DFAS consolidation in the process. By pursuing this scenario, instead of the one proposed by DOD, the government would save over $10.7 million in implementation costs and have a 20-year NPV savings of over $12.5 million.

Alternative 3 – Grow DFAS Limestone to 600 Positions

In this scenario, DFAS Limestone would become a receiver site for 359 additional positions, bringing the total count up to 600. In defining this scenario, we assumed that 80 positions would relocate from Charleston, SC to Limestone instead of Columbus and that 229 Norfolk positions would relocate to Limestone instead of Columbus. This scenario requires renovating 24,000 sq ft of administrative space at Limestone at a cost of $1.23 million.

It also produces additional savings in other areas because personnel costs, overhead, etc are lower at Limestone than at Columbus.

Limestone Positions:		
Before BRAC	241	
Gained/eliminated	0	
Realigned	359	
After BRAC	600	
Starting Year :	2006	
Final Year :	2008	
1-Time Cost ($K):	-$-4,130	(saved)
Return On Investment:		
Payback Year :	Immediate	
NPV in 2025 ($K):	-$13,371	
Costs/savings Relative to Scenario HSA0018:		
1-Time Cost (K):	-$11,936	(saved)
NPV in 2025 (K):	-$15,105	(saved)

Conclusion: Realigning DFAS Limestone as a receiver site would produce an immediate, substantial return on investment, strengthening the overall case for DFAS consolidation in the process. By pursuing this scenario, instead of the one proposed by DOD, the government would save over $11.9 million in implementation costs and net 20-year NPV savings of over $15.1 million.

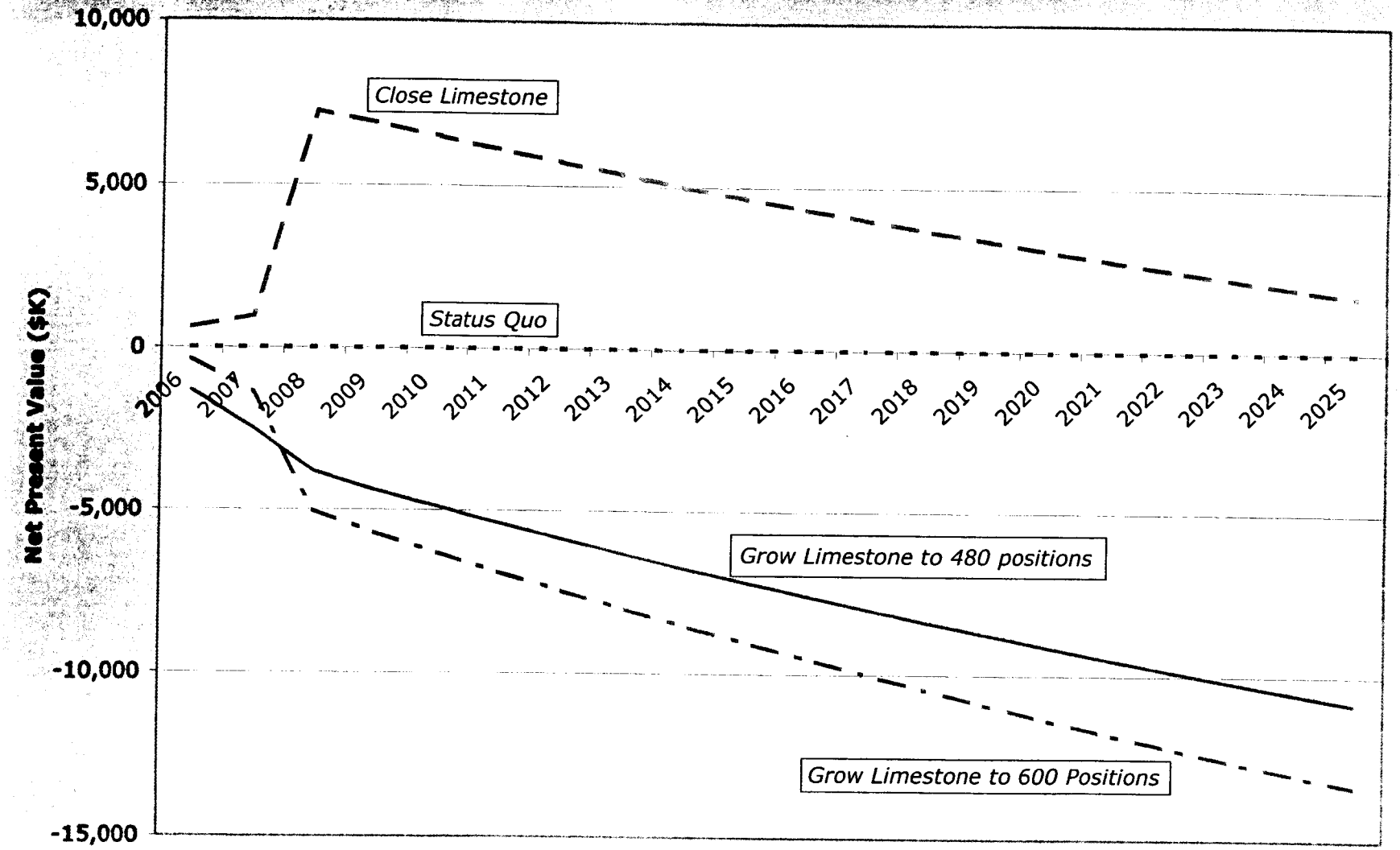
Scenario **Limestone Business Case Summary**

Description Compares HSA0018 Baseline to three other alternatives

	Baseline (0)	Alt 1 (241)	Alt 2 (480)	Alt 3 (600)
Payback	25 Years	N/A	Immediate	Immediate
NPV in 2025 ($K)	1,734	0	-10,817	-13,371
1-Time Cost ($K)	7,806	0	-2,947	-4,130
Total Investment ($K):				
MilCon	1,416	0	-2,482	-1,252
Personnel	1,106	0	-62	-331
Moving	5,284	0	-404	-2,547
Overhead	0	0	0	0
Other	0	0	0	0
TOTAL	7,806	0	-2,947	-4,130
Recurring Costs/Year ($K)				
Personnel	-253	0	-315	-380
Overhead	148	0	-240	-281
Mission	-337	0	0	0
Other	0	0	0	0
TOTAL	-442	0	-555	-661
Limestone Position Changes				
Before BRAC	241	241	241	241
Positions Eliminated	-7	0	0	0
Positions Realigned	-234	0	239	359
After BRAC	0	241	480	600

Year	Close Limestone	Keep Limestone	ow Limestone 4	ow Limestone 6
2006	612	0	-1,312	-345
2007	957	0	-2,461	-1,399
2008	7,217	0	-3,814	-5,052
2009	6,848	0	-4,391	-5,724

Limestone Realignment Alternatives



Scenario	**Baseline (0):**
Description	HSA0018 V5 - P1 Updated 3 May 05 Limestone Closed. Milcon required at Columbus.
Payback	Immediate
NPV in 2025 ($K)	-1,164,282
1-Time Cost ($K)	208,681
Invest/Return Ratio	5.6

Total Investment ($K):		
MilCon	3,898	Rehab at Columbus
Personnel	48,287	Primarily RIF and early retirements
Moving	144,204	Primarily civilian moving
Overhead	4,224	Primarily program management cost
Other	8,068	HAP/RSE
TOTAL	208,681	

Recurring Costs/Year ($K)		
Personnel	-84,082	Due to elimination of 1,206 positions
Overhead	-5,887	Primarily BOS savings due to site closures
Mission	-14,452	Based on operating cost/sq ft
Other	-32	
TOTAL	-104,453	

Scenario Position Changes	
Positions Eliminated	1,206
Positions Realigned	5,389

Limestone Position Changes	
Before BRAC	241
Positions Eliminated	-7
Positions Realigned	-234
After BRAC	0

Year	Costs ($K)	Adjusted ($K)	NPV ($)	Nper
2006	27,080	26,709	26,709	0.5
2007	42,949	41,206	67,915	1.5
2008	-10,646	-9,936	57,979	2.5
2009	-29,551	-26,828	31,151	3.5
2010	-89,302	-78,866	-47,716	4.5
2011	-103,545	-88,954	-136,670	5.5
2012	-104,454	-87,291	-223,961	6.5
2013	-104,454	-84,913	-308,875	7.5
2014	-104,454	-82,601	-391,475	8.5
2015	-104,454	-80,351	-471,826	9.5
2016	-104,454	-78,162	-549,989	10.5
2017	-104,454	-76,033	-626,022	11.5
2018	-104,454	-73,962	-699,984	12.5
2019	-104,454	-71,948	-771,932	13.5
2020	-104,454	-69,988	-841,920	14.5
2021	-104,454	-68,082	-910,002	15.5
2022	-104,454	-66,228	-976,230	16.5
2023	-104,454	-64,424	-1,040,654	17.5
2024	-104,454	-62,669	-1,103,323	18.5
2025	-104,454	-60,962	-1,164,285	19.5

Scenario	**Alt 1 (241)**
Description	Limestone remains open, retaining 241 positions Reduced MilCon at Columbus. No MilCon at Limestone.
Payback	Immediate
NPV in 2025 ($K)	-1,166,016
1-Time Cost ($K)	200,875
Invest/Return Ratio	5.8

Total Investment ($K):		
MilCon	2,482	Rehab at Columbus
Personnel	47,181	Primarily RIF and early retirements
Moving	138,920	Primarily civilian moving
Overhead	4,224	Primarily program management cost
Other	8,068	HAP/RSE
TOTAL	200,875	

Recurring Costs/Year ($K)		
Personnel	-83,829	Due to elimination of 1,206 positions
Overhead	-6,035	Primarily BOS savings due to site closures
Mission	-14,115	Based on operating cost/sq ft
Other	-32	
TOTAL	-104,011	

Scenario Position Changes	
Positions Eliminated	1,199
Positions Realigned	5,155

Limestone Position Changes	
Before BRAC	241
Positions Eliminated	0
Positions Realigned	0
After BRAC	241

Year	Costs ($K)	Adjusted ($K)	NPV ($)	Nper
2006	26,459	26,096	26,096	0.5
2007	42,590	40,862	66,958	1.5
2008	-17,354	-16,196	50,762	2.5
2009	-29,144	-26,459	24,303	3.5
2010	-88,860	-78,476	-54,173	4.5
2011	-103,103	-88,575	-142,748	5.5
2012	-104,012	-86,922	-229,670	6.5
2013	-104,012	-84,554	-314,224	7.5
2014	-104,012	-82,251	-396,475	8.5
2015	-104,012	-80,011	-476,486	9.5
2016	-104,012	-77,832	-554,317	10.5
2017	-104,012	-75,712	-630,029	11.5
2018	-104,012	-73,649	-703,679	12.5
2019	-104,012	-71,643	-775,322	13.5
2020	-104,012	-69,692	-845,014	14.5
2021	-104,012	-67,794	-912,808	15.5
2022	-104,012	-65,947	-978,755	16.5
2023	-104,012	-64,151	-1,042,906	17.5
2024	-104,012	-62,404	-1,105,310	18.5
2025	-104,012	-60,704	-1,166,014	19.5

Scenario	**Alt 2 (480)**	
Description	Limestone stays open and increases to 480 positions No MilCon required.	
Payback	Immediate	
NPV in 2025 ($K)	-1,176,833	
1-Time Cost ($K)	197,928	
Invest/Return Ratio	5.9	
Total Investment ($K):		
MilCon	0	No MilCon
Personnel	47,119	Primarily RIF and early retirements
Moving	138,516	Primarily civilian moving
Overhead	4,224	Primarily program management cost
Other	8,068	HAP/RSE
TOTAL	197,928	
Recurring Costs/Year ($K)		
Personnel	-84,144	Due to elimination of 1,206 positions
Overhead	-6,275	Primarily BOS savings due to site closures
Mission	-14,115	Based on operating cost/sq ft
Other	-32	
TOTAL	-104,566	
Scenario Position Changes		
Positions Eliminated	1,199	
Positions Realigned	5,155	
Limestone Position Changes		
Before BRAC	241	
Positions Eliminated	0	
Positions Realigned	239	
After BRAC	480	

Year	Costs ($K)	Adjusted ($K)	NPV ($)	Nper
2006	25,129	24,784	24,784	0.5
2007	41,392	39,712	64,497	1.5
2008	-18,804	-17,550	46,947	2.5
2009	-29,779	-27,035	19,912	3.5
2010	-89,415	-78,966	-59,054	4.5
2011	-103,658	-89,051	-148,106	5.5
2012	-104,567	-87,386	-235,491	6.5
2013	-104,567	-85,005	-320,497	7.5
2014	-104,567	-82,690	-403,187	8.5
2015	-104,567	-80,438	-483,625	9.5
2016	-104,567	-78,247	-561,871	10.5
2017	-104,567	-76,116	-637,987	11.5
2018	-104,567	-74,042	-712,029	12.5
2019	-104,567	-72,026	-784,055	13.5
2020	-104,567	-70,064	-854,119	14.5
2021	-104,567	-68,156	-922,275	15.5
2022	-104,567	-66,299	-988,574	16.5
2023	-104,567	-64,493	-1,053,067	17.5
2024	-104,567	-62,737	-1,115,804	18.5
2025	-104,567	-61,028	-1,176,832	19.5

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Scenario	**Alt 3 (600)**
Description	Limestone stays open and increases to 600 positions Requires some Amber code rehab at Limestone.
Payback	Immediate
NPV in 2025 ($K)	-1,179,387
1-Time Cost ($K)	196,745
Invest/Return Ratio	6.0

Total Investment ($K):		
MilCon	1,230	Rehab 24,000 sq ft at Limestone
Personnel	46,850	Primarily RIF and early retirements
Moving	136,373	Primarily civilian moving
Overhead	4,224	Primarily program management cost
Other	8,068	HAP/RSE
TOTAL	196,745	

Recurring Costs/Year ($K)		
Personnel	-84,209	Due to elimination of 1,199 positions
Overhead	-6,316	Primarily BOS savings due to site closures
Mission	-14,115	Lease or operating cost/sq ft
Other	-32	
TOTAL	-104,672	

Scenario Position Changes	
Positions Eliminated	1,199
Positions Realigned	5,155

Limestone Position Changes	
Before BRAC	241
Positions Eliminated	0
Positions Realigned	359
After BRAC	600

Year	Costs ($K)	Adjusted ($K)	NPV ($)	Nper
2006	26,109	25,751	25,751	0.5
2007	41,492	39,808	65,559	1.5
2008	-21,268	-19,849	45,710	2.5
2009	-29,885	-27,132	18,578	3.5
2010	-89,520	-79,059	-60,481	4.5
2011	-103,763	-89,142	-149,622	5.5
2012	-104,672	-87,473	-237,095	6.5
2013	-104,672	-85,091	-322,186	7.5
2014	-104,672	-82,773	-404,959	8.5
2015	-104,672	-80,519	-485,478	9.5
2016	-104,672	-78,325	-563,803	10.5
2017	-104,672	-76,192	-639,995	11.5
2018	-104,672	-74,117	-714,112	12.5
2019	-104,672	-72,098	-786,210	13.5
2020	-104,672	-70,134	-856,344	14.5
2021	-104,672	-68,224	-924,568	15.5
2022	-104,672	-66,366	-990,934	16.5
2023	-104,672	-64,558	-1,055,492	17.5
2024	-104,672	-62,800	-1,118,292	18.5
2025	-104,672	-61,089	-1,179,381	19.5

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Scenario	**Part 2**	
Description	Limestone stays open and increases to 600 positions Requires some Amber code rehab at Limestone.	
Payback	3 Years	
NPV in 2025 ($K)	-149,531	
1-Time Cost ($K)	73,380	
Invest/Return Ratio	2.0	
Total Investment ($K):		
MilCon	0	Rehab 24,000 sq ft at Limestone
Personnel	9,629	Primarily RIF and early retirements
Moving	56,826	Primarily civilian moving
Overhead	1,239	Primarily program management cost
Other	5,687	HAP/RSE
TOTAL	73,380	
Recurring Costs/Year ($K)		
Personnel	-4,633	Due to elimination of 1,199 positions
Overhead	-1,539	Primarily BOS savings due to site closures
Mission	-9,872	Lease or operating cost/sq ft
Other	0	
TOTAL	-16,044	
Positions Eliminated	74	
Positions Realigned	2,026	
Limestone Position Changes		
Before BRAC	0	
Positions Eliminated	0	
Positions Realigned	0	
After BRAC	0	

Year	Costs ($K)	Adjusted ($K)	NPV ($)	Nper
2006	32,283	31,840	31,840	0.5
2007	23	22	31,862	1.5
2008	6,095	5,688	37,551	2.5
2009	-1,422	-1,291	36,260	3.5
2010	-16,044	-14,169	22,091	4.5
2011	-16,044	-13,783	8,307	5.5
2012	-16,044	-13,408	-5,100	6.5
2013	-16,044	-13,043	-18,143	7.5
2014	-16,044	-12,687	-30,830	8.5
2015	-16,044	-12,342	-43,172	9.5
2016	-16,044	-12,006	-55,178	10.5
2017	-16,044	-11,679	-66,856	11.5
2018	-16,044	-11,361	-78,217	12.5
2019	-16,044	-11,051	-89,268	13.5
2020	-16,044	-10,750	-100,018	14.5
2021	-16,044	-10,457	-110,475	15.5
2022	-16,044	-10,172	-120,648	16.5
2023	-16,044	-9,895	-130,543	17.5
2024	-16,044	-9,626	-140,169	18.5
2025	-16,044	-9,364	-149,533	19.5

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Flaws in Economic Impact Analysis

Criterion 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. Not only did the DOD fail to accurately assess the economic impact, what information they did collect was not considered in their closure decision. This is a substantial deviation from criterion six of the Base Realignment and Closure Final Selection Criteria.

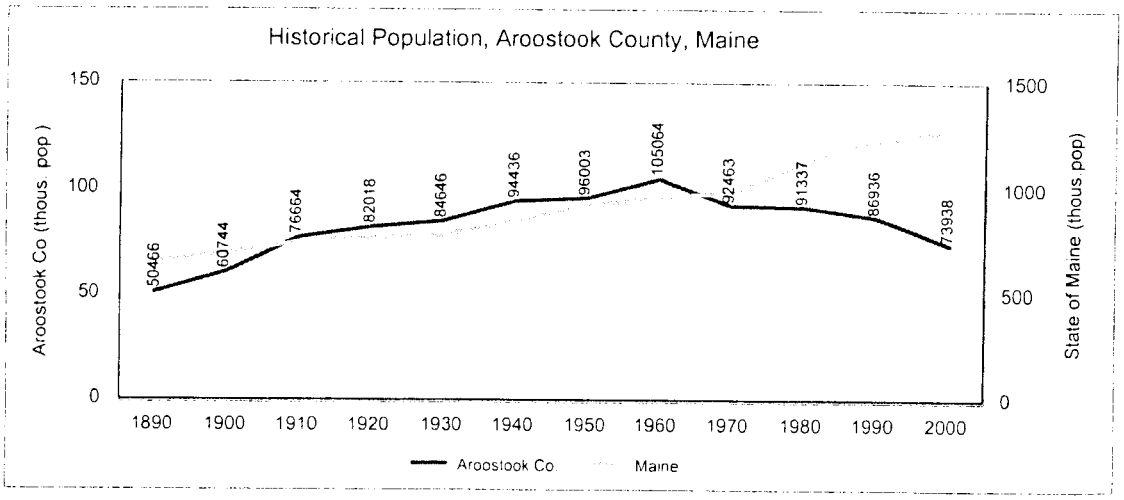
The one piece of economic impact data that the DOD included in their Closure recommendation was the percent of the area's employment affected by the closure. Using this measure, Aroostook County would suffer the most under the DFAS consolidation plan. DOD's analysis is that closing DFAS Limestone would reduce by 1% the area's employed population, an outcome more severe than for any other site – 15 of which would lose .1% or less of the area's employed population. Unfortunately, there is no evidence that this factor was considered in the DOD's closure decision.

Criterion 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 Limestone center, the indirect effect of jobs lost at the facility, include the loss of spending by the facility that occurs in the region. To date there is no evidence DOD considered this effect of the proposed Limestone closure.

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 391 jobs in Aroostook County, based on there being 241 individuals employed at the center. However, the center currently employs 353 workers. The total number of job reductions, using DOD's method of measuring job losses, would have been substantially greater if DOD had used the current employment figures for the Limestone facility.

Flawed Analysis - Economic Impact

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, the results of which are displayed below, more accurately measure economic impact from the proposed closure than do bare IMPLAN multipliers measurement system employed by DOD.[1]

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

[1] This chart assumes DFAS Limestone employs 364 personnel, the number it was estimated to have at the time the analysis was conducted. The number of personnel fluctuates week to week, and was reported by the Director of DFAS Limestone to be 353 on June 28, 2005.

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).

Imprecise data on the number of persons employed, and a lack of hard data regarding the actual dollar value of current DFAS Limestone payroll and operational expenditures made it difficult to fully assess the impact on the community of closing the Limestone 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 the RIMS II model 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 (since personnel numbers were increased 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, an estimate of $1 million in spending was attached to that metric.

The RIMS II model indicates that closing Limestone would result in total job losses 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 REMI model indicates that closing Limestone would result in 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
Aroostook County					
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 $)	-28.18	-30.99	-33.45	-35.69	-37.81
Population	-120.4	-214.3	-293	-358.7	-413.8
Labor Force	-134	-220.9	-284.5	-331.3	-365.7
MAINE					
Total Employment	-600.3	-619.4	-630.6	-635.7	-638
Total GRP (Bil Chained 96$)	-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, They predict that closing Limestone would result in job losses of between 550 and 600, and their estimates are probably conservative because they are based in part on outdated payroll data.

Out-migration of population in general, and especially of skilled workers, would make it difficult for Aroostook County to recover from the proposed closure.

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Limestone, a Center of Excellence

Consolidation with a Purpose

The purpose of the DFAS consolidation through the BRAC process is to eliminate excess capacity within the system and to maximize the overall military value (the security and efficiency with which DFAS executes its mission) of the DFAS system. Despite the recommendations made by the Department of Defense, DFAS Limestone has the capability to augment the military value of the DFAS system and should be expanded as part of the transformation of DFAS.

There is no doubt that there is excess capacity within the DFAS system; however, the Department of Defense seriously examined only one poorly considered scenario. The guiding parameter of that scenario was to reduce capacity by decreasing the number of facilities to the lowest possible number without requiring military construction. The Department of Defense failed to recognize the virtual nature of the DFAS system, and therefore failed to embrace a transformational future vision of DFAS. The DFAS consolidation recommendations should be based on the principle of promoting the military value of the entire DFAS network by reducing capacity while keeping the most cost efficient and secure facilities. Expanding DFAS Limestone is conducive to this effort of promoting a low-cost, streamlined and effective DFAS system.

DFAS Transformation

The DFAS roadmap for transformation seeks to create a foundation upon which to build a financial services operation that addresses existing financial management deficiencies by enhancing and streamlining government processes, consolidating operations, and leveraging to the greatest extent possible private sector expertise and innovation.[1] DFAS is using the BRAC process as a tool to further this effort; however, the final vision of DFAS is currently unclear to DFAS leadership. The Deputy Director of DFAS, General Eakle, has stated 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.

There is no business line within the DFAS system or vision for the future that necessarily excludes Limestone. In fact, when asked 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.

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[1] DFAS Transformation Strategy, March 2003, pg. 2.

DFAS Limestone Track Record of Excellence

Throughout the history of DFAS, there have been continuous workload realignment and consolidation initiatives designed to streamline and increase the efficiency of operations, reduce costs, and improve customer service. Due to Limestone's superior performance, these initiatives have resulted in DFAS Limestone continuously gaining additional work while maintaining a stable employment base due to increased technological advancements, systems improvements, operational efficiencies, and economies of scale.

Limestone has a proven record of accomplishment within DFAS[2] and is capable of serving clients anywhere in the DOD network because of its Defense Information Systems Network (DISN) Point of Presence and the internet based nature of the business performed by DFAS. Limestone is currently one of only two facilities serving the Air Force. Limestone provides product line assistance for accounting services, commercial pay services and corporate resources, and is fully capable of taking on a greater workload. DFAS Limestone has been a leader with DFAS for embracing technology[3] and reducing inefficiency and any recommendation should take advantage of these qualities.

DFAS Limestone, a Center of Excellence

While DFAS Limestone is geographically far from its customers, a committed investment in automation and telecommunications technologies has made the facility real neighbors in every sense of the word. Because of its location, Limestone's cost of operations is low and its efficiency is high. Through voice and data lines and a video teleconference center, DFAS Limestone has instantaneous communications with all its customers, providing excellent support not only to the bases served, but also to the vendors who provide goods and services to these bases. DFAS Limestone's services include: vendor pay; accounts receivable; appropriated funds accounting and reporting; working capital funds accounting and reporting; and travel accounting.

As a result, Limestone is well positioned to be part of the future force structure of DFAS. As a center of excellence, Limestone could focus and expand any of its current missions or perform a new business line as identified by DFAS following the BRAC process. As of 2 June 2005, DFAS Limestone employed 353 FTEs in a recently renovated state of the art facility. This facility could easily accommodate 480 employees at minimal cost and could expand to facilitate up to 600 employees with minor renovations. It could be expanded to approximately 1,300 employees with the addition of a 70,000 square foot addition to the current facility or by moving to shift work within the existing facility that has undergone minor renovations. With an operating cost of $4.98, Limestone is significantly less expensive then Indianapolis ($14.96), Columbus ($8.27) or Denver

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[2] When the former Under Secretary of Defense, Comptroller, Dov Zakheim, toured the Limestone facility in June 2003, he correctly noted that, "They [DFAS Limestone] have a reputation in DFAS, a good one. We are looking to bring people back from [DFAS centers] in Europe, and I see a good quality of work here. We think we can be more efficient doing the work here."

[3] The President's National Performance Review awarded its coveted Hammer Award to DFAS Limestone for their work with database retrievals and LOUIS software.

($9.15) and could serve as a new cost effective center of excellence in conjunction with the three receiving sites.[4]

DFAS Limestone as Virtual Surge Capacity

Limestone also has the capability to act as virtual surge capacity for the entire DFAS network because of its Defense Information Systems Network (DISN) Point of Presence. As stated above, cost of operations at Limestone is substantially lower then the three designated receiving facilities making Limestone a far more efficient location to manage potential surges in workload. In previous instances of surge within the DFAS system, Limestone has served in this capacity by taking on more work from other facilities. Furthermore, should the DFAS system ever need to perform military construction in the future, construction costs in northern Maine would be lower then other parts of the country, and the DFAS Limestone facility is located on 15 acres of land that could be leased at no cost.[5]

DFAS Limestone as Strategic Redundancy

The Defense Finance and Accounting Service Limestone is located in the medical facility and dental clinic of the former Loring Air Force Base. The building was constructed 1988 at a cost of $20 million. In 2000, DFAS Limestone concluded an over $5 million renovation project. Now that the project is complete, DFAS Limestone is one of the most modern facilities in the DFAS network. The physical plant that maintains the comfort, efficiency, and environmental control is second to none within the DFAS network, with redundancy throughout including: three Cleaver Brooks 80- horsepower, low pressure steam, oil-fired boilers; two electrical distribution feeds and two switch gear substations; two 150-ton, six stage McQuay package chilled water air conditioner units; two PVI oil-fired, hot water heaters; and two 400kw Caterpillar diesel generators for emergency power.

The threat level for Limestone is low, and recent force protection reviews of the facility found it to be secure. It is not only located on a different power grid from Columbus and Indianapolis; it is located on its own local power grid with back up generators. In a technology-based business, this type of security and strategic redundancy is critical to ensuring continuity of business operations.

Conclusion: Grow DFAS Limestone

Based on the substantial deviations from BRAC criteria stated earlier, we believe a more efficient, cost effective and therefore military value-based approach to DFAS consolidation would be to expand operations at DFAS Limestone. As demonstrated by the COBRA model runs discussed earlier, keeping DFAS Limestone open, and expanding it to 600 or more employees is more consistent than the proposed consolidation to three sites with both the purpose of the BRAC process. It would decrease excess capacity, increase "military value," and realize the DFAS transformation strategy to focus work at proven "centers of excellence."

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[4] COBRA Tabs

[5] Agreement with Loring Development Authority

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Workforce Capabilities

The Limestone commuting region has the population and labor force to support an expansion of DFAS operations.

- The population within 30 miles of Limestone totaled 38,300 in 2000. In that region the civilian labor force averaged 19,800 and the unemployment rate was 5.1 percent in 2004.
- In 2004 the population in Aroostook County as a whole totaled 73,390. The labor force averaged 36,830 and the unemployment rate was 4.5 percent.
- According to the *2000 Census of Population,* Maine workers are willing to commute lengthy distances to work, with 28 percent commuting between 30 and 60 miles. Two attached maps include a breakdown of commuting into and out of Limestone. Many more workers commute to the larger nearby towns of Caribou and Presque Isle, where there are many more jobs. The larger number of commuters to those towns provides a better indication of the number of people willing to commute to Limestone.
- Aroostook County has been experiencing net out-migration of population for the last four decades. The out-migration rate has generally been highest among young adults, many of whom leave to enter college and do not return due to the limited career opportunities available to them. A recent study commissioned by the Northern Maine Development Commission found that a sizable share of youths would prefer to remain in Aroostook if appropriate career opportunities were available to them.

Attached are a number of certified testimonials from local employers describing the availability of qualified workers in the Limestone area.

Aroostook County has the experienced workers to support expansion of DFAS operations.

- There were 2,800 people working in occupations common to DFAS operations in 2004.
- There were 148 Aroostook County residents with experience in occupations common to DFAS operations on file with Maine CareerCenters.
- There is a substantial pool of people working in related occupations who have the knowledge, skills, and other attributes necessary for success in functions performed in DFAS operations.

Aroostook County average wages for Accountants and Auditors; Bookkeeping, Accounting, and Auditing Clerks; First-Line Supervisors of Office and Administrative Support Workers; and other occupations were substantially below pay levels reported by the Limestone DFAS office, as well as below 2004 national averages. DFAS pay levels by occupation are extremely attractive in the region.

Maine's Career Centers are committed to assisting employers with their staffing needs. The Presque Isle Career Center office has an excellent track record assisting local employers finding the right workers for job openings.

The University of Maine, the Northern Maine Community College campuses in Presque Isle, and Husson College in Caribou offer accounting, business, information systems, and other programs of academic and professional development that will sustain a strong supply of workers with the education and skills necessary for success in DFAS operations.

Aroostook County has "Shadow Labor Force" that would return to the region if quality jobs were created.

Two significant - though often overlooked - factors should be considered in the determination of whether the Aroostook County labor force could support a large manpower expansion of the Limestone DFAS facility. These are the "shadow labor force" consisting of people who have been migrating out of the County for decades to seek better employment opportunities, and people in other regions of the State and the country who would prefer to relocate in rural areas if job prospects were better.

The University of Southern Maine Center for Business and Economic Research (CBER) conducted a study for the Northern Maine Development Commission, published in October 2004, which speaks directly to this issue. The CBER analyzed data on actual migration trends from the Census and from Internal Revenue Service data and also used surveys of both high school and college students in Aroostook to explore their views on where they expect to live, what they find attractive or not about the County, and their views on possibly returning to Aroostook, if they do leave.

The relevant Major Findings in the Executive Summary of this report are reproduced below.

- Aroostook youth are more likely to leave for other destinations in Maine than for out of state destinations. Penobscot County appears to be the most popular destination for youth out-migrants.
- The common perception that youth leave Aroostook County in search of better career and income prospects is generally true, though there are other factors that determine location decisions. Among these are the types of careers people seek, the depths of their connections to the County, and to some extent their gender.
- Analysis of income data for Aroostook out-migrants (of all ages) suggests that those with lower incomes tend to be the ones to leave and those with higher incomes tend to be the ones to stay.
- Both high school and college students in Aroostook report strong preferences to live in rural areas or smaller urban areas rather than large urban areas. This is consistent with the finding that most youth migrants move to places like Bangor and Portland rather than larger urban centers like Boston.
- The longer youth have lived in Aroostook County, the more likely they are to want to, and to expect to, stay or return to the County.

- Those who are likely to leave cite career and income concerns as the key attractions of other locations and as the detriments to remaining in Aroostook.
- About 70% of college students and 77% of high school students said they definitely will return or would like to return to Aroostook if they leave. But only slightly more than 20% indicated that they definitely will return.
- Among both high school and college students, jobs and career-related opportunities and information are the most important considerations in decisions about whether to return to the County.

Clearly, the County is suffering an out-migration of youth and, by implication, older residents, largely because of the lack of attractive employment opportunities. According to the Maine Department of Labor, the average job at the Limestone DFAS pays about $39,000 per year and offers very attractive benefits. This average wage compares extremely favorably with the average wage of $25,000 for all payroll employees in Aroostook County and would doubtless exert a strong pull on those who would normally migrate out of the County.

The findings of the CBER study cited above also illustrate that many people, wherever they may hail from, are attracted to rural living. This would include many, and perhaps most of those currently employed in existing rural DFAS centers. It would seem to be just good sense for the DOD to locate at least one consolidated DFAS centers in a rural area where it would attract experienced, current DFAS employees around the country who would not relocate to an urban area.

Aroostook County School Districts' filled with high performing students with a capacity to handle more.

The graduation rate in Aroostook County is extremely high: for the 2002-2003 school year, the rate was 92.36%, compared to a national average of 67.3%. The 2003 SAT I results for Aroostook County were Verbal 485 and Math 495. The tests were taken by 572 students. Two students in each test (Verbal and Math) scored in the 800's. (Most Maine students take SATS, currently 76% of graduating students. Only about 4% take ACT exams.)

The population in Aroostook County School Districts is 11,847 publicly funded students (as of October 2004). There is a capacity for 16,110. High School enrollment is 3,698. The pupil/teacher ration is 12:1.

Aroostook County has ample housing and services to accommodate existing and transferring DFAS employees in a safe, affordable environment

Living in Aroostook County provides DFAS employees and their families a safe, affordable environment in which to raise their families. Aroostook's Uniform Crime Rate is 1,995 per 100,000, the second lowest in the State and less than half of the National average. The cost of living is very affordable, especially for DFAS employees, whose wages exceed the local average by over 50%. The median home value in Aroostook County is $60,200 (less than half of the National average of $119,600) and the GS locality pay is 10.9%.

According to the 2000 Census, Aroostook County has 8,363 vacant housing units. Information received from the Maine State Housing Authority states that in 2004, the Presque Isle/Limestone housing market has approximately 1,100 vacant housing units and an additional 250 vacant units in the Madawaska, Van Buren and Fort Kent area. Census data does not break down vacant sales and rental units, although a recent survey conducted locally provides that there are a total of 298 (3-5 bedroom) homes listed for sale in the Aroostook County area through local real estate agencies. This does not include apartments or houses that are privately listed or not listed for other reasons.

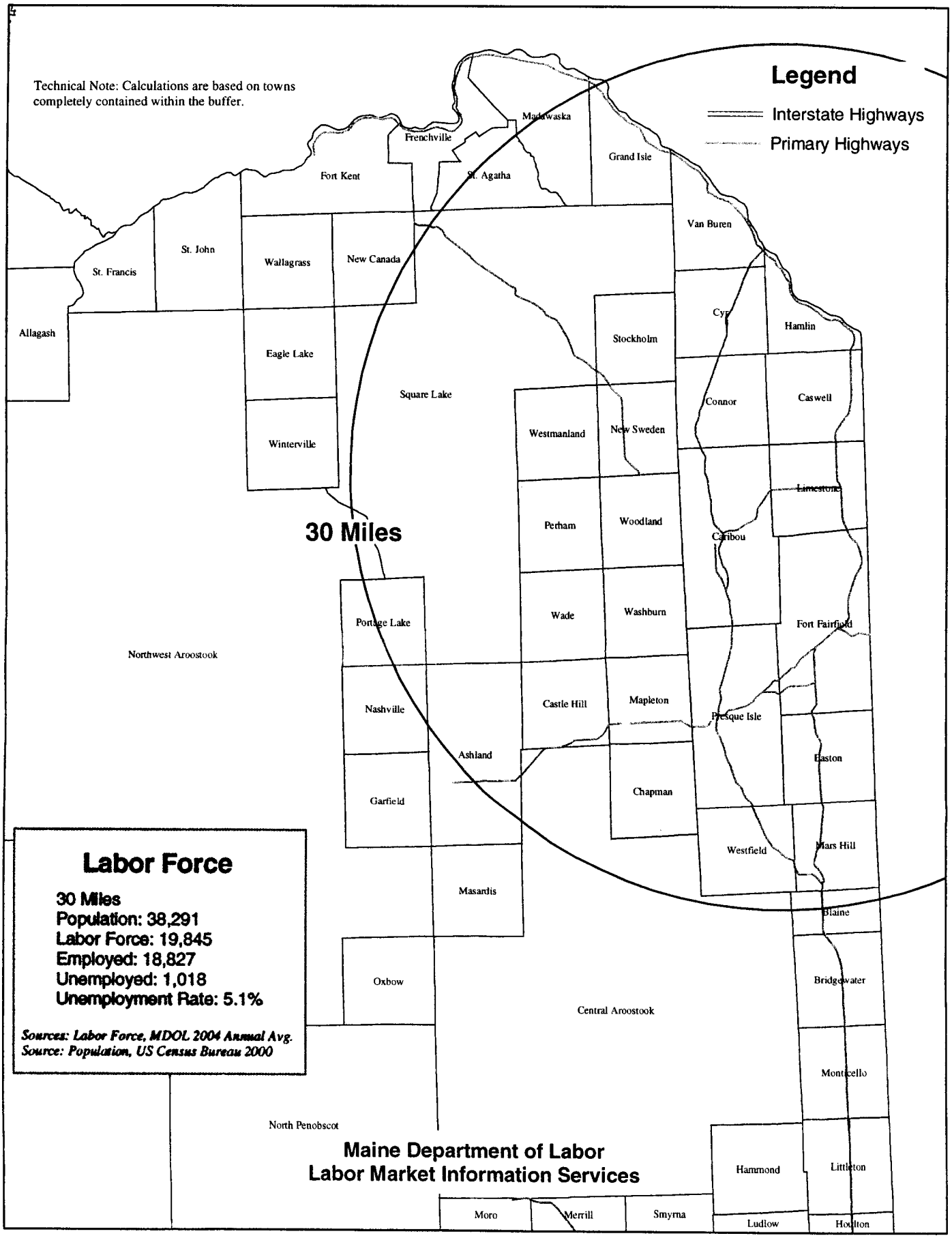
The area also provides a host of services available to DFAS employees. There are four full service major medical facilities within a 50 mile radius of the DFAS Limestone site, providing a host of medical specialties, with a physician ratio of 1:494 and a bed ratio of 1:300. Numerous rural health outreach centers are also located throughout the County, (one is even located on the Loring Commerce Centre) and a TRICARE facility is located in Limestone.

Aroostook County offers 143 child care centers from Fort Kent to Houlton, with a total capacity of 2,086. Twelve of these centers are state funded and certified facilities and are located in Caribou, Fort Fairfield, Presque Isle, Mapleton, Dyer Brook, Mars Hill, Van Buren, Washburn and Houlton. There are also a multitude of recreational programs in nearly every surrounding community for residents from the very young to the elderly.

Community infrastructure is in excellent condition and can accommodate far more residents than live here today. The area is serviced by the Northern Maine Regional Airport in Presque Isle which offers daily commercial flight service (by US Airways) to Boston and points beyond and is located approximately 20 miles from the DFAS facility. There is daily bus service on Cyr Bus Lines. The local water and sewer systems in the communities are in the process of or have been recently upgraded and will easily accommodate an expansion of the facility and its personnel. Caribou and Presque Isle are both service center communities and offer a full range of economic, social, recreational and educational services to the local area residents.

DCN 1017

Population & Labor Force Within 30 Miles of Limestone



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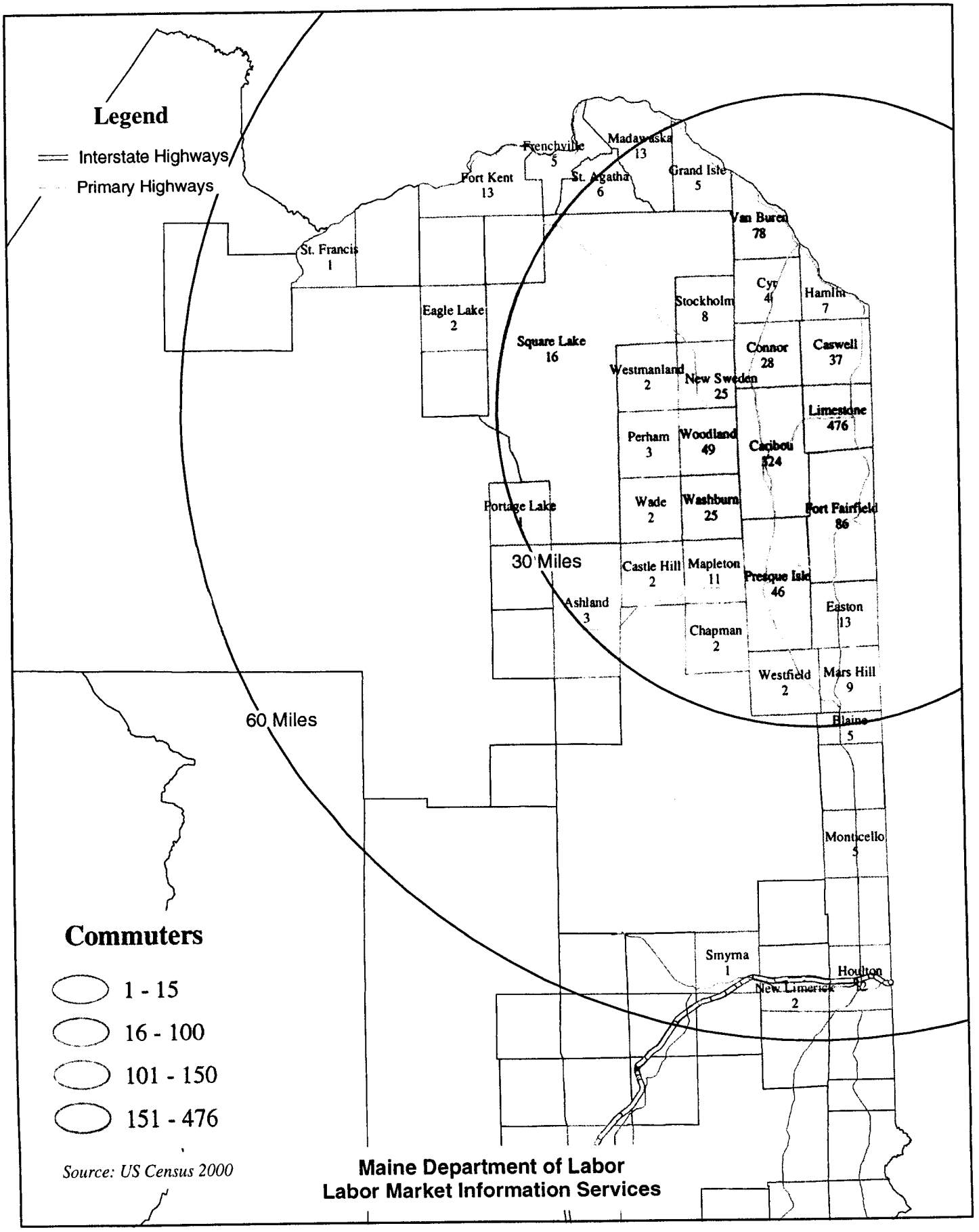
Place of Residence of People Working in Limestone

Total Commuters: 1,345



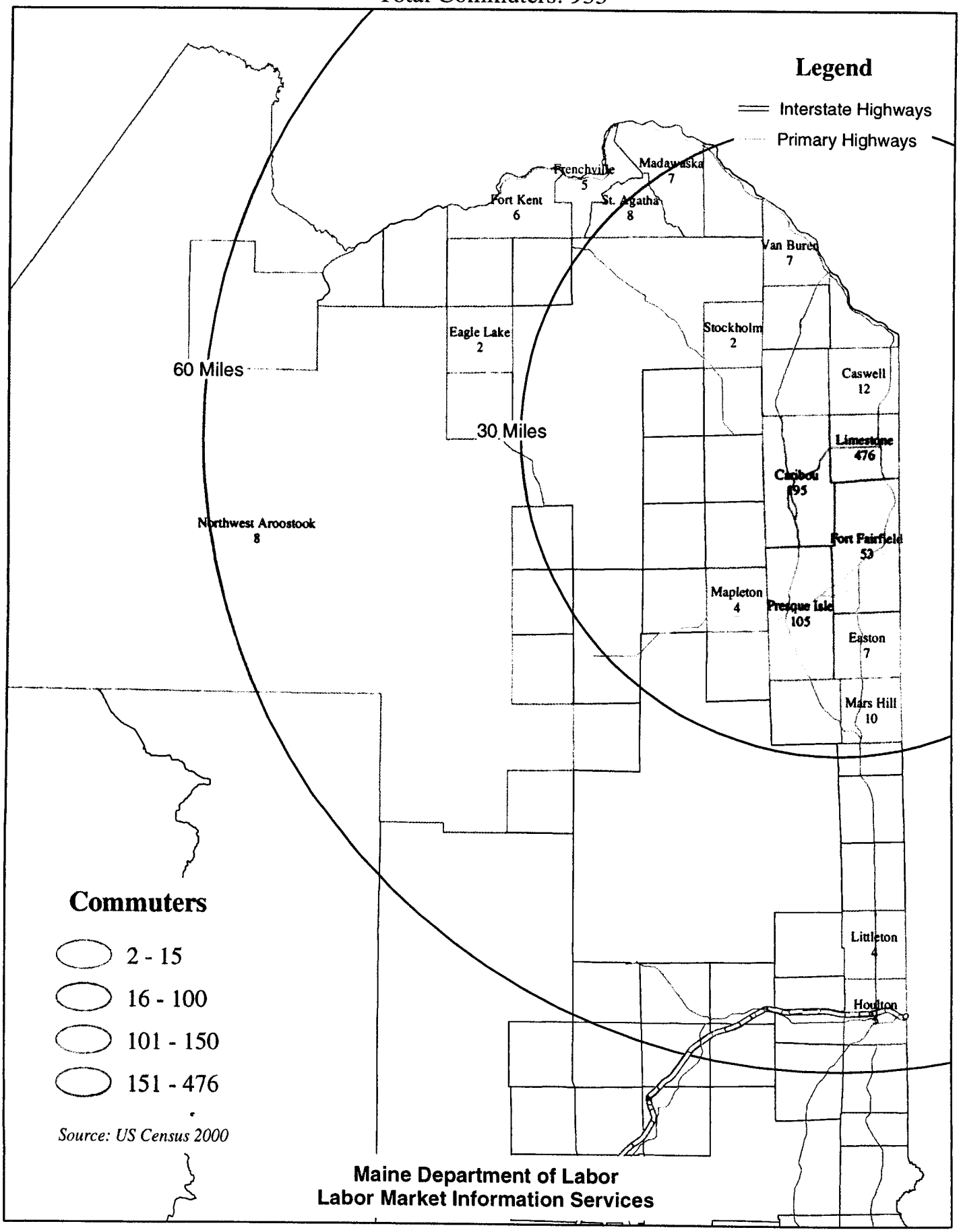
Source: US Census 2000

Maine Department of Labor
Labor Market Information Services

DCN: 5017

Place of Work of Limestone Residents

Total Commuters: 933



Maine Department of Labor
Labor Market Information Services

DCN: 5017

Always The Real Deal

June 20, 2005

Mr. Anthony Principi, Chairman
Base Realignment and Closure Commission
2521 South Clark Street
Arlington, VA 22202

Dear the Honorable Principi,

ATX has its largest office located in Caribou, Maine, a neighboring community to the DFAS-Limestone operations center. We are in the software and information publishing business, with a concentration in tax preparation software and tax research materials for professionals. We serve close to 60,000 customers across the United States.

The foundations of our business started here in Aroostook County about 15 years ago. We have had the good fortune of rapid, profitable growth with the highlight of being an INC 500 company for 5 years in a row.

Our Caribou office includes a group of 50-60 computer programmers, 70-80 tech support and tax/accounting software specialists, plus a variety of IT, writers, accounting department and other administrative personnel. In addition, we hire an addition75-90 seasonal customer service agents for the October through April time period, to make a total work force which has a year round base of around 175 increasing to a seasonal high around 250.

While we have "imported" certain specialty programming skills – successfully, I would say, as some professionals prefer the small town lifestyle we can offer – the substantial portion of our work force has been hired from the area with about two thirds of the numerical growth occurring in the last 3-4 years.

Part of our success in finding and attracting workers with sufficient technical skills over the past few years has been the parallel growth of other employment options with skill requirements (such as DFAS) and customer service orientations (such as MBNA and Sitel). What leads to that conclusion?

Critical mass and employment options are important factors in counteracting the out-migration the area has experienced. Thus, I believe the logical conclusion is that the ability of ATX and other businesses to hire the necessary workforce is enhanced by the presence of DFAS. While in the short run a termination of DFAS operations at the Loring location would create an available pool of applicants for us and others, in the

ATX, PO Box 1040, Caribou, ME 04736 Voice: 800-944-3883 Fax: 800-285-5076 Web site: www.atxinc.com

longer term it would decrease our ability to hire because out-migration would be accelerated by lack of employment options.

We stand at a critical level in this area regarding employment availability. Thus, as a company competing for employees, I am willing to take a stand that is critical to our ability to sustain operations in this location versus moving functions to our other locations in Maryland or Florida. The Caribou area is good for building a workforce and we want to do what we can to ensure it stays that way.

Thank you for your consideration of facts and information which should be weighed in reaching final decisions which fairly consider all the real life factors of each location.

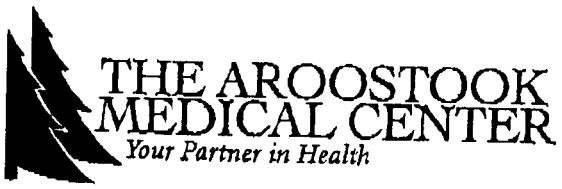
I hereby certify that this information is accurate and complete to the best of my k

Sincerely,

Olsen CPA

g Products
& Chief Administrative Officer

DCN: 5017



June 22, 2005

Mr. Anthony Principi, Chairman
Base Realignment and Closure Commission
2521 South Clark Street
Arlington, Virginia 22202

Re: **Defense Finance and Accounting Service (DFAS) Center in Limestone, Maine**

Dear Honorable Principi,

By this letter we hope to persuade your commission that a strong case exists not only to preserve the DFAS Center in Limestone, but to expand it.

We represent The Aroostook Medical Center (TAMC), headquartered in Presque Isle, Maine, and of us has served our respective roles for over 25 years. This medical center is a major employer in northern Maine employing approximately 1200 full and part time staff. Over the years we have evolved many needed specialty healthcare services throughout Aroostook County and provide a wide array of employment opportunities from physicians and other professional healthcare providers to numerous support staff roles as well. We routinely hire around 150 people each year for positions vacated by retirement and other turnover. Among those hires are financial, accounting, and data processing personnel. We have not only found a ready supply of such applicants in northern Maine, but also have observed that they are a high quality workforce. In fact, we understand that people from northern Maine are sought out by employers in southern Maine, and throughout New England, because of their excellent reputation for being hard-working, reliable and honest.

We at TAMC are proud of the similar reputation earned by this local DFAS Center - a reflection of its workforce. We believe that such good performance should be acknowledged and rewarded by continued growth of this facility. With schools of higher learning also available locally we expect that the supply of such trained personnel will continue to be available for the future. If there is any further information that we may be able to provide to assist in a re-evaluation of this decision, please do not hesitate to contact us.

I hereby certify that this information is accurate and complete to the best of my knowledge.

Sincerely,

David A. Peterson
President/CEO

Thomas M. Umphrey
Sr. Vice President, Human Resources

/pcw:PCA5345

pc: Senator Susan Collins
File

ARTHUR E. GOULD MEMORIAL HOSPITAL
Presque Isle, Maine

COMMUNITY GENERAL HOSPITAL
Fort Fairfield, Maine

AROOSTOOK HEALTH CENTER
Mars Hill, Maine

A member of
EASTERN MAINE
HEALTHCARE

DCN: 5017

Larry M. Shaw, CPCU
President, CEO

MaineMutual GROUP

MMG INSURANCE COMPANY

PO Box 729 -- Presque Isle, Maine 04769-0729 -- Tel: 207 764 6611 -- Fax: 207 764 4622
www.mainemutual.com larry.shaw@mainemutual.com

June 16, 2005

Mr. Anthony Principi, Chairman
Base Realignment and Closure Commission
2521 South Clark Street
Arlington, Virginia 22202

Dear Honorable Principi:

Maine Mutual Group is a property and casualty insurance company located in Presque Isle, Maine. The Company was founded in 1897 and has over 80,000 policyholders across Maine, New Hampshire, and Vermont.

Our revenue has doubled over the past 10 years exceeding $94 million in 2004. In conjunction with the revenue growth, our employee base has nearly doubled over the same time period and is expected to exceed 130 this year.

The technical nature of our business makes a highly skilled workforce our most valued asset. We are proud of the fact that a majority of our officers, management, and employees are natives of Aroostook County. Though many have come from varied backgrounds, the inherent work ethic, industrious nature, and strong sense of community has enabled us to build a top notch workforce in the relative absence of companies similar to ours.

Furthermore, we continue to see other businesses in the area experience success in building a strong workforce. We have also been pleasantly surprised within our Company by the emergence of natives of our area living elsewhere who wish to return. These trends will continue provided that our community is able to retain professional opportunities to attract them.

We ask that you consider the above testimony upon re-evaluating the low rating DFAS-Limestone received for available workforce.

I hereby certify that this information is accurate and complete to the best of my knowledge.

Sincerely,

Larry M. Shaw, CPCU
President and CEO

LMS/pmb

DCN: 5017

MAINE COMPANY

Bringing new businesses to Maine

June 21, 2005

Mr. Walt Elish
Executive Di[illegible]tor
Aroostook [illegible]ip for Pro[illegible]
PO Box 77[illegible]
([illegible]

Dear Mr. Elish:

Ma[illegible] a priv[illegible] [illegible]ny [illegible] [illegible]and, Maine that specializes in attracting new bus[illegible] [illegible] the st[illegible] [illegible] 199[illegible] and have had significant site location experience wor[illegible] [illegible] 00 co[illegible]ies. [illegible]ork has resulted in bringing more than 3000 new jobs to Maine. Our success has been primarily due to our strong relationships with site location consultants – companies and individuals who specialize in helping companies/organizations find new locations.

You have asked me about my assessment of the labor situation in the Presque Isle/Caribou/Limestone area, particularly as it relates to labor availability. I have recently spoken to Mr. Gary Yates at the Staubach Company, a national leader in site location work. The Staubach Company recently selected Oakland, Maine for a large call center for one of their most important clients, T-Mobile. The "apparent" workforce in the Oakland, Maine area was much smaller than they would have normally desired. However, T-Mobile selected Maine over several other states.

Since the Staubach Company had recently gone through this site search on behalf of T-Mobile, and since Mr. Yates has visited the Loring Commerce Centre in the past, I asked him about how he became comfortable with the demographics in the rural Oakland, Maine area. He indicated that by speaking to companies and individuals in the area, coupled with the fact that Maine has a significant tourism-based economy, he became convinced that the area has had not only chronic unemployment, but more importantly, chronic underemployment. He defined underemployment as people who are working below their full capabilities. He indicated that tourism areas and retail areas are hot spots for underemployment and, as such, provide good opportunities for good employers.

120 Exchange Street, Portland, Maine 04112 207-871-0234 ljw@maineco.org

How does all this relate to the Loring Commerce Centre? Based upon my ten years of business attraction experience, and based upon the input that I received from Mr. Yates, I am convinced that a work force would be available for a significant expansion of the DFAS Center. Since the DFAS Center is an "employer of choice" in the area, an expansion would potentially attract large numbers of underemployed people from around northern Maine. People would likely come from retailers and tourism-based businesses in the area, all of which are customer service focused. Furthermore, having had extensive experience working with organizations in northern Maine, I am personally convinced that many people would return to the area in order to potentially access jobs at an expanded DFAS Center.

Mr Yates indicated to me that his experience has been that call centers that are located in rural areas typically have work forces that are more dedicated, resulting in less turnover and less absenteeism. So, when determining where to locate a new facility, an organization must not only look at the available work force within the respective commute zone, but must carefully consider the competition in the labor market area. For example, MBNA Corporation has approximately 2000 employees in their Belfast, Maine facility. These are employees that work on inbound and outbound calls for this financial services giant. Since Belfast only has a total work force of approximately 13,000 people, their center should not work by normal site location standards. But it does, for precisely the reasons previously mentioned. MBNA is an "employer of choice" in an area with very few competitors and the net result is that they have lower turnover and less absenteeism than they experience elsewhere.

An expanded DFAS facility at the Loring Commerce Centre could reasonably expect to experience the same employment success that MBNA has had. In fact, the Presque Isle labor market is larger than the Belfast labor market. In conclusion, based upon my knowledge of the labor market in the Presque Isle/Caribou/Limestone area, and based upon my experience locating similar facilities in Maine, I am convinced that a work force would be available for an expanded DFAS facility at the Loring Commerce Centre.

I hereby certify that this information is accurate and complete to the best of my knowledge.

Sincerely,

L. Joseph Wischerath
Executive Vice President

120 Exchange Street, Portland, Maine 04112 207-871-0234 ljw@maineco.org

CARY
MEDICAL CENTER
163 VAN BUREN ROAD, STE.1 · CARIBOU, ME 04736-2509 · (207) 498-3111

June 16, 2005

The Honorable Susan M. Collins
United States Senator
Caribou Office
25 Sweden Street – Suite A
Caribou, Maine 04736

Dear Senator Collins:

Cary Medical Center is pleased to provide this letter in support of your efforts to describe the tremendous strength of the workforce in our area. Cary is a 65-bed Acute Care Hospital located in Caribou, Maine. The hospital employs over 500 full and part-time workers in a variety of clinical and support functions. The hospital has been in Caribou for 80 years and has established a reputation for high quality and compassionate care.

As one might imagine the demand for highly trained clinical professionals in the acute care hospital is significant. Cary has been able to establish and maintain a well trained and skilled workforce in multiple clinical fields. With the ever present 'Nursing Shortage' throughout the nation, Cary has been fortunate to recruit nurses from throughout the nation. This continues to be the case. Since January 2004, the hospital has already recruited 30 additional RN's. Likewise in a most challenging recruitment field of Physical Therapy and Occupational Therapy Cary has been successful in bringing on 5 Physicals Therapists and 1 Occupational Therapist. We have hired 2 Radiology Technologists, 4 physicians, 2 Respiratory Therapists, 2 Athletic Trainers, 2 Medical Laboratory Technologists, and these are just the clinical professionals. We have hired a number of other positions in support functions. While these numbers may seem small, they represent substantial success in clinical areas that are in critically short supply across the nation. Other areas of the country are struggling to find these professionals and we are very blessed with our ability to present a dynamic career and high quality of life that has drawn these candidates to us.

Our Medical Staff is indicative of the growth and desire of professionals to work and live in our community. We now have the largest Medical Staff in our history and it is growing. As professionals tire of the 'rat-race' of our sprawling urban centers they look to communities offering high quality schools, low crime rates, and abundant recreation. We have physicians from throughout the world as well as from all over the United States and here in New England. Physician recruitment is very challenging for any region of the nation but we have been most fortunate to attract some outstanding professionals with needed clinical skills.

Another strength inherent in our regional workforce is loyalty. Our employees have exceptional longevity. It is not unusual to find employees with 20, 25, 30 or more years

of continuous service to the hospital. Employees in this region establish strong roots in their communities. They build strong families and take on active civic roles. The work force is stable and from that stability comes a highly efficient, experienced, productive employee.

Beyond the longevity and loyalty of our work force it also is gifted with a unique work ethic. Pride in what they do and a desire to be the best makes our work force creative and high performing. The State National Guard Rebuild Center at the former Loring Air Force Base is so representative of these qualities, as are the men and women who have provided such outstanding service at the Loring DFAS Center. We take great pride in our own employees here at Cary Medical Center who have helped to build a national reputation for our facility as it relates to established standards for quality of care.

People who are recruited into this work force often find this work ethic and performance standard contagious. The hospital brings people from diverse cultural backgrounds. Yet, thanks to the environment and strong interpersonal relationships they soon become part of the fabric of our community. They adopt standards of commitment, productivity, and creativity that strengthen the operations of the organization.

While we by nature recruit people from throughout the nation and, literally, the world, we also recognize that we have a talented and eager population of young people here in Northern Maine. Many of these young people would be anxious to remain in our communities if we could provide additional quality jobs. We are most fortunate to have excellent post-secondary schools in the County. The two branches of the University of Maine and our Northern Maine Community College have been critical in helping us to build our clinical work force. They have been open to redesigning programs, initiating new degree programs and in any way possible collaborating to build a sustainable and talented professional work force. With the changing dynamics of our natural resource based economy of agriculture and lumber, these schools have developed high quality health, environment, and service degree programs to meet a growing need for these careers. The Loring Job Corps Center is another very valuable element in building an expanded work force. Cary Medical Center has worked closely with the Loring Job Corps to build a growing Certified Nurses Assistant Program which has now successfully graduated more than 100 students.

Aroostook County has always used its unique ability to work together to address a variety of socio-economic issues. Today, partnerships for economic growth abound thanks to the collaborative efforts of multiple organizations. The dynamic growth of the former Loring Air Force Base and the tremendous potential it continues to offer is a true 'Jewel in the Crown' of Maine. It is our belief that when one puts together all of these substantial assets there is not a challenge unmanageable. The potential to recruit hundreds or several thousands of skilled workers to the DFAS site here at Loring is within the reach of our market area. The lack of quality jobs in recent years and the decline in traditional industries has caused an out-migration from the County. This has been a painful experience. Many thousands of people and families who have left the area have done so grudgingly. Many would love to return. Many have gained new skills and would bring

them back home to the County if opportunity existed. Taken together with a growing trend by families and professionals looking for a less stressful, more family based approach to living, this region offers a most attractive potential for growth.

The establishment of the Maine Winter Sports Center that last year drew 10,000 people to the World Cup Biathlon in Fort Kent Maine is more evidence that this region is one of our Nation's best kept secrets. We have the infrastructure to support substantial growth in our workforce over time. The reasonable cost of housing and land are already attracting a number of new housing starts. The development of an expanded DFAS presence, the availability of hundreds of new and high quality jobs would create a kind of 'gold rush' effect and bring the kind of economic growth and stability of which this region has always dreamed.

No where in this nation would this kind of opportunity be more appreciated or met with more spirit of partnership than here in Aroostook County. One only needs to be here to experience a quality of life not available anywhere else. This quality of life breeds a set of values, work ethic, and pride that would build a DFAS center that our nation could take great pride in and benefit from their unmatched efficiency and productivity.

We urge the Base Closure committee not to make pre-mature judgements or gloss over the reality of these issues. We ask you to think outside the box and choose an opportunity that would be of benefit to our nation's taxpayers from the standpoint of cost savings, and productivity Choosing to expand the existing DFAS Center at Loring would also be an enormous economic catalyst to a region of the nation that is still in recovery from the closure of the former Loring Air Force Base. We have made great progress in that recovery. How unfair it would be in the face of such a collaborative and spirited effort to shut down an anchor of this redevelopment. We have the quality of life, the educational infrastructure, the spirit and energy that could make this work. We are only asking for the opportunity to do it.

"I hereby certify that this information is accurate and complete to the best of my knowledge".

Sincerely,

Kris Doody Chabré, RN

Kris Doody Chabré, RN, MSB, CHE
Chief Executive Officer

Aroostook County Action Program
P.O. Box 1116 Presque Isle, Maine 04769-1116 (207) 764-3721 or 1-800-432-7881
Fax: (207) 768-3022 Web Address: www.acap-me.org

June 22, 2005

Mr. Anthony Principi, Chairman
Base Realignment and Closure Commission
2521 South Clark Street
Arlington, Virginia 22202

Dear The Honorable Principi,

As the executive director of Aroostook County Action Program, Inc. (ACAP), I am writing this letter to address the Department of Defense's assertion that Aroostook County lacks a supporting workforce. Established in 1972, ACAP is a private, non-profit, community action agency that employs approximately 200 individuals. With a budget of nearly $15 million, the agency provides comprehensive social services to individuals and families in Aroostook County. Those service areas include early childhood care and education, primary healthcare, energy conservation, affordable housing, workforce development, community outreach and case management, dental health, nutrition, and administration. ACAP is regarded by local and state officials as a successful and effective organization. Our achievements are possible because we have a highly qualified, professional staff. The vast array of service areas calls for an employee population with an equally broad range of education and skills. All of our jobs require a minimum of a high school education, most require a bachelor's degree and several call for advanced degrees and certifications, such as a Masters in Public Administration, Certified Public Accountant, Family Nurse Practitioner, Registered and Licensed Practical Nurse, Masters in Early Childhood Education, and Registered Dietician. Staff turnover is low, but when the agency has the need to recruit, it has been very successful at hiring from both the local area and outside it. In addition to our ability to hire and retain qualified individuals, a recent employee satisfaction survey indicated that staff is exceptionally satisfied with working conditions at ACAP. In fact, the consultant who conducted the survey commented that she had never seen survey results where, in every category, the agency's results were higher than national averages.

In summary, my seventeen years of administration experience at Aroostook County Action Program tell me that Aroostook County does not lack a supporting workforce.
I am pleased to certify that this information is accurate and complete to the best of my knowledge.

Yours truly,

Connie Sandstrom

Connie Sandstrom
Executive Director

CS/jis

TDC
TRAINING &
DEVELOPMENT
CORPORATION

June 16, 2005

Mr. Anthony Principi, Chairman
Base Realignment and Closure Commission
2521 South Clark Street
Arlington, VA 22202

Dear Mr. Principi:

I am writing to share a perspective concerning the workforce available to the Defense Finance Center at the Loring Commerce Centre that could easily be overlooked in the deliberations of the Base Realignment and Closure Commission. Because Aroostook County is a rural area, the commission might erroneously conclude that the "bench strength" of the workforce might be a limiting factor for DEFAS. The record shows otherwise. In fact, the workforce available to the Loring Defense Finance Center accounts for the remarkable success of the facility; it is an asset that should be properly credited in the course of your evaluation.

The facts speak for themselves: this DFAS center has the lowest turnover of all DFAS sites, the fewest sick days taken, and it has taken an average of only 9.2 days to fill vacancies since the facility opened. But sometimes facts that come as a surprise need a voice, which is the occasion for this letter.

TDC's experience as one of the largest employers in the County comports with that of DEFAS—we have a high-performing organization, with normal turnover for our industry, and find very well-qualified employees to be readily available. Over 95% of Loring employees, have been hired from the Aroostook County area. TDC is a think tank, design shop and management company with operations concentrated in Maine and Virginia. We have employed staff on projects in thirty-eight states and in the UK, but nowhere have we found a more hospitable environment to grow an organization. The communities of Aroostook County are tightly knit and supportive, the workforce is well-educated, broadly skilled, and inclined to engage in life-long learning which contributes to their high productivity. A culture that values work and learning as well as personal responsibility and collaboration provides a wonderful foundation for a 21st Century workforce that needs to be flexible, adaptive, technologically fluent, and adept at working together. These characteristics of the Aroostook County workforce account for the

notable success of DEFAS to date and should reassure the Commission that the center can continue to lead the nation in performance long into the future, if it is given the chance.

TDC operates the Loring Job Corps Center, a residential education and training institution serving 380 students from throughout New England, which is also located at the Loring Commerce Centre. We opened the Loring Job Corps Center in April of 1996 as part of the original base-reuse strategy and have been impressed with the quality of the area workforce ever since we hired our first employee from the County. We were able to establish our Job Corps center operations and hire a full complement of well-qualified staff with ease ten years ago, and we have found replacement workers to be readily available when the need has arisen since then. Initially we hired approximately 135 employees over a period of six months as the facility came on on-line; we met all of our hiring goals on schedule and opened for business on-time and ready. We have found doing business in Aroostook County to be a pleasure and look forward to working here long into the future. I believe that other businesses in the County enjoy a similar ability to meet their workforce requirements.

I hereby certify that this information is accurate and complete to the best of my knowledge.

Sincerely,

Charles G. Petro
President and CEO

DCN: 5017

ENSEIGNES PATTISON SIGN GROUP

June 24th, 2005

Mr. Carl W. Flora, President & CEO
Loring Development Authority of Maine
154 Development Drive, Suite F
Limestone, ME 04750

Subject: Support to the GROW DFAS Organization

Dear Mr. Flora:

Pattison Sign Group North East (NE) Inc. has been informed that the Department of Defense has recently announced base closures, including the DFAS Center located at Loring Commerce Centre. We are very surprise by this announcement and wish to extend our support by opposing to the closure recommendation.

Pattison Sign Group (NE) Inc. located in Limestone, Maine at the Loring Commerce Centre is a full-service sign management company in which the core activity is the manufacturing of various types of signage for clients such as: Toyota, Starbucks Coffee, Best Western Hotels, and Enterprise Rent-A-Car.

Pattison Sign began its operations at the Loring Commerce Centre in April 2004, and by August 2004 had approximately 60 employees. With the assistance of The CareerCenter, an education and training program was developed to provide the employees with the skills required for positions such as: Assemblers, Welders, Sheet Metal, Workers, Painters, Production Workers, and Machine Operators.

The Aroostook County people have made this venture a relative ease for us to locate and hire skilled workers. Pattison Sign knows that the employees are the most important asset to the company and believes that the Aroostook County region has the qualified work force to support other businesses.

I hereby certify that this information is accurate and complete to the best of my knowledge.

Don Bélanger
Vice President / General Manager
Pattison Sign Group

113, 44e Avenue, Edmundston, NB Canada E3V 3A4
Tel. (506) 735-5506 ■ 1-800-561-9798 ■ Fax (506) 737-1734 ■ www.pattisonsign.com
Division affiliée Jim Pattison Industries Ltd.

DCN: 5017

Operating Costs

DFAS occupies the building under a no-cost, fifty year renewable lease with the Loring Development Authority. The building and surrounding land is available to meet DOD's current and future expansion needs far into the future. The building is located on the Loring Commerce Centre, which is an attractive and diverse business - industrial park formerly known as Loring Air Force Base which was closed pursuant to BRAC 1991. The Loring Development Authority, the recognized "local reuse authority" for the Loring closure, acquired title to the building under a "sale and leaseback" arrangement now authorized under base closure laws.

Loring Commerce Centre is home to about 20 other public and private employers, including the Maine Military Authority, a military vehicle and equipment refurbishment center; the Loring Job Corps Center of Excellence, the National Job Corps Data Center, Telford Aviation Services, and Sitel Corporation, to name a few. Roadway plowing and maintenance, fire protection, ambulance service, water and sewer utility service and law enforcement functions are performed by the Loring Development Authority, the Aroostook County Sheriff's Department and the Town of Limestone.

Operating costs at DFAS Limestone are about half the cost of the existing centers in Columbus and Indianapolis, and well under a third of the operating costs at Denver. According to the material accompanying the BRAC closure recommendations, DFAS Limestone's cost of operations is $4.98 per square foot, based on 2003 figures, and is the fifth lowest out of the 26 facilities listed. This undoubtedly results from the no-cost lease arrangement as well as the modern, energy efficient building DFAS Limestone occupies.

Operating costs typically consider lease payments, electrical and utility costs, heating costs, maintenance costs, snow removal, and custodial. These costs do not take into account major repair or maintenance items

Operating costs alone do not present a complete picture of all costs associated with production of the work. To complete the picture, a close examination of a variety of other factors must be undertaken.

Some of the factors affecting cost of the work product are:

1. The locality pay (cost of living ratio to pay) for DFAS Limestone is 10.9, the lowest ranking in the system and is well under all three sites proposed for consolidation.

2. The majority of the workforce is recruited from the local area and are unable or unlikely to transfer; resulting in a high retraining burden for consolidation centers.

3. Unique workload performed for USAF in Europe and SW Asia requires specialized expertise that would have to be acquired by another site since most of the existing workforce would not relocate. The DFAS Limestone Director has estimated that it would take at least a year for this important expertise to be transferred to a new workforce, creating a potentially significant lapse in customer service for the site's European customers.

4. DFAS Limestone is the single site for all Defense Travel System (DTS) expenditure accounting and treasury reporting for all of DOD, which would also have to be transferred with a likely loss of expertise and a diminution in customer service.

5. Employee turnover at DFAS Limestone is less than 5%; most employees consider their employment as a life-long career. The turnover rate for all Aroostook County payroll jobs is 9.2%. Clearly, jobs at DFAS Limestone are highly sought after and highly valued by present employees.

6. In order for the recommended consolidation process to be successful, it must be carried out at minimal cost with little or no negative impact on customer service. A disruption of service could cripple important military functions and frustrate important objectives as established by Congress and the President.

7. Portions of the COBRA analysis assume that a high percentage of DFAS Limestone's highly experienced and competent workforce will relocate. However, significantly higher housing costs (an average home in Caribou and Limestone, Maine costs $61,700 and $60,200 respectively, about 60% of the cost of a home in Indianapolis - $98,200) and difficulty in adjusting from a rural to a more metropolitan culture cast significant doubt on this assumption.

8. Current workforce is extremely stable with formal education levels significantly above the DFAS average. The vast majority of the people in the DFAS Limestone workforce earned advanced degrees to gain employment with DFAS and are from the local area. They cannot be expected to be able or willing to relocate.

9. GAO report 01- 805, Facilities Location, provides powerful evidence that government agencies should locate operations in rural areas, not metropolitan areas.

10. Closure of DFAS Limestone with relocation of workload to consolidation sites would run counter to recent workload realignments that have brought significant new workload from Europe and other sites to the Limestone facility. DFAS Limestone employees are recognized for their superior field site operational performance and leadership in agency-wide initiatives like ePortal. They enjoy a high level of customer loyalty and satisfaction and have consistently demonstrated high internal employee satisfaction which is reported in DFAS Organizational Assessment Survey results.

11. Transition costs associated with anticipated lost productivity, have not fully been accounted for in DOD's consolidation plan. DFAS Limestone was recently cited for achieving an 83% reduction in interest and penalty payments. If Limestone were closed, this would cause operational disruptions that would occur at many sites throughout the DFAS system. DOD's optimization plan does not attempt to calculate these costs which could include substantial increases in interest and penalties from decreased productivity during the transition. Yet even a modest increase in such interest penalties could quickly erase the entire savings from the proposed consolidation. DOD's assumption that these costs will be avoided through training at the receiving sites is not realistic.

DCN: 5017

9

Room for Expansion

Utilization of excess capacity would allow DFAS to significantly increase the work produced at DFAS Limestone with minimal or no impact on facility operating costs. The facility currently has excess capacity of nearly 24,000 square feet or 35% of its utilized space. DFAS Limestone could increase its current mission from its current level of 353 civilian employees up to 480 employees (approximately 36% increase) simply by installing cubicles and work stations in space that has already been renovated. With minor renovation costs, there is additional space currently being utilized for equipment warehousing and records storage that could be placed into service and could add workspace for an additional 120 employees bringing the total to 600 employees, a 65% increase over current levels. There is ample building space nearby for warehousing and records storage that the Loring Development Authority is willing to provide at minimal cost. With the additional workspace, the facility could sustain a workforce of approximately 1,200 employees performing shift work.

Unlike the proposed consolidation centers, the DFAS Limestone site has ample space to expand its facility if needed. The site occupied under the no-cost lease arrangement is 15 acres, with adequate space for new construction. Because new construction of up to 70,000 square feet could utilize existing HVAC capacity, new construction costs are estimated to be significantly lower than the construction costs of a stand-alone facility. By adding 70,000 square feet of new space, the facility could accommodate a workforce of approximately 1,300 workers.

DCN: 5017

CYR CONSTRUCTION COMPANY

GENERAL CONTRACTORS
P.O. BOX 520
CARIBOU, MAINE 04736

PHONE
(207) 496-3481
FAX
(207) 496-2531

June 24, 2005

Carl Flora
Loring Development Authority
154 Development Drive, Suite F
Limestone, ME 04750

Dear Carl:

In 1998 Cyr Construction was awarded the contract to convert the former Loring Air Force Base hospital into the current DFAS facility, including the procurement and installation of the workstations through Unicor/Federal Prison Systems. We completed the $6.6M contract four months early and close to a million dollars under budget.

Drawing from our experience with this project and similar others, we are able to provide you with the following estimates:

1. Add 92 workstations in the open area of the existing facility; an estimate of $391,000.
2. Convert and fixture the first floor Records Warehouse and the second floor Receiving Warehouse with 120 workstations, an estimate of $808,000.
3. Construct a two story 70,000 square foot addition adjacent to the existing facility:
    a. Cost of a building addition in a design different from, but complimentary to, the existing facility, based on current market costs, not including workstations, including data and communication s infrastructure, an estimate of $6,300,000.
    b. Cost of workstations, an estimate of $4,700 per station including the wiring thereof.

Architectural and engineering fees would need to be added to the above estimates. These estimates assume the utilization of workstations from Unicor/Federal Prison Systems matching the existing systems furniture. A substantial savings could be realized if the systems furniture could be procured from a private source.

I hereby certify that this information is accurate and complete to the best of my knowledge.

Sincerely yours,

Dale P. Michaud
Project Manager

DCN: 5017

LORING COMMERCE CENTRE

June 23, 2005

Mr. Anthony Principi, Chairman
Base Realignment and Closure Commission
2521 South Clark Street
Arlington, Virginia 22202

Dear the Honorable Principi,

I'm writing this letter in support of a proposal which will be presented to the Base Realignment and Closure Commission whereby the mission of the DFAS center at the former Loring Air Force Base in Limestone, Maine, would be expanded. There are several scenarios contemplated under this proposal, one of which would involve construction of a new wing of the existing DFAS center to house additional employees.

The Loring Development Authority (LDA), which is the recognized local reuse authority for the closure of Loring Air Force Base, owns vacant real estate surrounding the parcel on which the DFAS center is located. The LDA would like to convey its intention to donate up to 10 acres of land as needed to support the expansion of the facility, including parking and buffer areas.

The LDA was created by act of the Maine Legislature to redevelop the former Loring Air Force Base property to create jobs and economic opportunity. In this situation, the provision of land at no cost is consistent with our legislative mandate.

Very truly yours,

Carl W. Flora
President & CEO

I hereby certify that this information is accurate and complete to the best of my knowledge.

Loring Development Authority of Maine
154 Development Drive, Suite F Limestone, Maine 04750
phone: (207) 328-7005 fax: (207) 328-6811 e-mail: LDA@loring.org

DCN: 5017

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Force Protection

Since 9/11, DFAS Limestone has put into place new anti-terrorism and force protection measures. These measures ensure that DFAS Limestone will be able to carry out its mission supporting its Department of Defense customers without interruption.

DFAS Limestone is a secure facility with numerous modern Force Protection systems in place.

- The building has several cameras located both in exterior locations and inside the building.
- The cameras are monitored daily and during non-duty hours they can be accessed by a designated staff member from their home via computer.
- The front doors of the building are opened by a card swipe system that each employee carries with them to gain entry and exit to the facility and parking lot.
- In 2004, an anti-vehicular fence was installed around the perimeter of the building; this included concrete barriers in two of the four entrances.
- The delivery entrance is currently having gates installed that will require swipe entry to gain access. Once this installation is complete, these gates will prevent attack by a vehicle traveling at a high rate of speed and attempting to directly impact the building.
- Gates also are being installed at the front entrance to the field site, and this installation is near completion. These gates also will include a controlled access (badge swipe) system for employee and emergency response entry, and will prevent attack by a high speed, vehicle-borne explosive device.
- The other two entrances to the field site have concrete barriers in place. This creates controlled entry into and out of the facility; the gates are capable of handling a high speed vehicle impact at 40 miles per hour.
- The field site is located on is 14.99 acres. It is wooded on three sides of the building which provides a natural barrier to direct attack by any motorized vehicle moving at a high rate of speed.

Once the gate improvements are complete, within the next few weeks, this facility will exceed the criteria laid out in DOD 2000.12-H. Installing a six foot high fence, Y outrigger, and barbed wire and 24hr armed security personnel to this facility, will allow DFAS, Limestone to meet all of the minimum AT/FP standards required by DOD.

The DFAS Limestone facility was built to be a hospital, and its physical plant is built to standards that exceed ordinary requirements for an administrative building on a military installation.

DFAS Limestone benefits from the fact that experienced, well trained, public safety agencies are located in the immediate area of the Field Site.
The Aroostook Sheriffs department has a highly trained leader; he is a graduate of the FBI Academy in Quantico, VA and is a retired state police officer.

- Supporting units are only minutes away in case of an incident at the facility. The Department of Homeland Security has increased its manpower in Aroostook County by 300% since 9/11 and has improved its capability to detect radiation devices attempting to cross the border.
- The Loring Fire Department is led by a highly-trained Fire Chief who was employed and trained by the USAF at Loring AFB for many years. This fire department responds within 2 minutes or less to any EMT or Fire emergency in the Limestone building. This was critical in October 2001, when an unknown powder substance was found in the mail room. Within minutes, the Fire Department successfully implemented notification procedures with the Aroostook Emergency Management Agency (AEMA).
- There are two Decontamination Teams fully trained and located in Van Buren, ME, 20 miles away, and in Houlton, ME, 55 miles away from the site.
- There is a fully trained Weapons of Mass Destruction (WMD) technician team located in Madawaska, ME, 40 miles away.
- There are 3 trained hostage negotiators in Aroostook County.
- The AEMA is located in Caribou, ME, 8 miles from the field site, and it has a state of the art command, communications and control vehicle that can communicate with any agency state-wide. Memoranda of Understanding (MOUs) have been signed by all emergency response agencies, hospitals, and with the AEMA in the event of any biochemical disasters or bombings at the field site.
- Caribou Medical center was able to use some of the recently acquired equipment in the past 18 months to diagnosis arsenic poisoning in a local community, saving several lives due to the training and immediate response of the doctors on duty. The teams are the trainers and certifiers for the rest of the state.

DCN: 5017

Aroostook County Sheriff's Office

James P. Madore
Sheriff

Craig L. Clossey
Chief Deputy

* Law Enforcement *
* Transportation *
* Corrections *

June 20, 2005

Robert Price
Loring Development Authority
Limestone, Maine

Dear Mr. Price,

This letter is to inform that the Aroostook County Sheriff's Office follows the Standardized Policy and Procedures as outlined by the Maine Criminal Justice Academy. Our policy cover a wide variety of situations including hostage incidents. In the event of a hostage situation the Sheriff's Office can field 3 in house hostage negotiators.

The Sheriff's Deputies are highly trained in firearms, tactics and containment that are critical skills for successful resolution of incidents. Firearms training and tactics are conducted by two in house firearms instructors one of which is the Primary Firearms instructor for the State of Maine. Deputies are trained in High Risk operations at both the state and federal levels. Our firearms staff regularly train Municipal, State and Federal agencies with progressive tactics in firearms.

All Sheriff's Patrol Deputies are trained as first responders for weapons of mass destruction. The Sheriff's Office also has worked and trained with all levels of government in emergency response to critical incidents.

The Sheriff's Office also fields exceptionally trained staff for dealing with emergency situations. The Sheriff himself is a graduate of the FBI National Academy. This program is a highly regarded training bed for executive level officers and Sheriffs. The other staff, have all received advanced training in managing emergency response and the command and control system.

I hope that you find that the Aroostook County Sheriff's Office is well trained and supported for all emergencies including an incident involving a hostage.

If there is any other information that you may need please contact me.

Thanks in advance for your attention.

Craig L. Clossey

26 Court Street, Suite 101, Houlton, Maine 04730
Tel. (207) 532-3471 Fax: (207) 532-7319

DCN: 5017

John Elias Baldacci
Governor
State of Maine
207-287-3531

John W. Libby
Major General
Commissioner
207-626-4205

Department of Defense, Veterans and Emergency Management
33 State House Station
Augusta, Maine 04333-0033

June 20, 2005

Office of the Commissioner

Carl Flora, LDA President and CEO
Loring Development Authority
154 Development Drive, Suit F
Limestone, ME 04750

Dear Mr. Flora:

The purpose of this letter is to acknowledge and endorse the exceptional capabilities of Aroostook County Emergency Management Agency (AKEMA) for providing emergency preparedness and response to the Defense Finance and Accounting Service (DFAS).

AKEMA has developed an exceptional Weapons of Mass Destruction, Hazardous Materials and Emergency Management programs that include rapid response to all of the Commerce Centre Development Authority. In the event of an emergency these response teams would provide the DFAS employees the necessary levels of protection as seen across the rest of Maine.

AKEMA's plans cover an all hazards approach that would quickly and efficiently deploy the appropriate resources to mitigate any emergency situation. Regional Response Teams in the area have been specially trained for rapid entry and decontamination of DFAS employees. When MEMA was beginning to develop a regional response strategy to protect the citizens and business of Maine, AKEMA was one of the first counties to provide support. AKEMA has been and continues to be on the leading edge of community support and outreach.

The Loring Commerce Center has been a focal point for emergency planning in Aroostook County. They have been committed to ensuring that emergency operations plans are tested and continuously updated.

Maine Emergency Management Agency supports the efforts AKEMA takes to provide disaster support to all of the Loring Commerce Center facilities.

JUN 2 2 2005

DCN: 5017

Aroostook County Emergency Management Agency, under the leadership of Vernon Ouellette, is a leader among Maine's County EMA communities and we are fortunate to have them on our team.

In closing, I hope you will see that the Loring Commerce Center including the Defense Finance Accounting Services is protected by one of the top county emergency management agencies in the State.

Sincerely,

John W. Libby
Major General
Commissioner