

Economic & Demographic Impacts of Base Realignment and Closure (BRAC)

Carson Poling, *Associate I*

David Ingraham, *Associate I*

Ying Zhang, *Economic Analyst*

Overview

- Overview of BRAC
 - What is BRAC?
 - Previous Studies
- Impact to the Community
 - Economic and Demographic Impacts
 - Challenges to the Community
- Importance of Economic Modeling
- Model Demonstration
- Q&A



About Us

Regional Economic Models, Inc. (REMI) was founded in 1980 on a transformative idea: *government decision-makers should test the economic effects of their policies before they're implemented.* We are the nation's leader in dynamic local, state and national policy modeling. Our clients use REMI models to perform rigorous economic analysis that critically influences local, state and national policies.

OUR CLIENTS:

Sandia National Laboratories • Ernst & Young • Texas Comptroller
University of Michigan • Tennessee Valley Authority • National Education Association
South Coast Air Quality Management District • North Carolina Department of Commerce
Wyoming Department of Administration & Information

Overview of BRAC

Base Realignment and Closure (BRAC) is the congressionally authorized process DoD has used to (1) reorganize its base structure to more efficiently and effectively support our forces, (2) increase operational readiness and, (3) facilitate new ways of doing business

HISTORY — More than 350 installations have been closed in five BRAC rounds: 1988, 1991, 1993, 1995, and 2005. These five BRAC rounds constitute a combined savings of \$12 billion annually.

CURRENT — Between all 50 states, the District of Columbia, and the U.S. territories of Guam and Puerto Rico, the U.S. Department of Defense oversees more than **420** military installations (*not including U.S. military bases located overseas*).

Purposes of BRAC

- Reduce excess military infrastructure which are costing billions of extract dollars.
- Beginning February 9, 2021 new deputy secretary of defense, **Dr. Kathleen Hicks**, advocated another round of BRAC to help the department become more efficient.
- In her February 2020 Foreign Affairs article, Hicks stated: “[it] has been 15 years since the last round of closures, and it is long past time for another one, which, after some upfront costs, could save several billion dollars every year.”
- New BRAC round would allow military leaders to evaluate installations in the light of a new defense strategy that is fundamentally different from the strategy that guided the last 20 years. Military value, the main criteria to evaluate a military installation, is not a static measure.
- Reevaluate our military installations and how they are meeting the needs of our country.

Previous BRAC Studies

- Regional Community Economic Impact Analysis Assessing the Impacts of Army Personnel Reductions at Fort Riley, Kansas
Kansas, 2017; Matrix Design Group and HEXAD Analytics
- The Economic Implications of Installation Growth at Fort Riley
Kansas, 2006; RKG Associates, Inc. and REMI
- The Contribution of the Groton Naval Sub Base and the Electric Boat Company to the Economies of Connecticut and Southeastern Connecticut
Connecticut, 2005; State of Connecticut
- Army 2020 Force Structure Realignment
Oklahoma, 2014; SPEA and Lawton Fort Sill Chamber of Commerce



Regional Community Economic Impact Analysis Assessing the Impacts of Army Personnel Reductions at Fort Riley, Kansas

Economic Impacts of Personnel Reductions All Scenarios

Model: REMI PI+ Fort Riley and the Surrounding Counties v1.7.11

	-2,345 FY2019	-1,000 FY2025	-2,000 FY2025	-3,000 FY2025
Total Employment	-4,236	-5,885	-7,760	-9,663
Private Non-Farm Employment	-1,517	-1,999	-2,703	-3,430
Gross Domestic Product	-\$578.7	-\$855.8	-\$1,121.0	-\$1,388.3
Output	-\$1,064.5	-\$1,586.6	-\$2,075.5	-\$2,567.8
Personal Income	-\$415.4	-\$780.3	-\$1,043.3	-\$1,316.1

All Dollar Values Reflect Millions US Dollars

- The Army announced downsizing in FY15 from 570,000 to 450,000 uniformed personnel
- Key Study Objective: Understand how the loss of 2,345 service personnel and their families will impact the Flint Hills region
- Thousands of jobs , hundreds of millions of dollars of GDP and output would be lost
- Regional Recommendations - Develop a Regional Economic Development Fund to assist in funding regional studies, workforce development programs, business recruitment incentives, grant opportunities, and other economic and community development programs

Source: Kansas, 2017; Matrix Design Group and HEXAD Analytics

Impacts of Base Expansion/Contraction



- Demographic Changes
 - Population changes (*ex. K-12 school population, base security staff, employment, etc.*)
 - Availability of resources for public consumption (*ex. Hospital capacity, housing, access to food/produce, etc.*)
- Economic Changes
 - Local government funding/resources
 - Military budget adjustments
 - Significant challenges to both base expansion and contraction

Challenges to the Community

- Contraction
 - Supports regional economy
 - Employment
 - Industries
 - Career paths
 - Family/community relocation
- Expansion
 - Initial Increase in Population
 - Resource cost
 - Local Competition

Importance of Economic Modeling

CLARIFY

You need a *software solution* that simplifies the complex relationships between policies and your economy.

CALCULATE

Macroeconomic policy models allow you to *analyze* and *quantify* inherently complex policy issues and solutions.

COMMUNICATE

You can explain a *quantitative narrative* to policy makers and the general public.

- ✓ Get policy right
- ✓ Pass/Block legislation
- ✓ Modernize and advance your agency
- ✓ Formalize your decision-making process

Patrick Air Force Base



- 3,835 Active Military Personnel
- 6,304 Military Dependents
- 4,318 Contract Civilians
- More than 500 million total annual payroll (construction, services, materials)

Model Simulations

Scenario 1

- Contraction of Patrick AFB
- 20% decrease

Scenario 2

- Expansion of Patrick AFB
- 20% increase

REMI Model

New RSQE Macroeconomic Update

- The U.S. Economic Outlook for 2020-2022 from the University of Michigan's Research Seminar in Quantitative Economics (RSQE).
- An update to the Economics Outlook from CBO
- Include the \$1.9 trillion stimulus getting through Congress; update next month

Inputs

- Personnel
 - Military Employment (Active Duty)
 - Military Employment (Air Force Reserve/Air National Guard, Non-Extended Active Duty Reserve, etc.)
 - Civilian Employment
 - Contractors
 - Military Dependents
- Expenditures
 - Construction
 - Health
 - Education
 - Other Materials, Equipment and Supplies

Model Demo



what does **REMI** say? sm

Conclusions

- Military personnel do not just protect America, but are also significant drivers of regional economies and are members of our communities
- REMI can capture the economic and demographic impact of base realignment on the broader regional economy

Q&A

CONTACT US

P: (413)549-1169

Carson Poling, Associate /
Carson.Poling@remi.com

David Ingraham, Associate /
David.Ingraham@remi.com

Ying Zhang, Economic Analyst
Ying.Zhang@remi.com

Thank you for attending our webinar!

All registrants will receive access to the slides and recording from today's presentation.