

Benefits and Burdens of Expanded Military Bases

BY BETTY JOYCE NASH

The stars will soon align over Fort Bragg, N.C., and when they do, only the Pentagon will have more generals. That'll be sometime this year when two Army commands relocate to brand-new Fort Bragg headquarters, part of a total of about \$1.3 billion in construction. Likewise, Fort Lee's 6,000 acres in central Virginia are humming with \$1.2 billion worth of new and expanded training and logistics schools and facilities for all military branches. Communications and intelligence operations are expanding big-time at Fort Meade and the Aberdeen Proving Ground (APG), among others of Maryland's 17 military sites.

These expansions result from the 2005 Base Realignment and Closing plan, or BRAC, which reshuffles 33 major sites and closes 22 others. (See adjacent map.) It's a \$35 billion nationwide effort, due for completion by mid-September. Economic studies project mostly positive economic effects from the added commerce the expansions will bring. Base closures typically bring the opposite: job loss, the severity of which varies with the strength and diversity of a community's nonmilitary economy.

Military installations can benefit communities, especially posts that import the equivalent of a corporate headquarters, with highly paid jobs — engineers, scientists, professionals, and high-level managers. Those locales see more of a boost than ones with bases that only process and train troops. Already, 40 new defense contractors have set up shop in Harford County, Md., in anticipation of APG's economic boon.

Though communities may benefit long term, an influx may mean short-term pain in the form of crowded schools and congested roads. The region near Fort Bragg will need to educate the expected 6,000 new students that may crowd classrooms and overwork teachers. Moreover, Fort Bragg's expected 41,000 new people will crowd area roads.

Bragg, Aberdeen, and Lee: Gateways to Growth

Growth inside military gates can mean growth outside the gates. Jobs may expand in construction, retail, health care, and hospitality. But the economic effects are likely to be larger in locations where there's already a healthy mix of professional positions in scientific research and development and engineering.

Nowhere is that truer than in Maryland, a state where the pre-BRAC military in 2008 generated \$16 billion in direct spending in the state, according to Richard Clinch, an economist at the University of Baltimore who has studied the economic role of Maryland's military installations. "Maryland is lucky in that it has been able to attract, because of its proximity to Washington, high value-added services for the U.S. Department of Defense," Clinch says.

The 73,000-acre APG will gain between about 8,000 and 9,000 positions, 5 percent of which are military. People are starting to move in. Many of those are transfers from Fort Monmouth in New Jersey, which is slated to close. Commercial and residential real estate are selling in Harford County, home of Aberdeen Proving Ground. "About 60 percent of the Fort Monmouth workforce has relocated due to this BRAC," says Denise Carnaggio, deputy director of the county's office of economic development. She also reports strong demand for Class A office space.

The positions at APG will average \$80,000 annually and will include jobs in engineering, electronics, systems, computers, and budget, among others. Incoming organizations include communications, electronics management and research, vehicle technology research, and medical and chemical defense R&D. APG's expansion is its biggest since World War II, with a dozen missions arriving from eight states, including some from elsewhere in Maryland and Virginia.

Military spending stimulates personal income growth in states with higher manufacturing and retail shares, and in those that already receive a large share of military prime contracts, according to a March 2009 paper by Michael Owyang of the St. Louis Fed and Sarah Zubairy of Duke University. The benefits of military spending are unlikely to be as great in isolated areas, where there may be only troop-related activities. In those cases, the military bases may be



Liaison Officer Ted Kientz (at left) shows Army Chief of Staff General George William Casey around the newly built U.S. Army Forces and Reserve Commands combined headquarters at Fort Bragg, N.C.

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District of Columbia

- 1. Bolling Air Force Base
- 2. Naval District Washington
- 3. Potomac Annex
- 4. Walter Reed Army Medical Center

Northern Virginia

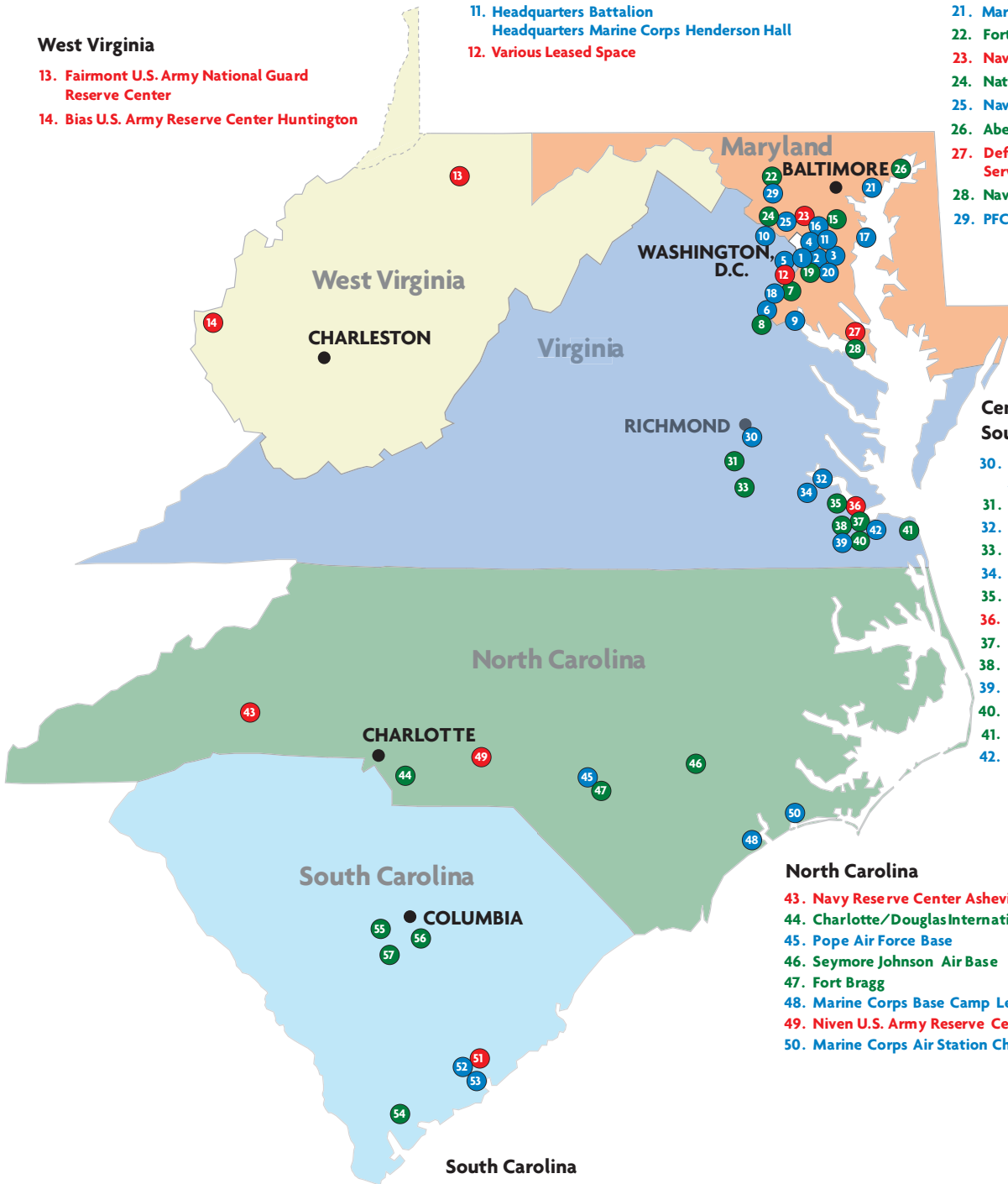
- 5. DFAS Arlington
- 6. Marine Corps Advanced Amphibious Assault
- 7. Fort Belvoir
- 8. Marine Corps Base Quantico
- 9. Naval Surface Warfare Center Dahlgren
- 10. Arlington Service Center
- 11. Headquarters Battalion
Headquarters Marine Corps Henderson Hall
- 12. Various Leased Space

Maryland

- 15. Fort Meade
- 16. Naval Station Annapolis
- 17. Army Research Laboratory Adelphi
- 18. Naval Surface Warfare Center Indian Head
- 19. Andrews Air Force Base
- 20. Naval Air Facility Washington
- 21. Martin State Airport Air Guard Station
- 22. Fort Detrick
- 23. Navy Reserve Center Adelphi
- 24. National Naval Medical Center Bethesda
- 25. Naval Surface Weapons Station Carderock
- 26. Aberdeen Proving Ground
- 27. Defense Finance and Accounting Service Patuxent River
- 28. Naval Air Station Patuxent River
- 29. PFC Flair U.S. Army Reserve Center Frederick

West Virginia

- 13. Fairmont U.S. Army National Guard Reserve Center
- 14. Bias U.S. Army Reserve Center Huntington



Central and Southeastern Virginia

- 30. Richmond International Airport Air Guard Station
- 31. Defense Supply Center Richmond
- 32. Naval Weapons Station Yorktown
- 33. Fort Lee
- 34. Fort Eustis
- 35. Langley Air Force Base
- 36. Fort Monroe
- 37. Naval Amphibious Base Little Creek
- 38. Naval Support Activity Norfolk
- 39. Naval Medical Center Portsmouth
- 40. Naval Shipyard Norfolk
- 41. Naval Station Norfolk
- 42. Naval Air Station Oceana

North Carolina

- 43. Navy Reserve Center Asheville
- 44. Charlotte/Douglas International Airport
- 45. Pope Air Force Base
- 46. Seymour Johnson Air Base
- 47. Fort Bragg
- 48. Marine Corps Base Camp Lejeune
- 49. Niven U.S. Army Reserve Center Albermarle
- 50. Marine Corps Air Station Cherry Point

South Carolina

- 51. Defense Finance and Accounting Service Charleston
- 52. Naval Weapons Station Charleston
- 53. South Naval Facilities Engineering Command
- 54. Marine Corps Air Station Beaufort
- 55. Fort Jackson
- 56. Shaw Air Force Base
- 57. McEntire Air Guard Station

Legend

- Closure
- Realignment
- Gaining jobs

SOURCE: 2005 Defense Base Realignment and Closure Commission Final Report

more self-contained. George Mason University economist Stephen Fuller notes that in such areas, “It’s easier to keep everything on post. The spillover is only some retail spending. There isn’t a whole lot that goes back into the local economy.” Fuller studied the effects of BRAC on jurisdictions in Northern Virginia concerned about the effects of a possible influx of new residents, especially in less-populated areas.

Forts Bragg and Lee will be home to high-level commands, and though they are located in less-populated locales, the regions have already benefited. For example, the initial large-scale construction may have buffered the Fort Lee area near Petersburg, Va., from the recession. The construction remains under way as the BRAC effort goes full throttle toward its deadline. “All that construction worked to our advantage,” says Dennis Morris of the Crater Planning District Commission, an organization of 11 jurisdictions. A procurement organization helped small businesses identify subcontractors who then met with the prime contractors. About 65 percent of the prime contracts were awarded to Virginia firms, and subcontractors in the region received 851 contracts. “The bottom line is we fared well in the region on getting our share of those prime contracts or subcontracts,” he says. “Our rural areas did very well as a supplier for, let’s say, brick for the new barracks.”

Fort Lee will double in size, to approximately 44,500 people, divided roughly evenly between employees (military, civilian, and contract) and family members. Its biggest impact may be in total wages and salaries. The Virginia Employment Commission has estimated, beginning in 2008, those could average \$1.2 billion per year through 2011, though the projections could be off because many are opting to commute, for now, if they live within a couple of hours’ drive, from Tidewater or Northern Virginia.

Fort Lee, long the source of logistics training and supply — “the right stuff at the right place at the right time” — will now handle more training, including schools of transportation, ordnance, and culinary arts, among others, for all military branches. There will also be about 700 to 900 people employed by the Defense Contract Management Agency, the procurement headquarters for all the branches. To house students, there’s a 1,000 room hotel under construction. In short, Fort Lee will train every branch of service in jobs and missions that support soldiers. The fort trains people in “everything from a young man’s personal hygiene needs, that is, how to take a field shower and do their laundry, to explosives and ordnance, including repairing a weapon,” says Scott Brown, chief of Fort Lee’s BRAC synchronization office.

Many operations at Fort Lee involve high-level management — the Quartermaster, Ordnance, Transportation schools for the Army, the Air Force Transportation Management School, and the Defense Commissary Agency headquarters. In many ways, these resemble corporate headquarters. And those managerial jobs pack a bigger economic wallop.

Fort Bragg’s new \$300 million, 700,000-square-foot headquarters will do likewise. The complex will house the U.S. Army Forces Command, FORSCOM, and the U.S. Army Reserve Command, USARC. Overall, Bragg is expected to grow to 58,336 military personnel, from pre-BRAC levels of 49,247.

The two commands alone are likely to bring nearly 3,000 active-duty, civilian, and contractor jobs, with higher than average salaries for the Sandhills region. Average military and civilian salaries for FORSCOM positions pay \$75,000. At USARC, the average is \$93,000 for military salaries and \$78,000 for civilian. Roughly a third of the civilian employees in this group are expected to relocate to Bragg from other bases; the rest will be hired locally or move for a job. An estimated 1,000 military contractors are expected to set up shop in the area to be close to key decisionmakers.

Military-related population growth includes active-duty soldiers, civilians employed by the Army, private contractor employees, and Army dependents. The number also includes people who may move to the region to get a job off the base. Fayetteville issued \$300 million in new permits — everything from luxury apartments to four-star hotel projects — in 2010, according to Fayetteville City Manager Dale Iman.

While this flurry of activity is welcome, the costs to state and local governments can create fiscal challenges in the short term, economist Clinch says. “The problem with any introduction of a huge economic activity is that the capital costs have to be paid for but the revenue comes later.”

Education Station

That’s happening with roads and schools in the 11-county Sandhills Region of North Carolina and in Aberdeen’s Harford County, and probably any locale where military posts are growing.

Take schools near Fort Bragg, for instance. “Our counties are struggling to figure that out,” says Greg Taylor, executive director of the task force. Schools in counties likely to be affected, Cumberland, Harnett, and Hoke, are estimated to need nearly \$220 million in capital construction, \$68.4 million of that is related to military growth. The county has used bonds to pay for four new schools in the past couple of years. But it’s still not clear whether funding from the state will keep up with Cumberland County’s growth, according to Theresa Perry, assistant superintendent.

Districts are entitled to impact aid from the federal government because military installations pay no taxes, but the program isn’t fully funded. And if the school district lies outside of the county where the base is located, the per-student aid is half.

Business growth will occur in the wake of Fort Bragg’s expansion, Taylor says, “but that money comes after the fact. You can’t tell the kids, wait five years and we’ll build you a school; the funding to fix the problem comes later.” In counties where the tax base includes a healthy mix of commercial and residential properties, there’s less to worry

about. But in largely residential, or bedroom, counties, there may be problems.

Schools in Prince George County aren't hurting, though — at least, not yet. Bobby Browder is superintendent. "Projections of student population were much higher but a majority of individuals planning on moving didn't move." For example, the Transportation Command from Fort Eustis in Newport News will move, but the majority of employees have not. "From what we can discern, they are commuting," he says, along with transferred personnel from locations in Northern Virginia. "Because they couldn't sell their homes, they've bought hybrids and they commute."

Browder's happy that growth hasn't materialized all at once because Prince George is only now receiving its impact-aid funds for the 2007-2008 school year. With the recession, school funding everywhere has been cut, so the impact aid becomes even more important. To date, the district has received \$3.5 million in impact aid.

The Military Road

Transportation remains a hot issue. The National Academy of Sciences studied funding of traffic improvements following the BRAC report. Short-term strategies include quick fixes — toll lanes or lane widening. The report cited fundamental flaws in the BRAC decisions concerning the ability of local infrastructure to handle added traffic. The report also cited the Defense Department's inability to fund road improvements, and poor communication between installations and local transportation authorities.

To ease projected congestion on Interstate 95, a partnership between Amtrak and Fort Lee puts troops on trains, right on base, for weekly training exercises at Fort A.P. Hill, in Northern Virginia.

Workers broke ground on a spur, a portion of Interstate 295 that will link Fort Bragg to Interstate 95. Other improvements to ease ingress and egress from the base may take years and lots of money. Case in point: State and federal funding sources can't cover the tab for appropriate projects — \$344 million — to widen roads and provide direct interstate access to Bragg, the biggest post in the nation. In 2008, more than 400 military convoys with troops and heavy equipment traversed Fayetteville, N.C.'s city streets on their way to Bragg.

Although military spending doesn't always offset costs for communities, they are never unwelcome, says Randy Parker, an economist at East Carolina University. "The people in the town in which these bases are centered are not unhappy campers," he says. "The people are happy to accept any type of growth that comes their way."

He points to the large number of military retirees in the 11-county region near Fort Bragg. "I don't know that this will bring factory jobs and so forth, but it fosters some economic growth in restaurant jobs, primarily in service and retail jobs."

But a possible military drawdown presents future risks. Some regions are just now recovering from previous base withdrawals, and, of course, APG's economic gain is New Jersey's loss, at least in the short term.

"When you link your fortunes to military growth, then you also link your fortunes to military shrinkage," Parker says. "It is a somewhat risky strategy, since you're putting your eggs in one basket."

When the stars are rising, that's great, but when spending shrinks, local military economies may falter. Northrop Grumman, the defense contractor, has attributed its hundreds of recent layoffs in the district to a slowdown in defense spending.

Still, national security is likely to remain a major budget item for the foreseeable future even if peace breaks out all over.

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Military Spending and GDP

Defense accounted for more than a third of GDP in World War II, and by 1947, it had fallen to about 7 percent. The Korean War, the Cold War, and later, the Vietnam War drove defense's share of the GDP into double digits. That was in the 1950s and 1960s. By 1979, military spending fell to less than 6 percent of GDP. It rose above 7 percent in the mid-1980s, but by 2000, the so-called "peace dividend," took spending below 4 percent of GDP. Bases were closed or realigned in 1988, 1991, 1993, and 1995, as spending declined. Since 2001, defense spending has grown to almost 5 percent of GDP.

— From "How is the Rise in Defense Spending Affecting the Tenth District Economy?" by Chad Wilkerson and Megan Williams, Federal Reserve Bank of Kansas City *Economic Review*, Second Quarter 2008

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