University of Texas at El Paso DigitalCommons@UTEP

IPED Technical Reports

Institute for Policy and Economic Development

1-1-2004

Research in Review: Regional Economic Impacts of Military Installations in the Paso del Norte Region

Dennis L. Soden University of Texas at El Paso, desoden@utep.edu

David A. Schauer University of Texas at El Paso, dschauer@utep.edu

Brent McCune

David Coronado University of Texas at El Paso

Janet S. Conary University of Texas at El Paso, jconary@utep.edu

Follow this and additional works at: http://digitalcommons.utep.edu/iped techrep

Part of the <u>Business Commons</u>, and the <u>Economics Commons</u>

Comments:

IPED Technical Report: 2004-1

Recommended Citation

Soden, Dennis L.; Schauer, David A.; McCune, Brent; Coronado, David; and Conary, Janet S., "Research in Review: Regional Economic Impacts of Military Installations in the Paso del Norte Region" (2004). IPED Technical Reports. Paper 31. http://digitalcommons.utep.edu/iped_techrep/31

This Article is brought to you for free and open access by the Institute for Policy and Economic Development at DigitalCommons@UTEP. It has been accepted for inclusion in IPED Technical Reports by an authorized administrator of DigitalCommons@UTEP. For more information, please contact lweber@utep.edu.

Research in Review

Regional Economic Impacts of Military Installations in the Paso del Norte Region

Dennis L. Soden, David A. Schauer, Brent McCune David Coronado and Janet S. Conary

Institute for Policy and Economic Development
University of Texas at El Paso
El Paso, TX 79968-0703
915.747.7974 Fax 915.747.7948

iped@utep.edu

Technical Report #2004-1 January, 2004

Key Findings¹

Workforce

Total personnel from these bases includes:

Fort Bliss	18,641
HAFB	6,469
WSMR	5,611
Total	30,721

2002 Key Statistics of the Regional Economy

Gross Regional Product/Income \$20,217.3 million

Total Retail & Wholesale Sales \$11,254.2 million

Employed Civilian Labor Force 395,953

Three Base-Related Business Effects

Fort Bliss	WSMR	HAFB
Increased Sales Volume (millions) \$1,698.9	\$684.0	\$206.9
Total Regional Increase \$2,589.8		
Increased Sales/Regional Retail and Wholesale Sales 16.9% 6.1%		

Total Regional Increase 23.0%

¹ The region is defined as: El Paso, Dona Ana, Otero, and Socorro Counties.

Increased Use of Business Property (millions) \$192.5

\$824.1

\$61.6

Total Regional Increase \$1,078.2

Expansion in Regional Depository Institutions' Credit Base (millions) \$93.9 \$40.2

Total Regional Increase \$793.7

Three Base-Related Household Effects

Fort Bliss	WSMR	HAFB		
Increased Income (millions) \$1,715.8	\$551.1	\$326.6		
Total Regional Increase \$2,593.5				
Increased Income/Gross Regional Income 11.0%	2.7%	34.1%		
Total Regional Increase 12.8%				
Net Incremental Employment 16,156	5,542	2,586		

Total Regional Increase 24,284

Three Base-Related Government Effects

Inree Base-Related Government Effects					
	Fort Bliss	WSMR	HAFB		
Net Local Governm Influence (millions)	ent Outlays to Provide N	lunicipal Services Alloca	ble to Military Related		
initidence (millions)	\$112.5	\$48.5	\$34.6		
Total Regional Increase \$195.6					
Capital Required by Local Government to Provide Military-Related Public Goods and Services (millions)					
Services (millions)	\$175.3	\$57.6	\$39.4		
Total Regional Increase \$272.3					

Increased Regional Sales/Net Local Government Outlays 15 to 1 14 to 1

Total Regional Increase 13 to 1

Increased Regional Income/Net Local Government Outlays

15 to 1 11 to 1 9 to 1

Total Regional Increase 13 to 1

6 to 1

Increased Regional Business Property Utilization/Capital Requirements by Local Government 5 to 1 3 to 1 1.6 to 1

Total Regional Increase 4 to 1

Introduction

In the fall of 2001, the Institute for Policy and Economic Development (IPED) at the University of Texas at El Paso (UTEP) was contracted by Fort Bliss to develop and implement a model for estimating the economic impact of the military base on the El Paso regional economy. The findings from that study resulted in decisions to examine the impacts of the two other military facilities in the region, Holloman Air Force Base (HAFB) and the White Sands Missile Range (WSMR). This Executive Summary presents an overview of the results of these three studies of economic impacts on the region defined as: El Paso County in Texas, and the New Mexico counties of Dona Ana, Otero, and Socorro.²

The interest in the regional impact of these bases has been heightened by concern over the Base Reduction and Closure (BRAC) activities underway in the Department of Defense. While each of the studies conducted by the Institute for Policy and Economic Development had specifics related to each facility, the general methodology using the IPED RIM³ was identical for all three studies.

There is no question that the history and tradition of the military in the region reveals a record of innovation in national defense and technology and a critical factor in the nation's global role. In addition, the presence of Fort Bliss, Holloman AFB, and the White Sands Missile Range have contributed significantly to the local economies of Alamogordo, Las Cruces, and El Paso. More importantly, the bases have acted as a regional economic driver; a fact that is often overlooked in discussions pertaining to economic development.

Findings and Implications

To implement the studies, data was acquired from each installation, along with information from a variety of other local, state, and national sources. In addition, a survey instrument was developed and given to active duty and civilian personnel at each base. Data from these sources were then used to model economic impacts using the IPED RIM.

Regionally the role of the military has fluctuated with national interests. Rising, for example, during periods of sustained military conflict, such as the Vietnam War. Declining as missions have been reassigned to other regions, such as the 5th Calvary's move out of the region in the mid-1990s, as well as ebb and flows in rocket and missile programs at WSMR.

While there has been a drop in the number of active military at Fort Bliss as a result of a shift in troop deployments in the 1990s, it remains the region's number one employer, including over 6,600 civilian employees and 12,000 soldiers. HAFB is Alamogordo's leading employer, with an employment of almost 6500. WSMR adds a different make-up with civilians associated with missile testing programs outnumbering military 30 to 1 resulting in total personnel of over 5600.

Military personnel and supporting civilian employees also bring their families into the communities around bases, resulting in more than 125,000 individuals being added to the regional population

² Full copies of these reports can be viewed at www.iped.utep.edu/reports.

³ IPED RIM is the Institute for Policy and Economic Development Regional Impact Model for single institutions at a point in time.

and almost 40,000 students added to area schools. Population and school enrollments are substantial and would expand with growth of any of the bases.

As a result of their presence, Fort Bliss, WSMR, and HAFB fit into a regional economy that presently generates over \$20 billion in income or gross regional product. Retail and wholesale sales exceed \$11.2 billion, and the employed civilian labor force exceeds 395 thousand. The role of the military presence in the regional economy is assessed by determining the cumulative impacts generated by the IPED RIM model for each base. In general, these effects are in three categories:

- 1. Local Business Effects:
- 2. Local Household Effects; and,
- 3. Local Government Effects.

The combined impact on the *local business* sector is estimated to be an increase in business sales volume of \$2,589,800,000, an incremental increase which would not occur if these bases were not part of the regional economic make-up. The local economy also benefits from the addition of \$793.7 million to the credit base of regional depository institutions. This amount represents a source of loan funds to the community that would otherwise be unavailable.

Overall, the presence of the three bases accounts for 23 percent of total retail and wholesale sales in the region, such that approximately one of every four dollars spent has a military origin, confirming the military importance to the regional economy. In addition, the use of business property has grown by more than \$1 billion. This represents an increase to the regional inventory, resulting in significant increases in tax revenues from property and added sales.

Local household effects are also dramatic, resulting in a \$2,593,500,000 flow of income into the regional economy. The addition to the overall regional workforce results in a net increase in employment of 24,284; jobs that otherwise would not exist. As a result, approximately 12.8 percent, or over \$1 of every \$8 in personal income in the region, is linked to the military's presence.

The final component examines the relationships between bases and *local governments*. While local government receives some revenues and/or cost savings from the presence of the bases, local government expenditures to provide public schools and municipal services to military installations and related individual and business activities are much greater. In addition, local government must allocate capital and other property to support the provision of municipal services. Annual government outlays to provide municipal services exceed \$195 million, a yearly service fee that is supported through taxes from regional residents, including civilian employees, soldiers and airmen living off post who pay property taxes. Services ranging from schools and additions to the local infrastructure require more than \$272 million of government capital outlays. These government outlays are investments that can be considered in light of the returns they generate in the regional economy in the form of sales, income and capital investments, as well as the previously mentioned increases in regional employment.

In this regard:

- Business sales volume increases by almost \$2.6 billion per year, a regional increase of \$13 in sales in the region for every \$1 of local government outlay.
- Income to individuals and households increases by roughly \$2.6 billion per annum, greater than a \$13 increase for each \$1 of local government outlay.
- More than 24 thousand additional jobs are generated in the region as a result of the presence of Fort Bliss, HAFB, and WSMR.

• Local commercial property employed to support military base related activity is more than \$1 billion, resulting in a return of \$4 in the form of local business property values for each \$1 of government investment to provide services as a result of the military's presence.

These data clearly show that the incremental economic impact of the military on the region is significant, even dramatic. The set of studies undertaken suggest that when viewed from a benefit/cost perspective, the ratios are impressive by any standard!

With more than 30,000 employees and a potential for more than 40,000, the military is the major employer in the region and its impact is critical to the stability of the regional economy. Each base also has the potential to add several thousand jobs outside their installations if BRAC results in a realignment that results in additional personnel coming to the area, providing an even more positive effect on the regional economy. As the regional population increases, it is likely that approximately three new residents will migrate to the region for each one-person increase in military personnel. These increases will not only result in more expenditures in the regional economy, but also increase certain costs that are not fully examined by the model.

The model suggests that gross regional product (GRP) will increase proportionally more than any other factor as the number of personnel increases, as will real disposable personal income and total regional consumption. Regional fixed investment in millions of dollars will also be significantly increased, adding to the overall wealth of the area.⁴

Considerations

In general, we examined two aspects of military presence in the region. One is related to individual impacts of each base. The second reports the overall impact in regional terms. In developing the analysis and working with a variety of military and non-military stakeholders a number of considerations surfaced.

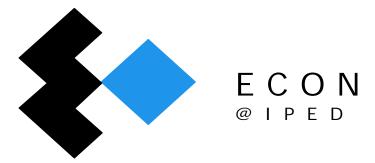
- ✓ Local economic interests are well-served by each of the bases and they are the backbone of the regional economy.
- ✓ The loss of Fort Bliss, WSMR or HAFB would devastate the economies of El Paso, Las Cruces, and Alamogordo, respectively.
- ✓ Local government units should be aware that the return on investment in the overall regional economy well exceeds the costs incurred by any cost to benefit standard.
- ✓ Local governments should also recognize that the property tax dollars lost by the land holdings of the bases are well offset by additional business and residential developments as a result of the incremental impacts each base adds to the regional economy.

Another consideration is the possibility that each base may be a target for expansion. If this occurs, civic leaders need to address several critical issues and questions:

- ✓ Are local infrastructure capacities of water, sewer, fire, hospitals and police, etc., capable of supporting additional military personnel and the three additional residents forecasted to join them?
- ✓ Are local school districts capable of accepting an influx of students based on current capacity? And, at what level of increased enrollment generated by base expansion will new facilities and teachers be required?
- ✓ Can the region effectively market itself to the Department of Defense as a "community" that will welcome and invest local resources for base expansion?

⁴ Expansion scenarios were developed for HAFB and Fort Bliss. They can be viewed at iped.utep.edu/reports.

- ✓ What plans can the business community make to support families and military personnel?
- ✓ Local governments must provide the support necessary for base expansion in a concerted effort, at all levels and among all jurisdictions.
- ✓ Can local developers and construction interests respond in a timely fashion to base expansion and off-base needs, both residential and commercial?
- ✓ Can local creditors provide the credit base for residential purchases, etc., to service the growth as it occurs?
- ✓ Can local communities make the investment up-front to make the transition for additional troops, airmen, and support personnel as minimally frustrating as possible?



Acknowledgements

Several people were key in developing the information and relationships that led to these studies. These include, Major General Stanley Green, Major General Mike Vane, John Pennington at Fort Bliss, Ed Carr and Susan Moss from the Otero County Economic Development Corporation, Brigadier General Hunt and Major John Bryan of HAFB and Hector Lozano from WSMR.

Funding for these studies was provided by the United States Army, Otero County Economic Development Corporation, the Greater El Paso Chamber of Commerce and the Institute for Policy and Economic Development.

