



Economic Development Assistance for Communities Affected by Employment Changes Due to Military Base Closures (BRAC)

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Summary

This report is intended to discuss the geographic impact of base closures and realignments; provide an analysis of federal economic assistance programs for communities and individuals affected by military base closures and realignments (BRAC); and analyze possible policy issues for Congress.

Unlike previous rounds, the 2005 BRAC round is focused on creating the infrastructure needed to support a transformed, expeditionary armed force—concentrated more on shifting forces and installation assets to promote the centralization of units in places from which they can be deployed rapidly. Thus, the 2005 BRAC round is characterized much more by realignment than closure. In 20 communities, an estimated increase of 170,000 workers is expected. In addition, estimated construction costs are anticipated to increase by 80% from \$17 billion to \$32 billion. These communities identified transportation, schools and affordable housing as their top infrastructure challenges. Some communities, however, will be affected by job losses, and job creation and unemployment were cited as key concerns.

Economic development programs for communities affected by BRAC include the Office of Economic Adjustment (OEA); the Economic Development Administration (EDA); the Community Development Block Grant (CDBG) program; Historically Underutilized Business Zones (HUBZones) under the Small Business Administration (SBA); and programs such as the Homeowner's Assistance Program (HAP), the Defense Access Road (DAR) program, Recovery Zone Economic Development Bonds, and Economic Development Conveyances (EDCs).

Understanding the process to access funding under these programs is important for communities impacted by job losses and those affected by growth. EDA, for example, allocates funding to groups of counties organized as Economic Development Districts (EDDs), based on a plan known as a Comprehensive Economic Development Strategy (CEDS) and communities affected by BRAC must contact an EDA regional office and EDD to understand if competitive grant funding may be available. In contrast, CDBG allocates funding to one of over 1,100 entitlement communities based on a formula and on a plan known as the Consolidated Plan; BRAC funding is available primarily to help the homeless population near a base. The local communities must establish a Local Redevelopment Authority (LRA) to access assistance. The LRA serves as the primary link between the Department of Defense, the current installation, the local community, and the Federal and State agencies responsible for all BRAC matters.

In the 111th Congress, the American Recovery and Reinvestment Act of 2009 (ARRA, P.L. 111-5) provided \$555 million for the Homeowner's Assistance Fund under the Housing Improvement Program (HAP), for military personnel affected by the 2005 BRAC round. P.L. 111-117 provided an additional \$323 million for the HAP program. ARRA also provided \$10 billion for Recovery Zone Economic Development Bonds for areas designated as economically distressed under previous BRAC round closures.

The 112th Congress may consider amendments to federal economic development programs to assist communities affected by the 2005 BRAC.

This report will be updated as events warrant.

Contents

Background	1
Spatial Analysis	2
Methodology.....	2
Employment Changes in Largest Facilities	2
Employment Changes in Metropolitan Areas	5
Employment Changes at the State Level.....	7
Net Employment Losses and Gains	7
Inter- and Intra-State Employment Changes	9
Employment Changes as a Share of Total Employment	9
Federal Economic Development Assistance to State and Local Governments.....	11
Office of Economic Adjustment	12
Overview	12
Type of Assistance	12
Funding	12
Economic Development Administration	13
Overview	13
Type of Assistance	13
Funding	13
Community Development Block Grants	14
Overview	14
Type of Assistance	14
Funding	15
Other Assistance	15
Department of Defense	15
Other Agencies	16
Federal Assistance for Individual Workers Displaced by BRAC activities.....	16
DOD Worker Assistance Programs	16
Department of Labor Job Training Program for Dislocated Workers	17
Overview	17
Formula Grants	17
National Emergency Grants (NEGs).....	18
Other Assistance	18
Issues for Congress	19
Impacts on Communities.....	19
Increase in BRAC Construction Costs	20
BRAC Homeowners' Assistance Program	21
Recovery Zone Economic Development Bonds	21
Defense Access Road Program.....	22
Environmental Cleanup.....	22
BRAC Facility Redevelopment for Refineries	22
Concluding Observations	23

Figures

Figure 1. Employment Losses and Gains at the Metropolitan Statistical Area (MSA) Level	6
Figure 2. Employment Losses and Gains at the State Level	10
Figure 3. EDA Funding FY1993-FY2008.....	14

Tables

Table 1. Major Military Facilities to be Closed or Realigned, Ranked by Total Direct and Indirect Employment Changes	3
Table 2. Rank of States by Total Direct and Indirect Job Losses and Gains Resulting from BRAC.....	7
Table 3. Appropriations for Office of Economic Assistance FY2001-FY2008	13
Table A-1. List of Federal Economic and Community Development Programs	24

Appendixes

Appendix. List of Federal Economic and Community Development Programs	24
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Contacts

Author Contact Information	29
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Background

On five occasions Congress has authorized the Department of Defense (DOD) to realign or close military bases as part of the Base Realignment and Closure (BRAC) process. Under the BRAC process: (1) the Department of Defense prepares a list of military bases to be realigned or closed; (2) an independent BRAC Commission reviews the list, makes changes and sends a revised list to the President; (3) the President reviews the list and transmits the list without changes to Congress; and (4) the Secretary of Defense implements the approved recommendations unless a joint resolution of disapproval is passed by Congress. Following the actual base closings and realignments, DOD develops an environmental remediation plan to enable the conveyance of surplus federal land to other entities.¹

Military facilities were closed and realigned in 1988, 1991, 1993, and 1995 under a BRAC process.² More than 350 installations have been closed in these four BRAC rounds. The objective of these BRAC rounds was to promote cost-savings and efficiency, eliminate redundancy, and adapt a Cold War military to a post-Soviet, post-Cold War world.³

The 2005 BRAC round, however, focused on creating the infrastructure needed to support a transformed, expeditionary armed force—concentrated more on shifting forces and installation assets to promote the centralization of units in places from which they can be deployed rapidly. Thus, the 2005 BRAC round is characterized much more by realignment than closure.

This latest BRAC round includes the closure or realignment of 837 facilities and involves an additional 160 facilities that will gain missions or resources due to the proposed closures and realignments, for a total of 997 affected facilities nationwide. Most of these closures are on a small scale, each involving less than 300 direct employment losses or gains each, including military, civilian and contractor jobs. Twenty-two major military installations will be closed and 33 others will be realigned. According to GAO estimates, the 2005 BRAC round will entail relocating over 123,000 personnel.⁴

In addition to BRAC-related actions that must be completed by September 15, 2011—under the Global Defense Posture Realignment⁵ process—DOD is planning to transfer about 70,000

¹ For a detailed examination of the BRAC process, For environmental remediation issues, see CRS Report RS21822, *Military Base Closures: DOD's 2005 Internal Selection Process*, by Daniel H. Else and David E. Lockwood. A policy challenge for Congress related to environmental cleanup is how to promote an appropriate environmental review of military facilities within a reasonable time frame, since some facilities dating back to 1988 are still under environmental review and remediation.

² Prior to the 1988 BRAC round, military installations were closed, or their missions were altered by order of the Secretary of Defense.

³ 10 U.S.C. Section 2687 authorizes the Base Realignment and Closure (BRAC) process for (1) military installations at which at least 300 civilian personnel are authorized to be employed, or (2) the realignment of any military installation where at least 300 civilian personnel are authorized to be employed and where the closure or realignment is intended to reduce the work force by more than 1,000 or by more than 50% of the number of civilian personnel authorized to be employed at the installation.

⁴ See U.S. Government Accountability Office, *GAO Observations on DOD Funding for Military Infrastructure and Road Improvements Surrounding Growth*, GAO Report D08-602R, April 1, 2008, available at <http://www.gao.gov/new.items/d08602r.pdf>.

⁵ The Global Defense Posture Realignment (GDPR) process refers to base realignments and closures at the international level and is a process similar to BRAC, but at the international level. Although GDPR is not directly related to BRAC, it will impact local communities in the United States seeking to adjust to increases in employment (continued...)

military and civilian personnel to the United States by 2011.⁶ DOD also plans to increase the size of the Army by 74,000 and the Marines by 27,000. These transfers and increases will also have considerable economic development impacts. In 20 military facilities alone, these combined changes will result in the net growth of 173,000 military and civilian personnel, not including families and contractors.⁷

Spatial Analysis

Methodology

The Congressional Research Service (CRS) compiled a database with information on direct and indirect military, civilian and employment changes for nearly 1,000 military facilities nationwide to conduct an analysis of employment changes in communities throughout the country as a result of BRAC. Data was obtained from Appendix O of the BRAC 2005 report to the President.⁸ Additional information was obtained from the head of the BRAC commission, former Secretary of Veterans Affairs, Anthony J. Principi. A second database was developed using a Geographic Information System (GIS) for analytical purposes to estimate and visualize information at multiple geographic levels. This database includes information on employment changes for (1) individual facilities; (2) metropolitan statistical areas; (3) counties; and (4) states. For each of these geographic levels, information on employment gains and losses is available for six different variables: direct military, civilian, and contractor losses or gains (3 variables); total direct employment changes; indirect employment changes using an employment multiplier⁹ developed by the BRAC commission; and total direct and indirect employment changes. In addition, reports from government agencies such as GAO and DOD were compiled to review economic development issues. The results of the compilation of this information are presented below.

Employment Changes in Largest Facilities

In general, DOD data show that a total of 21 major military facilities will be closed and 30 other facilities will be realigned as part of the 2005 BRAC process. **Table 1** includes a list of major military installations that will be closed or realigned, based on final recommendations from the

(...continued)

and population as a result of military realignment overseas.

⁶ U.S. Government Accountability Office, *Defense Infrastructure: High-Level Leadership Needed to Help Communities Address Challenges Caused by DOD-Related Growth*, GAO Report 08-665, June 2008, available at <http://www.gao.gov/docsearch/abstract.php?rptno=GAO-08-665>.

⁷ Ibid.

⁸ BRAC Commission, *2005 Defense Base Closure and Realignment Commission Report to the President*, Washington, DC, September 8, 2005.

⁹ Multiplier effects, which measure the rate at which a direct effect (e.g., base job losses) creates indirect effects such as additional jobs, are important elements in estimating the impacts of a base closing. If, for example, one assumes that a base job has a large indirect employment multiplier (e.g., 2.5-3.0), then for each direct base job lost, indirectly related jobs in some defined geographic area are also predicted to be lost as a result. Similarly, an income multiplier allows one to estimate total income generated by a military base.

2005 BRAC Commission.¹⁰ The table ranks the military facilities by the number of direct and indirect employment losses and gains for military, civilian and contractor staff.

Two of the largest facilities affected by job losses are Fort Monmouth, New Jersey, and Walter Reed Army Medical Center in the District of Columbia. An estimated 5,200 jobs in Fort Monmouth will be transferred to other facilities and a total of 9,700 jobs will be lost directly or indirectly at this New Jersey facility, according to estimates developed by the BRAC Commission.¹¹ Most of these employment losses in Fort Monmouth will be civilian jobs, with more than 4,600 civilian job losses, but a large majority of these positions will be transferred to other facilities. Specifically, nine other military facilities would gain jobs transferred from Fort Monmouth. Aberdeen Proving Ground in Maryland will gain several thousand positions as a result of transfers from Fort Monmouth, and the U.S. Military Academy at West Point, New York, will gain 421 jobs. Once the overall job transfers in Maryland, New Jersey, and New York are accounted for, the net employment change is estimated to be a total reduction of 589 positions.

Table 1. Major Military Facilities to be Closed or Realigned, Ranked by Total Direct and Indirect Employment Changes

Facility	State	Net Job Changes			Direct Employment Changes	Indirect Employment Changes	Total Employment Changes
		Military	Civilian	Contractor			
Facilities with Net Job Losses							
1. Fort Monmouth	NJ	-620	-4,652	0	-5,272	-4,464	-9,736
2. Walter Reed Medical Center	DC	-2,668	-2,373	-622	-5,663	-3,869	-9,532
3. Fort Monroe	VA	-1,393	-1,948	-223	-3,564	-4,418	-7,982
4. Pope Air Force Base	NC	-4,792	812	-132	-4,112	-3,472	-7,584
5. Naval Air Station Brunswick	ME	-2,880	-395	0	-3,275	-3,808	-7,083
6. Fort McPherson	GA	-2,260	-1,881	0	-4,141	-2,705	-6,846
7. Brooks City Base	TX	-1,297	-1,268	-358	-2,923	-2,799	-5,722
8. Lackland Air Force Base	TX	-2,168	-416	-116	-2,700	-2,282	-4,982
9. Cannon Air Force Base	NM	-2,388	-381	0	-2,769	-2,002	-4,771
10. Naval Station Great Lakes	IL	-2,059	-68	-10	-2,137	-2,560	-4,697
11. Naval Station Ingleside	TX	-1,726	-254	-57	-2,037	-2,558	-4,595
12. Sheppard Air Force Base	TX	-2,464	-156	0	-2,620	-1,740	-4,360

¹⁰ BRAC Commission, *2005 Defense Base Closure and Realignment Commission Report to the President*, Washington, DC, September 8, 2005.

¹¹ Ibid.

Facility	State	Net Job Changes			Direct Employment Changes	Indirect Employment Changes	Total Employment Changes
		Military	Civilian	Contractor			
13. Naval Base Ventura County	CA	-221	-1,421	-375	-2,017	-1,523	-3,540
14. Naval Support New Orleans	LA	-1,270	-603	-62	-1,935	-1,325	-3,260
15. Naval Center San Diego	CA	-1,596	-33	-1	-1,630	-1,469	-3,099
Facilities with Net Job Gains							
1. Fort Belvoir	VA	4,162	6,375	2,058	12,595	8,726	21,322
2. Fort Bliss	TX	11,354	147	-	11,501	8,884	20,385
3. Fort Sam Houston	TX	7,625	1,622	92	9,339	8,354	17,693
4. Fort Benning	GA	9,274	621	-	9,895	4,034	13,929
5. Fort Lee	VA	6,139	1,149	56	7,344	4,419	11,763
6. Fort Meade	MD	682	2,915	1,764	5,361	4,870	10,231
7. Fort Carson	CO	4,178	199	-	4,377	3,309	7,686
8. Fort Bragg	NC	3,425	238	-	3,663	2,509	6,172
9. Fort Sill	OK	3,445	105	-3	3,547	2,110	5,657
10. Marine Corps Base Quantico	VA	446	1,357	1,210	3,013	2,109	5,122
11. Bethesda Naval Medical Center	MD	1,418	674	737	2,829	2,049	4,878
12. Naval Station China Lake	CA	176	1,645	493	2,314	2,485	4,799
13. Little Rock Air Force Base	AK	2,576	176	-	2,752	1,993	4,745
14. Fort Riley	KS	2,415	334	-	2,749	1,737	4,486
15. Eglin Air Force Base	FL	2,201	147	-		2,348	4,279

Source: CRS estimates based on BRAC Commission 2005 report.

Notes: Owing to space limitations only the top 30 military facilities—ranked by employment losses or gains—are listed. A complete database and list of military facilities is available from the author.

The realignment of Walter Reed Army Medical Center will result in a net reduction of 9,500 jobs in this facility in the District of Columbia. Many of these jobs, however, will be transferred to nearby Bethesda Naval Medical Center in Maryland, 5.5 miles away. The Bethesda facility will gain 2,800 jobs as a result of these transfers. In addition, personnel from Walter Reed will be transferred to a community hospital that will be built at Fort Belvoir, Virginia, which will result in a gain of 3,800 jobs in Fort Belvoir. An additional four military sites in Maryland and Virginia will gain medical personnel as a result of staff transferred from Walter Reed Army Medical Center. After accounting for job transfers, a total of 3,000 jobs in the Washington, DC, metropolitan area will be loss instead of the original 9,500.

Other major facilities that will be realigned include Fort Monroe in Virginia, with total direct and indirect job losses of 7,900. Each of the following facilities will lose more than 5,000 jobs: Pope Air Force base in North Carolina; the Naval Air Station in Brunswick, Maine; and Fort McPherson in Texas.

Although considerable job losses will occur in certain facilities, other military installations will have an increase in military and civilian personnel. For example, the following military facilities will gain more than 10,000 direct and indirect jobs, based on estimates developed by the BRAC Commission: Fort Belvoir in Virginia will gain an estimated 21,000 jobs; Fort Bliss and Fort Sam Houston in Texas will see an increase of 20,000 and 17,600, respectively; Fort Benning in Georgia is forecast to gain nearly 14,000 jobs; Fort Lee in Virginia is scheduled to gain an estimated 11,700 jobs; and Fort Meade in Maryland will gain more than 10,000 jobs.

Communities that gain employment will see a need for access roads, schools, affordable housing, business facilities, and infrastructure to accommodate the increase in military and civilian personnel and their families. Some of these military facilities will also be affected by the relocation of U.S. military and civilian personnel stationed abroad who are scheduled to move to the United States. This will have an additional impact over the economic development of these areas.¹²

Employment Changes in Metropolitan Areas

In addition to an analysis of individual facilities, it is useful to understand the impact of base realignments and closures at the metropolitan level. As has been discussed, some facilities will experience considerable job losses, but many of these employees will be transferred to nearby facilities within the same metropolitan area. **Figure 1** shows the location of military facilities—at the Metropolitan Statistical (MSA) level—affected by employment changes related to BRAC. As shown in the map, MSAs vary in size, with a greater geographic area in the West, in states such as California, and relatively smaller sizes in the East.

The MSA-level map helps to illustrate that although some cities such as Boulder, Colorado will see decreased employment as a result of base realignments, other nearby jurisdictions—such as Colorado Springs—will gain jobs and help offset the changes. In states such as Colorado, facilities that will lose employment are adjacent to metropolitan areas that will gain jobs.

¹² Additional information on the relocation of overseas military and civilian personnel, see U.S. Government Accountability Office, *Defense Infrastructure: High-Level Leadership Needed to Help Communities Address Challenges Caused by DOD-Related Growth*, GAO Report 08-665, June 2008.

Legend:

- Red: Job Loss > 1,000
- Tan: Less than 1,000 jobs losses/gains
- Green: Job Gains > 1,000

: CRS estimates based on BRAC Commission 2005 Report.

In particular, the metropolitan areas that are projected to experience the greatest decrease in employment, shown in **Figure 1**, include the following: Virginia Beach-Norfolk-Newport News, VA; Atlanta-Sandy Springs-Marietta, GA; Portland-South Portland-Biddeford ME; Corpus Christi, TX; St. Louis, MO-IL; Clovis, NM; Wichita Falls, TX; Oxnard-Thousand Oaks-Ventura, CA; and Charleston-North Charleston, SC. The following MSAs, which are projected to experience an increase in employment, with more than 4,000 new jobs, include Jacksonville, FL; El Paso, TX; Columbus, GA-AL; Baltimore-Towson, MD; Richmond, VA; Colorado Springs, CO; Lawton, OK; San Antonio, TX; Bakersfield, CA; Manhattan, KS.

A complete list of changes at the Metropolitan and Micropolitan¹³ level is available in Appendix O of the BRAC Commission Report.

Employment Changes at the State Level

Net Employment Losses and Gains

At a state level, a geographic analysis shows that absolute job losses will be greatest in states such as Virginia, the District of Columbia, Missouri, New Jersey, Maine and Illinois (ranked by greatest number of total direct and indirect job losses). **Table 2** presents the direct and indirect employment gains and losses, ranked by state job losses, and based on data compiled by the BRAC Commission. The table shows that Virginia will reassign an estimated 40,000 jobs, which represents 3% of the total employment in the affected metropolitan areas in the state. Virginia is followed by the District of Columbia, which will see a reduction of nearly 14,000 jobs, which represents a 0.5% decrease of jobs in the city. Alternatively, states such as Texas, Maryland and Florida are expected to gain 14,000, 16,000 and 28,000 jobs, respectively.

Table 2. Rank of States by Total Direct and Indirect Job Losses and Gains Resulting from BRAC

State and Rank by Total Employment Losses		Direct Job Gains or Losses			Sub-total		Total Gains and Losses	Percent of MSA Employment Lost and Rank	
		Military	Civilian	Contractor	Direct	Indirect			
	United States	8,687	-15,874	-833	-8,023	-13,613	-21,322		
1	Virginia	-5,570	-10,838	-2,362	-18,770	-20,940	-39,509	-3.00%	6
2	D.C.	-3,314	-3,145	-948	-7,407	-5,873	-13,272	-0.50%	17
3	Missouri	-1,187	-2,492	-296	-3,978	-3,129	-7,107	-0.20%	25
4	New Jersey	104	-3,783	0	-3,679	-3,216	-6,895	-0.40%	21
5	Maine	-2,880	-94	0	-2,974	-3,587	-6,561	-0.80%	14
6	Illinois	-2,074	-832	76	-2,830	-3,092	-5,922	-2.30%	7
7	New Mexico	-2,414	-217	1	-2,630	-1,836	-4,466	-2.04%	8
8	Alaska	-2,145	-301	-41	-2,487	-1,900	-4,387	-6.10%	2

¹³ A Micropolitan area has less than 10,000 inhabitants; a complete definition is available at <http://www.census.gov/population/www/estimates/aboutmetro.html>.

State and Rank by Total Employment Losses		Direct Job Gains or Losses			Sub-total		Total Gains and Losses	Percent of MSA Employment Lost and Rank	
		Military	Civilian	Contractor	Direct	Indirect			
9	Pennsylvania	-1,530	-990	-14	-2,534	-1,757	-4,291	0.00%	29
10	Kentucky	-5,290	1,667	326	-3,297	-394	-3,691	-4.90%	3
11	California	-812	-1,387	0	-2,199	-1,353	-3,552	0.20%	37
12	Mississippi	-1,256	-429	-58	-1,743	-1,493	-3,236	-4.20%	4
13	North Dakota	-1,434	-70	0	-1,504	-1,299	-2,803	-4.20%	5
14	Louisiana	-689	-549	-107	-1,345	-947	-2,292	-0.20%	26
15	Hawaii	-313	-357	0	-670	-788	-1,458	-0.70%	16
16	Idaho	-669	-98	0	-767	-557	-1,324	-8.00%	1
17	Oregon	-46	-625	0	-671	-645	-1,316	-1.40%	10
18	Massachusetts	-94	-672	0	-766	-501	-1,267	-0.50%	18
19	Wisconsin	-444	-278	22	-700	-451	-1,151	-1.60%	9
20	Arizona	-203	-387	1	-589	-433	-1,022	-0.50%	19
21	Washington	-462	-74	-7	-543	-450	-993	0.80%	46
22	Utah	262	-930	212	-456	-346	-802	-0.30%	23
23	North Carolina	-955	951	-141	-145	-647	-792	0.20%	38
24	Nebraska	-145	-232	-19	-396	-282	-678	-0.40%	22
25	Connecticut	-131	-235	0	-366	-311	-677	-0.20%	27
26	Minnesota	-138	-124	0	-262	-157	-419	0.00%	30
27	Puerto Rico	-113	-48	0	-161	-124	-285	0.00%	31
28	Guam	-64	-31	0	-95	-79	-174	-0.30%	24
29	West Virginia	-105	0	0	-105	-52	-157	-0.50%	20
30	N. Hampshire	-39	-5	0	-44	-29	-73	0.00%	32
31	South Carolina	1,487	-728	-425	334	-403	-69	2.10%	49
32	Wyoming	-42	0	0	-42	-20	-62	-1.00%	11
33	Vermont	1	51	0	52	38	90	0.10%	33
34	South Dakota	28	27	32	87	63	150	0.10%	34
35	Montana	-23	114	0	91	70	161	0.30%	40
36	Iowa	-193	247	0	54	207	261	0.40%	41
37	Delaware	105	126	0	231	241	472	0.60%	44
38	Michigan	-117	730	-76	537	423	960	-0.20%	28
39	New York	71	514	-6	579	445	1,024	0.70%	45
40	Tennessee	207	314	3	524	516	1,040	0.20%	39
41	Indiana	-38	813	-314	461	639	1,100	-0.97%	13
42	Rhode Island	675	229	-89	815	952	1,767	0.10%	35
43	Alabama	-1,370	1,405	1,050	1,085	893	1,978	0.40%	42

State and Rank by Total Employment Losses		Direct Job Gains or Losses			Sub-total		Total Gains and Losses	Percent of MSA Employment Lost and Rank	
		Military	Civilian	Contractor	Direct	Indirect			
44	Nevada	1,029	75	248	1,352	1,004	2,356	0.50%	43
45	Ohio	291	1,347	-39	1,599	1,485	3,084	-0.80%	15
46	Arkansas	2,478	173	0	2,651	1,906	4,557	1.00%	47
47	Georgia	5,890	-2,254	695	4,331	886	5,217	1.22%	48
48	Oklahoma	3,436	-45	-3	3,388	2,010	5,398	8.10%	53
49	Kansas	3,305	306	-159	3,452	2,535	5,987	5.10%	51
50	Colorado	4,168	-687	-64	3,417	2,717	6,134	2.10%	50
51	Texas	9,718	-919	-644	8,155	5,588	13,848	-1.00%	12
52	Maryland	-1,180	7,773	2,307	8,900	6,937	15,837	0.10%	36
53	Florida	12,911	1,120	6	14,037	13,923	27,960	5.70%	52

Source: CRS estimates based on BRAC Commission 2005 Report.

Note: For the purposes of this table, the District of Columbia, Puerto Rico and Guam are included.

Inter- and Intra-State Employment Changes

Although Virginia and the District of Columbia will experience losses, nearby states such as Maryland will benefit from considerable increases in employment. For example, Fort Meade in Maryland will receive an influx of 10,000 direct and indirect jobs as a result of the BRAC process. While Walter Reed Medical Center in the District of Columbia will close many of its facilities and experience a direct and indirect loss of 9,500 jobs, the National Naval Medical Center Bethesda will have a total direct and indirect gain of 4,900 jobs, which would result in a net loss of 4,600 jobs in the Washington Metropolitan region.

In addition to interstate job changes, there will be considerable intra-state gains. In the case of Virginia, for example, Fort Belvoir will gain 21,000 jobs and Fort Lee will gain an estimated 12,000 jobs. This direct and indirect net increase in jobs will help to offset the closure of Fort Monroe, located in Virginia. However, Virginia will still lose almost 40,000 jobs as shown in **Table 1**.

Employment Changes as a Share of Total Employment

The last column of **Table 2** also presents a ranking of states by the share of jobs lost in metropolitan statistical areas. Total job losses as a share of total employment will be primarily focused in rural areas. Some communities in Idaho will lose an estimated 8% of jobs. In particular, the Mountain Home, Micropolitan Statistical Area in Idaho will be one of the most affected regions in the nation, with a loss of nearly 1,200 jobs out of the total 14,000 jobs in the area.

Another state that would have experienced considerable job losses as a share of total employment—had it not been removed from the list of bases to be closed—was Alaska. The Fairbanks MSA, and Yukon-Anchorage MSA, were expected to see employment losses of more than 6%. In these areas, however, the BRAC Commission and the Department of Defense decided

Federal Economic Development Assistance to State and Local Governments

The federal government provides aid to local communities affected by military base closures and realignments. Federal economic assistance covers a wide range of activities and agencies, including, but not limited to

- planning and economic adjustment assistance provided by the Office of Economic Adjustment of Department of Defense (DOD);
- the Economic Development Administration (Department of Commerce);
- the Rural Development Administration (Department of Agriculture);
- environmental cleanup at military bases (DOD, EPA and other agencies);
- disposal of surplus federal properties (DOD);
- the Federal Airport Improvement Program (DOD and Department of Transportation);
- Community Development Block Grants (Department of Housing and Urban Development); and
- Community Service Grants (Department of Health and Human Services).

Although only some federal economic assistance programs provide a preference for BRAC activities, communities affected by BRAC changes can access other economic development funds available through their state and local governments.

The Office of Management and Budget (OMB) estimates that total federal aid to states and local communities was \$444 billion in FY2008, and will be \$467 billion in FY2009.¹⁴ Federal funds can be used by states and local communities to offset certain economic losses, including the closure of military bases. According to OMB, state and local governments have a constitutional responsibility to promote economic development, and the federal government has played an important role in providing economic development assistance:

The Federal Government provides grants, loans, and tax subsidies to State and local governments. Federal grants help State and local governments finance programs covering most areas of domestic public spending, including income support, infrastructure, education, and social services.¹⁵

Funds specifically targeted for community and regional development are estimated to be \$17.1 billion in 2009.¹⁶ Several of these economic assistance and development programs, such as those funded by DOD through the Office of Economic Adjustment, the Economic Development

¹⁴ Office of Management and Budget, *Budget of the United States Government Fiscal Year 2009*, February 2008, p. 107. About half of the \$476 billion in federal funds to state and local governments is used to cover Medicaid payments under the Department of Health and Human Services. Report available at <http://www.whitehouse.gov/omb/budget/fy2009/pdf/apers/crosscutting.pdf>.

¹⁵ Ibid.

¹⁶ Ibid.

Administration (EDA) in the Department of Commerce and Community Development Block Grants (CDBG) in the Department of Housing and Urban Development, give priority to BRAC related projects because legislation specifically authorizes funding for BRAC activities. These entities and programs are discussed in more detail below.

Office of Economic Adjustment

Overview

The Office of Economic Adjustment (OEA) is the primary source of federal assistance in the Department of Defense to assist communities affected by employment losses and gains as a result of BRAC.¹⁷ The OEA also serves as a coordinating agency to channel economic assistance for communities affected by BRAC. Since 1988, the OEA has provided a total of \$280 million in funding for previous BRAC rounds, primarily to help communities prepare strategies for local development efforts.

Type of Assistance

The Office of Economic Adjustment has provided assistance for communities, regions and states to develop and implement plans to alleviate serious economic impacts that result from defense program changes, including

- base closings, expansions, and openings;
- contract changes affecting firms; and
- personnel reductions or increases at military facilities.

The OEA has also maintained close working relationships with other federal agencies that have programs that can be utilized to assist communities adversely affected by defense cutbacks or realignments. By design, the OEA plays a facilitating role in the economic adjustment process. The affected community, however, must exercise the principal role in initiating and carrying out the adjustment and conversion plan.

Funding

Currently, the OEA operates with a staff of 45 civilian and 3 military personnel. Funding for the office has been provided in the Defense Appropriations bill under the general operations and maintenance account. In previous budget estimates, the OEA has indicated that most communities affected by a BRAC round receive assistance averaging \$400,000 to \$500,000 a year for three to five years depending on individual circumstances. In addition, there have been a number of congressional adjustments for specific sites over the years, in amounts as high as \$10,000,000 in a single year.¹⁸ **Table 3** lists the amounts appropriated for FY2001-FY2008.

¹⁷ For more information, see <http://www.oea.gov>.

¹⁸ For example, in the latest defense appropriations act, Congress authorized additional construction funds for facilities affected by BRAC.

Table 3. Appropriations for Office of Economic Assistance FY2001-FY2008

(in millions of \$)

	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008
Appropriated	56.8	46.6	49.6	60.2	88.8	161.6	141.4	168.7

Source: Successive OEA budget estimates FY2001-FY2008, available at http://www.defenselink.mil/comptroller/defbudget/fy2009/fy2009_o1.pdf under Operation and Maintenance Programs.

Economic Development Administration

Overview

The Public Works and Economic Development Act (PWEDA) of 1965 P.L. 89-136 (42 U.S.C. § 3121, 79 Stat 552), extended through 2004, authorizes economic adjustment grants to help eligible communities respond to sudden changes in economic conditions, including those resulting from natural disasters, changing trade patterns and military base closures.

Type of Assistance

The Economic Development Administration (EDA), has provided grants in excess of \$640 million since the first BRAC round in 1988, and administered \$274 million of DOD funds and \$8 million from the Department of Energy, for defense adjustment projects involving closed military bases. EDA grants are competitive and are made on a cost-share basis with local governments, redevelopment agencies, and private or non-profit organizations. The grants include monies for planning and technical assistance, infrastructure improvement, and revolving loan funds for private business development.

Funding

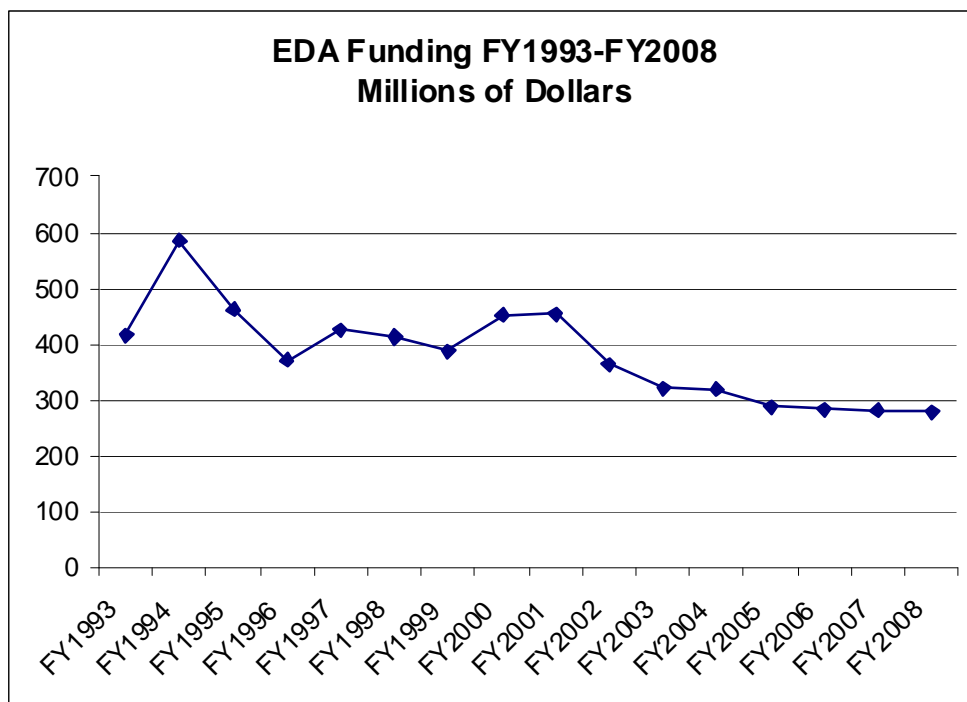
PWEDA's 2004 legislation (P.L. 108-373) authorizes the following amounts for economic development assistance programs: \$400 million in FY2004; \$425 million in FY2005; \$450 million in FY2006; \$475 million in FY2007; and \$500 million in FY2008. The statute also authorizes \$33.4 million in FY2004 and such sums as are necessary thereafter for salaries and expenses. A minimum funding level of \$27 million was established in the 2004 amendment for the planning program.

Appropriations for EDA have declined as shown in **Figure 3**, with total funding falling below \$300 million in recent years. For FY2009, the Administration budget request included \$40 million for economic adjustment assistance, \$2.3 million less than appropriated in FY2008, and a total of \$132.8 million for EDA assistance, which is significantly less than the FY2008 enacted amount of \$279.9 million. On June 23, 2008, the Senate Appropriations Committee recommended \$232.8 million in funding for EDA activities (\$200 million) and salaries and expenses (\$32.8 million).¹⁹ This is \$100 million more than requested by the Administration, but \$47 million less than appropriated in FY2008. In June 2008, the House Appropriations Committee also took

¹⁹ CRS Report RL34540, *Commerce, Justice, Science and Related Agencies: FY2009 Appropriations*, coordinated by William J. Krouse, Oscar R. Gonzales, and Jennifer D. Williams.

action on the appropriations measure. The Committee approved draft bill recommends an appropriation of \$282.8 million for EDA.²⁰

Figure 3. EDA Funding FY1993-FY2008



Source: EDA annual appropriations, OMB Budget of the United States for FY2009.

Community Development Block Grants

Overview

The Community Development Block Grant (CDBG) program was first authorized under Title I of the Housing and Community Development Act of 1974, P.L. 93-393, as amended (42 USC 5301). It is one of the largest and longest-standing federal block grants in existence. Billions of dollars in federal assistance to state and local governments have been allocated through CDBG.²¹

Type of Assistance

The program allows states and eligible local government grantees to fund 25 eligible activities related to housing, community development, neighborhood revitalization, economic development,

²⁰ Ibid.

²¹ CRS Report RL34504, *The Department of Housing and Urban Development: FY2009 Appropriations*, by Maggie McCarty et al.

and the provision of public services. One of the eligible activities is related to “the proposed or actual establishment, realignment, or closure of a military installation.”²²

Funding

Excluding mandatory grants to state and local governments, the CDBG program’s \$3.6 billion regular appropriation for FY2008 makes it one of the largest sources of grant assistance to state and local governments. In addition to its regular appropriations, Congress has used the program to provide federal supplemental assistance to state and communities in their disaster recovery efforts. This has included \$3.483 billion in supplemental funding for September 11, 2001 recovery efforts in New York City, and \$19.7 billion in supplemental assistance to the five states (Alabama, Florida, Louisiana, Mississippi, and Texas) affected by the Gulf Coast hurricanes of 2005.²³

Other Assistance

Department of Defense

In addition to activities funded by the Office of Economic Assistance, the Department of Defense has responsibility for environmental reviews, land transfers and improvements in military facilities. For example, Economic Development Conveyances (EDC)²⁴ are a vehicle for the transfer of legal title to federal real and personal property located at a military installation that is to be closed under the provisions of the Defense Base Closure and Realignment Act of 1990 (DBCRA, or the BRAC law).²⁵ The transfer of property at no-cost has resulted in revenues that are not as high as originally anticipated by DoD, according to several reports by the Government Accountability Office (GAO).²⁶ In 1994, GAO reviewed land disposal plans at 37 of the 120 bases closed in the 1988 and 1991 BRAC rounds.²⁷ GAO reported less than \$100 million in sales and pending sales. Although DoD has not obtained fair market value for properties in the past, GAO has reported that the majority of DoD savings are the result of not operating the bases.

As an economic development strategy, conveying the property at a lower cost than fair market value may aid DoD in expediting the transfer of this property and may contribute to cost savings. According to GAO, “DoD generated substantial net estimated savings (estimated total savings minus costs) of about \$29 billion through fiscal year 2003 from the previous four BRAC rounds,

²² See 42 USC 5305 and 42 USC 5307 (b) (6).

²³ See CRS Report RL33330, *Community Development Block Grant Funds in Disaster Relief and Recovery*, by Eugene Boyd.

²⁴ 10 U.S.C. § 2687 note § 2905(b)(4).

²⁵ 10 U.S.C. § 2687 note, as amended. BRAC is the acronym for Base Realignment and Closure, the popular name given to the process by which military installations are closed or realigned. The name comes from the Commission on Base Realignment and Closure, a panel chartered by the Secretary of Defense in the late 1980s to recommend military installations for significant downsizing or shuttering whose recommendation were subsequently authorized by Congress for implementation (Defense Authorization Amendments and Base Closure and Realignment Act of 1988, P.L. 100-526, Sec. 201 *et seq.*). The four BRAC rounds initiated since 1991 have been carried out under the Defense Base Closure and Realignment Act of 1990.

²⁶ For a compilation of all GAO studies related to BRAC, see <http://www.gao.gov/docsearch/featured/brac.html>.

²⁷ GAO, *Reuse Plans for Selected Bases Closed in 1988 and 1991*, GAO/NSIAD-95-3, Washington, November 1994. p.5. Available at <http://www.gao.gov/archive/1995/ns95003.pdf>.

and it expects to save about \$7 billion annually thereafter. GAO estimates that these savings actually reflect cost avoidances, or funds that DOD would likely have needed to operate BRAC bases had they remained open.”²⁸

Other DOD programs include

- DOD responsibility and funding for environmental review and cleanup at closing military facilities, which may support local jobs after a base is designated for closure but before federal land is actually transferred.
- The transfer of military airports to civilian use under the Federal Airport Improvement Program of the Federal Aviation Administration (FAA).

Other Agencies

There are a number of other federal agencies and activities that may help communities adversely affected by base closures and realignments. For example, the federal government has established programs to promote economic development in rural communities with populations of less than 50,000, administered by the Rural Development Administration of the Department of Agriculture. Such assistance includes community facilities loans, rural business enterprise grants, business and industrial guaranteed loans, and intermediary relending programs.

The **Appendix** includes a list of these programs, including information on FY2008 funding, eligible entities and method for distribution of funds. Federal assistance and economic development programs are available within the Department of Housing and Urban Development (HUD), the Department of Commerce, Department of Agriculture and Department of Health and Human Services.

Federal Assistance for Individual Workers Displaced by BRAC activities

DOD Worker Assistance Programs

DOD has the authority to provide numerous incentives and transition benefits to departing *military* personnel. These include early retirement incentives, temporary continuation of medical care benefits, pre-separation counseling for separating service members, employment counseling and placement assistance, relocation assistance, and special education benefits. In addition, the Pentagon is also authorized to provide special benefits and incentives to *civilian* personnel displaced by a defense drawdown. These include

- advance notification of a reduction in force;
- pre-separation counseling;
- a hiring preference system with federal agencies to re-employ qualified displaced DOD employees;

²⁸ See <http://www.gao.gov/new.items/d05614.pdf>, page 2.

- financial incentives to encourage early retirement of eligible employees; and
- continued health insurance coverage for up to 18 months following involuntary separation.²⁹

Department of Labor Job Training Program for Dislocated Workers

Overview

The Workforce Investment Act of 1998³⁰ (WIA) provides assistance specifically for dislocated workers. Dislocated workers are generally characterized as workers with an established work history who have lost their jobs as a result of structural changes in the economy—including employment loss as a result of military base closures—and who are not likely to find new jobs in their former industries or occupations.

Formula Grants

Of the funds appropriated for the dislocated worker program for FY2008, approximately 88% are for formula grants to states and 12% are for a national reserve, which primarily funds National Emergency Grants (NEGs), discussed below.³¹ The governor can reserve not more than 15% of the state's formula grant for state level activities, and not more than 25% for "rapid response" activities. At least 60% must be allocated to local workforce investment boards (WIBs) by a formula prescribed by the governor. Rapid response activities are provided by specialists in the state's dislocated worker unit³² in the state's workforce agency as soon as possible after learning of a projected permanent closure or mass layoff. Activities include establishing onsite contact with employers and employee representatives, providing information and access to available employment and training activities, and providing assistance to the local community in developing a coordinated response and in obtaining access to state economic development assistance.

In addition to rapid response activities, there are three levels of services available to dislocated workers: core, intensive, and training. To be eligible to receive intensive services, such as comprehensive assessments and development of individual employment plans, an individual must first receive at least one core service, such as job search assistance, and have been unable to either obtain employment or retain employment that allows for self-sufficiency. To be eligible to receive training services, such as occupational skills training and on-the-job training, an individual must have received at least one intensive service, and must have been unable to obtain or retain employment.

²⁹ For more information, see DOD's webpage on assistance for civilian employees at <http://www.cpmis.osd.mil/bractransition>.

³⁰ P.L. 105-220, 29 U.S.C. 2811 *et seq.*

³¹ The statute at 29 U.S.C. 2862 [or WIA Section 132] species that of the funds appropriated for the dislocated worker program, 80% are for formula grants to states and 20% are for a national reserve; the statutory language, however, is overridden by the appropriations bills which specify the amounts allotted to the formula grants and to the national reserve.

³² For a list of state rapid response unit coordinators, see http://www.doleta.gov/layoff/rapid_coord.cfm.

National Emergency Grants (NEGs)

NEGs, which are funded through the dislocated worker appropriation allotted to the national reserve, provide supplemental dislocated worker funds to state workforce agencies and local WIBs in order to meet the needs of dislocated workers and communities affected by significant dislocation events that cannot be met with the formula allotments. In its May 24, 2005 Training and Guidance Letter,³³ DOL announced the availability of NEG funds to initiate planning for workers expected to be effected by base closings or realignments, and to supplement WIA formula funds for implementing a plan to provide employment-related services for workers. As of February 27, 2008, DOL has awarded nearly \$55 million in planning and implementation grants to 38 states, the District of Columbia, and Guam.³⁴

Other Assistance

In addition to these federal programs designed to provide transition assistance to displaced workers, a variety of other programs might also provide assistance to those affected by base closure. These include the following:

- Post-secondary education and training assistance for students under Title IV of the Higher Education Act³⁵; and vocational education programs under the Carl D. Perkins Vocational and Technical Education Act,³⁶
- Benefits related to past employment: Unemployment Compensation³⁷ and temporary health insurance continuation, and
- Benefits related to financial need: Temporary Assistance to Needy Families,³⁸ Food Stamps, subsidized school meals,³⁹ Medicaid⁴⁰ and housing assistance furnished by the Department of Housing and Urban Development.⁴¹
- Federal, state and local economic assistance programs identified by the Office of Economic Adjustment (<http://www.oea.gov>), available in the “Catalog of Federal Assistance for Impacted Communities.”

³³ For more information, see http://wdr.doleta.gov/directives/attach/TEGL16-03_Ch2.pdf.

³⁴ Source: Information provided by DOL on NEG funding from FY2003 through FY2007 and from http://www.doleta.gov/neg/BRAC_awards.cfm updated February 27, 2008. In addition to these grants, DOL also announced on March 26, 2008, a \$5 million dislocated worker demonstration grant to assist Georgia in addressing the civilian impacts of base realignment and closure transition, see http://www.doleta.gov/whatsnew/new_releases/2008-03-26.cfm.

³⁵ See CRS Report RL34654, *The Higher Education Opportunity Act: Reauthorization of the Higher Education Act*, by David P. Smole et al.

³⁶ See CRS Report RL31747, *The Carl D. Perkins Vocational and Technical Education Act of 1998: Background and Implementation*, by Rebecca R. Skinner.

³⁷ See CRS Report RS22440, *Unemployment Compensation (Insurance) and Military Service*, by Julie M. Whittaker.

³⁸ See CRS Report RL32748, *The Temporary Assistance for Needy Families (TANF) Block Grant: A Primer on TANF Financing and Federal Requirements*, by Gene Falk.

³⁹ See <http://www.fns.usda.gov/fns> for information on food stamps and subsidized meals.

⁴⁰ See CRS Report RL33202, *Medicaid: A Primer*, by Elicia J. Herz.

⁴¹ See CRS Report RL34591, *Overview of Federal Housing Assistance Programs and Policy*, by Maggie McCarty et al.

Issues for Congress

Important policy issues before Congress related to employment changes and economic development as a result of BRAC-related activities include (1) the impact of military base closures and expansions on local employment; (2) the flat level of funding for federal assistance programs while anticipating an 80% increase from \$17 billion to \$32 billion in BRAC construction costs; (3) housing for military staff displaced by BRAC, amidst the mortgage crisis; (4) funding for communities experiencing growth through the defense access road program; (5) delays in environmental cleanup that may cause difficulties in the economic redevelopment of military facilities; and (6) redevelopment of military bases as refineries to promote economic growth. These issues are discussed in more detail below.⁴²

Impacts on Communities

One of the most important issues for Congress is the impact of base closures and expansions on local communities. Recent experience with the base closure and reuse process has shown that the major problems facing communities include the effectiveness of Local Redevelopment Authorities (LRAs)⁴³ in obtaining funding, developing plans and organizing public-private partnerships; reconciling of competing demands for the assets; sometimes unrealistic federal appraisals of base assets; local funding constraints; the lack of short term interim leases from the federal government; facilities that are not in compliance with local codes; land use constraints; conservation issues; and excessive levels of environmental contamination.

The economic vulnerability of these communities and states to such job losses will depend upon the rate at which jobs are eliminated at closed or realigned facilities, the success of displaced workers in finding new jobs in the area, and the success of each state and community in generating new job opportunities at closed military facilities, and elsewhere within the community or state economy.

The issue of timing in base conversion, realignment and closure is also important for communities. All parties are generally interested in moving the base conversion process along as fast as possible. While the public interest generally may be served by moving as quickly as practicable, some of the necessary steps, such as the environmental impact assessment and any necessary cleanup, often require more time. Delay can also be caused by difficulties in getting local governments to work cooperatively within redevelopment programs.

⁴² Two bills were the primary vehicles for providing funds for BRAC-related activities in the 110th Congress. Title I of the Military Construction and Veterans Affairs Appropriations Act of 2009 (H.R. 6599) and Title I of the parallel Duncan Hunter National Defense Authorization Act (H.R. 5658) allocate funding for projects associated with BRAC. Under the Department of Defense, appropriations and authorizations bills mirror each other. Each Title and sub-section in one bill is required to mirror the other. For example, Title I in H.R. 6599 (Appropriations) is the same as Title I in H.R. 5658 (Authorization). The same holds for the Senate versions of the bills (S. 3301 and S. 3001). Funds may be used for a range of purposes related to the BRAC process, including construction of roads and military facilities, and housing assistance for military personnel forced to transfer as a result of BRAC and unable to sell their homes. H.R. 6599 passed in the House on August 1, 2008. H.R. 5658 was passed by the House on May 22, 2008.

⁴³ The role and effectiveness of the Local Redevelopment Authority (LRA) is critical to the success of communities. The LRA identifies local reuse needs and conceives a redevelopment plan for the Department of Defense to consider in the disposal of base property. LRAs should have broad-based membership, including, but not limited to, those jurisdictions with zoning authority over the property.

An earlier analysis conducted by CRS of the previous four BRAC rounds—based on statistics compiled by the Department of Defense—found that military base closures had limited impact on levels of unemployment in local communities.⁴⁴ The effects at the state level were also relatively small. Of the states that experienced military and civilian job losses directly and indirectly resulting from BRAC actions for the previous four BRAC rounds, all experienced estimated losses amounting to 0.4% or less of total jobs in each state. For the 2005 BRAC round, states are estimated to experience job losses of less than 0.3%; many communities will experience considerable increases in employment.⁴⁵

Increase in BRAC Construction Costs

In 2005, DOD originally estimated that construction costs related to BRAC would total \$17.9 billion from 2006 to 2011. However, the FY2009 request had increased from the original 2005 estimate by nearly 80% to \$32.0 billion. The considerable increase in construction costs has made the 2005 BRAC round one of the most expensive of the five BRAC rounds implemented.⁴⁶

Although BRAC appropriations requests for the 2005 round had been fully funded by Congress, the Senate's recommendation for FY2009 would reduce appropriations by 1% of the President's request.⁴⁷

A policy issue for Congress is consideration of the adequacy of funding for federal assistance programs amidst an increase in costs for internal BRAC-related construction inside and around military facilities. While cost estimates for BRAC construction have increased from \$17 billion in 2005 to \$32 billion in 2009, funding for federal assistance programs to communities has remained flat. An important question for Congress is how or whether to aid communities that will experience an influx of hundreds of thousands of staff by the statutory deadline of September 2011. Although the expected increase in construction may lead to economic growth in selected communities, state and local governments may have to fund projects related to economic development. What is the role of the federal, state and local governments in supporting communities affected by employment increases or losses and what is the appropriate level of funding required to adjust to growth in employment, housing, traffic demand, and military construction?

⁴⁴ See CRS Report 96-562, *Military Base Closures Since 1988: Status and Employment Changes at the Community and State Level*, by George H. Siehl and Edward Knight.

⁴⁵ BRAC Commission, *2005 Defense Base Closure and Realignment Commission Report to the President*, Washington, DC, September 8, 2005. See Appendix O.

⁴⁶ Some analysts have questioned the issue of BRAC-related cost-savings. A report by GAO concluded that cost savings were not on the level expected by the BRAC Commission in its plan. According to GAO: "Since the BRAC Commission issued its cost and savings estimates in 2005, DOD will spend more, save less, and take longer than expected to recoup up-front costs to implement two recommendations intended to improve DOD's logistics systems. Over the 2006—2011 BRAC time frame to implement these recommendations, GAO's analysis of DLA's data indicates that estimated net savings will be reduced by more than \$1.8 billion compared to the BRAC Commission's estimate, with a net cost of about \$222 million to DOD. [...] GAO's analysis further shows that the projected net annual recurring savings after 2011 have been reduced from nearly \$360 million to almost \$167 million, and that the savings over 20 years are expected to be \$1.4 billion rather than \$4.8 billion as estimated by the Commission." See GAO Report GAO-08-159, *Military Base Realignments and Closures: Cost Estimates Have Increased and Are Likely to Continue to Evolve*, December 11, 2007. Also see GAO Report GAO-08-315, *Military Base Realignments and Closures: Higher Costs and Lower Savings Projected for Implementing Two Key Supply-Related BRAC Recommendations*, March 5, 2008. For both reports, see <http://www.gao.gov/docsearch/featured/brac.html>.

⁴⁷ See CRS Report RL34558, *Military Construction, Veterans Affairs, and Related Agencies: FY2009 Appropriations*, by Daniel H. Else, Christine Scott, and Sidath Viranga Panangala.

BRAC Homeowners' Assistance Program

The DOD *Homeowners' Assistance Program* (HAP) supports military housing privatization and the program predates the 1988 BRAC process. The *Homeowners Assistance Fund* is a sub-component of this program, and may provide economic assistance to military personnel affected by a relocation as a result of BRAC activities.⁴⁸ In particular, funding is available for staff unable to sell their homes due to declining home values as a result of a military base closure. Because of the turmoil in the housing markets, an increase in requests for this type of assistance may be expected. In addition, the downturn in the national economy, tightening of credit markets, and uncertainty in the financial sector may have an important economic development impact over housing prices and stock. State and local governments may seek federal DOD resources to offset decreases in revenue as a result of the economic downturn.

In the 111th Congress, the American Recovery and Reinvestment Act (ARRA, P.L. 111-5) provided \$555 million for the Homeowner's Assistance Fund as part of the Homeowner's Assistance Program, for the acquisition of property at or near military installations that have been ordered to be closed. P.L. 111-117 provided an additional \$323 million for the HAP program.

To be eligible for funding, the applicant must have been the owner-occupant of the property on May 13, 2005, or prior to July 1, 2006, and must sell home prior to 30 September 2012; the property must be a primary residence. A determination must be made that real estate values have dropped as a direct result of the base closing or realignment announcement. Applicants must be relocating beyond commuting distance from the area. Homeowner's assistance can also be provided for wounded soldiers in the Armed Forces, Department of Defense and Coast Guard civilian employees and spouses. In addition, temporary homeowner assistance is provided for members of the armed forces permanently reassigned during the current mortgage crisis. Also eligible are personnel transferred or terminated within six months prior to the announcement who were owner-occupants at the time of transfer. Additional information on the Homeowner's Assistance Program is available from the Office of Economic Adjustment and the Department of Defense.⁴⁹

Recovery Zone Economic Development Bonds

In addition to funding for the Housing Improvement Program, ARRA includes funding for areas that are economically distressed due to the Base Realignment and Closure (BRAC) process.⁵⁰ Recovery Zones are defined as areas with significant poverty, unemployment, home foreclosures or general distress. Recovery Zones may include Empowerment Zones, Renewal Communities and areas affected by military base closures. Bonds are to be used for "(1) capital expenditures paid or incurred with respect to property located in such zone [recovery zone], (2) expenditures for public infrastructure and construction of public facilities, and (3) expenditures for job training

⁴⁸ According to DOD, "The Homeowners Assistance Program (HAP) is authorized in Section 1013 of the Demonstration Cities and Metropolitan Development Act of 1966, as amended. The law provides some monetary relief to eligible service member (including Coast Guard) and federal employee (including non-appropriated fund) homeowners who suffer financial loss on the sale of their primary residences when a base closure or realignment announcement causes a decline in the residential real estate market and they are not able to sell their homes under reasonable terms or conditions." See <http://hap.usace.army.mil/Overview.html>.

⁴⁹ See <http://hap.usace.army.mil/> and Frequently Asked Questions at <http://hap.usace.army.mil/FAQs.html>.

⁵⁰ 26 U.S.C. 1400U-1(b).

and educational programs.”⁵¹ A total of \$10 billion has been allocated for the program, to be allocated among the states according to the decline in employment during 2008. A minimum allocation of at least 0.9 percent of the \$10 billion is designated for each state. For additional information, see CRS Report R40523, *Tax Credit Bonds: Overview and Analysis*, by Steven Maguire.

Defense Access Road Program

The Defense Access Road Program (DAR) allows DOD to pay for public highway improvements required as a result of sudden or unusual defense-generated traffic impacts such as BRAC-related activities. Although DOD does not fund highways outside military bases, access roads to military installations may be funded under this program and some communities have already benefitted. For example, \$36 million from DAR will fund the design and construction of installation entrances in Fort Belvoir, Virginia. Projects are eligible for funding if they are related to military activities such as BRAC actions, if a defense action will result in a doubling of traffic, or if a new road is needed to accommodate special military vehicles. Given the projected decline in state and local government coffers due to decreased economic activity at the national level, federal assistance for road construction could become an increasingly important component of economic development.

Environmental Cleanup

The amount of funds and time required to complete the environmental review and cleanup of closed military bases will depend on the type and extent of contamination present on those properties, and the actions that will be necessary to make the land safe for civilian reuse. Cleanup can take many years, as the continuing cleanup of certain bases closed between 1988 and 1995 demonstrates. As in prior rounds, availability of funding and capabilities of cleanup technologies could limit the degree of cleanup on bases closed in the 2005 round, making certain land uses infeasible and posing challenges to economic redevelopment. In deliberations over the 2005 round, some Members of Congress and the BRAC Commission expressed concern that DOD’s estimates could be undervalued because they do not reflect all possible land uses and the corresponding degree of cleanup that may be necessary to redevelop these bases.

A policy issue for Congress is related to the timing of base closures, particularly in relation to environmental contamination and cleanup of military facilities. Environmental contamination of military bases poses special problems that affect the types and timing of reuse activities, and has consumed about one-fourth of the money appropriated for base closures since 1988. Congress continues to address this problem legislatively, but additional concerns and responses seem likely in the future.

BRAC Facility Redevelopment for Refineries

Subtitle C, Section 2722 of the Duncan Hunter National Defense Authorization Act for Fiscal Year 2009, H.R. 5658, requires that the Secretary of Defense will prepare and submit a report by October 1, 2009 evaluating the feasibility of using military installations selected for closure under

⁵¹ 26 U.S.C. 1400U-1(c).

BRAC as locations for the construction of petroleum or natural gas refineries or nuclear power plants. The conversion of military facilities into refineries may have important economic development impacts on local communities where these installations are located.

Concluding Observations

The Base Realignment and Closure process has affected communities nationwide since 1988. Congressional districts have been affected economically by defense spending cuts and the employment losses and gains from the four previous BRAC rounds. In general, the 2005 BRAC round is more focused on realignment instead of base closures. With an expected shift of nearly 200,000 military and civilian staff nationwide, there will be increasing demand for economic assistance to plan for BRAC-related growth in communities. Communities that gain jobs will have to plan for population and economic growth that may result in greater demand for housing, infrastructure, services and increases in traffic, with 173,000 military and civilian staff expected to arrive in the top 20 military facilities gaining employment.

In addition, the balance between Congress, DOD, and the executive branch in deciding what bases to close will continue to be an important issue. Members of Congress are interested in the impact of military base closures on their local districts, and the economic impact of employment declines and gains. BRAC, however, is a process more focused on national security requirements and less on economic development. Observers note that if federal economic assistance programs do not meet redevelopment needs, local communities may face the unanticipated responsibility of funding efforts to adjust to increases and declines in military facilities at the state and local levels.

With respect to employment changes at the regional level, the closure and realignment of facilities will result in the direct and indirect transfer of military, civilian and contractor jobs throughout the nation. Some communities will experience an increase in employment whereas others will see a decrease in military jobs; the impact will vary depending on the individual characteristics of the affected areas. A major factor that will affect economic impact is the total share of jobs lost or gained as a share of total employment at the metropolitan or micropolitan level. Rural communities that tend to be smaller and have a less diversified economic base, may experience a greater impact than large urban centers with a diverse economy. Communities that gain jobs will have to plan for population growth that may result in greater demand for housing, infrastructure, services and increases in traffic. Communities that lose jobs may have to focus on economic and community development programs such as CDBG and EDA that can help to offset the impact of decreases in employment.⁵²

⁵² See Peter L. Sternberg and Thomas D. Rowley, "A comparison of military base closures in metro and non-metro counties," *Government Finance Review*, October 1993.

Appendix. List of Federal Economic and Community Development Programs

Table A-1. List of Federal Economic and Community Development Programs

Program Name, Description FY2008 Funding	Eligible Entities	Formula or Distribution Method
Department of Housing and Urban Development		
Community Development Block Grants Formula-based block grants allocated to states and local governments in support of neighborhood revitalization, economic development, and housing activities. Communities may use block grants to support 23 categories of eligible activities. 70% of funds must be used on eligible activities and projects that principally benefit low- or moderate-income persons. Includes BRAC preference. FY2008 enacted: \$3.866 billion	50 states, Puerto Rico, metropolitan-based entitlement communities (metropolitan cities with populations of 50,000 or more and urban counties). In FY2005, there were 1,032 entitlement communities. \$7 million is set aside for insular areas including Guam, American Samoa, and the Virgin Islands.	Formula-based block grants. Funds are distributed to state and local governments based on the higher yield from one of two needs-based formulas. (1) 30% of funds are allocated to states for distribution to communities that do not receive a direct allocation. States receive funds based on one of two formulas: —Formula A allocates funds based on each state's share of population, poverty, and overcrowded housing; —Formula B allocates funds based on each state's share of poverty, housing built before 1939, and population. (2) 70% of funds are allocated to entitlement communities based on one of two formulas: —Formula A allocates funds based on each entitlement community's share of population, poverty, and housing built before 1939 (age of housing); —Formula B allocates funds based on each entitlement community's share of poverty, overcrowded housing, and the lag in population growth.
CDBG set-asides		Project grants.
Neighborhood Initiative FY2008 enacted: \$26 million	Congressionally selected community development corporations.	Congress allocates funds to a diverse group of recipients. Program was originally targeted to community development corporations involved in neighborhood revitalization.
Economic Dev. Initiative FY2008 enacted: \$180 million	No specific criteria establishing eligibility for funding.	Congress grants funds to a diverse groups of recipients including universities, community colleges, nonprofit entities, local governments. Funds are used to support a variety of activities including recreation, literacy, historic preservation, job training, feasibility studies, public services. No specific list of eligible activities.

Program Name, Description FY2008 Funding	Eligible Entities	Formula or Distribution Method
<p>National Community Development Initiative (Living Cities) Program supports local community development corporations involved in neighborhood revitalization.</p> <p>FY2008 enacted: \$35 million</p>	<p>Local Initiative Support Corporation and the Enterprise Foundation (national nonprofit intermediaries). The two nonprofit intermediaries support neighborhood revitalization efforts of local community development corporations. More than 300 community development corporations in 23 selected cities have been involved in the program.</p>	<p>Project grants. Federal funds are used in coordination with investments from foundations and corporations in support of redevelopment efforts in distressed urban neighborhoods. Working through two national intermediaries, the Local Initiative Support Corporation and the Enterprise Foundation, local community development corporations receive technical and financial assistance in support of their revitalization efforts. More than \$250 million in private sector funds from 14 participating corporate and foundation entities have been used in the program since its inception in 1991.</p>
<p>Brownfields Econ. Dev. Initiative (BEDI) Funds are used to reclaim contaminated sites for adaptive reuse.</p> <p>FY2008 enacted: \$10 million</p>	<p>State and local governments are direct recipients of funds. Subgrantees or beneficiaries may include businesses or nonprofits involved in job creation activities.</p>	<p>Project grants. BEDI funds must be used in coordination with CDBG Sec. 108 loan guarantees. These grants and the accompanying Sec. 108 loan guarantees must be consistent with a community's CDBG plan and must meet the same income targeting requirements as the CDBG program. In 2004, HUD selected 17 communities to receive \$24.6 million in BEDI grants and \$119 million in loan guarantees.</p>
<p>Rural Housing and Econ. Dev. Grants are awarded for two categories of activities: (1) capacity building; and (2) support for innovative housing and economic development activities. Grants are limited to \$150,000 under the first category, and \$400,000 under the second category.</p> <p>FY2008 enacted: \$17 million</p>	<p>Local rural nonprofits, community development corporations, state housing finance agencies, state community and economic agencies, and federally recognized Indian tribes.</p>	<p>Project grants. Applications are evaluated and rated based on five rating factors:</p> <ul style="list-style-type: none"> (1) capacity of the applicant and relevant organizational experience (25 points); (2) need and extent of the problem (25 points); (3) soundness of approach (25 points); (4) leveraging resources (10 points); and (5) achieving program results and evaluation (15 points). <p>Grants are awarded to applicants securing the highest scores.</p>

Program Name, Description FY2008 Funding	Eligible Entities	Formula or Distribution Method
<p>CDBG Sec. 108 Loan Guarantees Allow states and CDBG entitlement communities to borrow up to five times their annual CDBG allocations to finance eligible large-scale economic development projects. FY2008 enacted: \$5 million</p>	<p>CDBG entitlement communities and states on behalf of nonentitlement communities are direct recipients of funds. Subgrantees or beneficiaries may include nonprofits and for-profit entities involved in job creation activities.</p>	<p>Loan guarantees. Open application process. Applications are reviewed by HUD to determine compliance with national objectives of the CDBG program and feasibility of the project. Among the factors used to assess loan risk are the following: (1) the length of the proposed repayment period; (2) the ratio of expected annual debt service requirements to the expected annual grant amount awarded to the state or entitlement community; (3) the likelihood that the public entity or state will continue to receive CDBG assistance during the proposed repayment period; (4) the public entity's ability to furnish adequate financial security; and (5) the amount of program income the proposed activities are reasonably expected to contribute to repayment of the guaranteed loan.</p>
<p>Economic Development Administration (EDA) Agency administers several economic development programs, including public works grants for upgrading infrastructure, planning, and trade adjustment assistance. Eligible projects must: (1) improve the opportunities for business creation or expansion; (2) assist in the creation of additional permanent private-sector jobs; or (3) benefit low-income persons including those who are unemployed or underemployed. Includes BRAC preference. FY2008 enacted: \$280 million</p>	<p>Department of Commerce Economic Development Districts (EDD) are multi-county organizations established to promote economic development and job creation. EDA provides assistance to 327 EDDs. The areas designated as EDDs must meet one of three criteria: (1) low per capita income; (2) unemployment higher than the national average; (3) sudden economic dislocation or persistent and long-term economic distress. Funds may also be awarded to states, cities, and other political subdivisions and other organizations.</p>	<p>Competitive grants. Generally, EDA administers a number of competitive project grants. Grants may not exceed 50% of the cost of the project. Projects meeting certain specified criteria and for areas characterized as severely depressed may be eligible for additional funding not to exceed 30% of the cost of the project. Projects must be located in economically distressed areas including those experiencing high unemployment or low incomes. Priority is given to projects: (1) in areas with persistently high rates of poverty; (2) involving previously unserved distressed areas and applicants; (3) involving innovative partnerships and private investment leveraging; (4) that support sub-state regional networks and collaborations; and (5) in areas undergoing significant economic downturns and dislocations.</p>

Program Name, Description FY2008 Funding	Eligible Entities	Formula or Distribution Method
Department of Agriculture		
Rural Business Opportunity Grants Grants to public bodies, nonprofit organizations, Indian tribes, and cooperatives for training and assistance to rural businesses, economic planning for rural areas, and training for rural entrepreneurs. FY2008 enacted: \$15 million	A rural area is defined as a city, town, or unincorporated area that has a population of 50,000 or less and is not an urbanized area immediately adjacent to a city, town, or unincorporated area that has a population in excess of 50,000 persons.	Competitive grants. Grant selection criteria include the extent to which: (1) economic activity generated by the project is sustainable; (2) the project leverages funds from other sources; (3) the project will induce additional economic benefits; (4) the targeted community has experienced long-term population or job loss; (5) the proposed project will serve a community that may be experiencing economic trauma due to natural disaster, base closure, or exodus or downsizing by a major employer; (6) the project would be located in a community that may be characterized as chronically poor.
Department of Health and Human Services		
Community Services Block Grants Provide assistance to states and local communities, working through a network of community action agencies and other neighborhood-based organizations for the reduction of poverty, the revitalization of low-income communities, and the empowerment of low-income families and individuals in rural and urban areas. FY2008 enacted: \$665 million	50 states, Puerto Rico, Indian tribes, and the territories of Guam, American Samoa, the Virgin Islands, and the Northern Mariana Islands.	Formula block grants. HHS is required under the CSBG Act to reserve 1.5% of appropriated funds for training and technical assistance and other administrative activities, of which half of this set-aside must be provided to state or local entities. Also, half of 1% of funding is reserved for outlying territories (Guam, American Samoa, the Virgin Islands, and the Northern Mariana Islands). Block grants are allotted to states and Puerto Rico based on the relative amount received in each state, in FY1981, under a section of the former Economic Opportunity Act. HHS may allow Indian tribes to receive their allotments directly, rather than through the state. States are required to pass through at least 90% of their federal block grant allotments to "eligible entities." There are more than 1,000 eligible entities around the country, of which approximately 80% are private nonprofit organizations and about 20% are public agencies.
Community Economic Development The purpose of the Community Economic Development discretionary grant program is to promote and support projects that address	Nonprofit community development corporations including charitable, faith-based, Indian, and Alaskan Native organizations.	Competitive discretionary grants. Funds are awarded at the Secretary's discretion. This program is one of the related activities authorized by the CSBG Act. The program supports local community development corporations' National Youth Sports Program, and

Program Name, Description FY2008 Funding	Eligible Entities	Formula or Distribution Method
<p>economic self-sufficiency for low-income persons and distressed communities by awarding funds to community development corporations (CDCs) to create employment and business development opportunities. Each year approximately 40-45 grants are awarded with a maximum grant award level of \$700,000.</p> <p>FY2008 enacted: \$33 million</p>		<p>efforts to generate employment and business development opportunities for low-income residents. Projects must: (1) directly benefit persons living at or below the poverty level and (2) be capable of being completed within 12 to 60 months of the date the grant was awarded. Preference is given to projects that document public/private partnership including the leveraging of cash and in-kind contributions. Preference is also given to projects located in areas characterized by poverty and other indicators of socioeconomic distress, such as a Temporary Assistance to Needy Families (TANF) assistance rate of at least 20%, designation as an Empowerment Zone or Enterprise Community (EZ/EC), high levels of unemployment, high levels of incidences of violence, gang activity, crime, drug use, and low-income noncustodial parents of children receiving TANF.</p>
<p>Job Opportunities for Low-Income Individuals (JOLI)</p> <p>FY2008 enacted: \$5 million</p>	<p>Nonprofit, tax-exempt organizations including faith-based and community development corporations and charitable organizations.</p>	<p>Competitive discretionary grants. This program is a set-aside within the Community Economic Development Program. The program provides grants to community based, nonprofit organizations to demonstrate and evaluate ways of creating new employment opportunities with private employers for individuals receiving TANF and other low-income individuals whose family income level does not exceed 100% of the poverty guidelines. Projects to help with this effort include self-employment and micro-enterprises, new businesses, expansion of existing businesses, or creating new jobs or employment opportunities.</p>
<p>Rural Community Facilities</p> <p>FY2008 enacted: \$8 million</p>	<p>Tax-exempt nonprofit organizations, states, and local governments.</p>	<p>Competitive discretionary grant. This program is one of the related activities under the community economic development component of the CSBG. Grants are provided to nonprofit organizations that train and offer technical assistance on water and waste water facilities management and home repair to low-income families, and that develop low-income rental housing units in rural communities. Approximately 8 water and wastewater projects are funded annually.</p>

Program Name, Description FY2008 Funding	Eligible Entities	Formula or Distribution Method
Small Business Administration		
Historically Underutilized Business Zone (HUBZone). Includes BRAC preference.	Census tracts are eligible in the 50 states. Information is available at http://www.sba.gov/hubzone	Provides federal contracting preferences to small businesses. These preferences go to small businesses that obtain HUBZone certification in part by employing staff who live in a HUBZone. The company must also maintain a principal office in one of these specially designated areas.

Source: Compiled by CRS from the Budget Appendix.

Notes: Not all federal economic assistance programs listed in the table have a preference for communities affected by BRAC. A program identified in italics is a component of the program preceding it in roman type.

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