

# Arkansas Military Installations Impact Analysis





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# Arkansas Military Installations

## Impact Analysis

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Prepared for:



Prepared by:



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**STATE OF ARKANSAS**  
**ASA HUTCHINSON**  
**GOVERNOR**

Dear Friend,

Arkansas has been a leader in the military and defense sector for decades. From the nation's tactical Airlift Center of Excellence at the Little Rock Air Force Base and the Joint Maneuver Training Center at Fort Chaffee to the unique missions at Pine Bluff Arsenal and the recent activation of remotely piloted aircraft at Ebbing Air National Guard Base, Arkansans have always answered the call to serve our great nation.

Growing military missions is important to my aim of bringing more jobs and economic growth to Arkansas. In 2015, we began a proactive initiative to support and promote the state's military installations and related economic development interests. As part of that effort, our newly formed Military Affairs Committee initiated the first comprehensive analysis of the military's overall economic impact on the state's economy. We approached this in a very inclusive manner, gathering input from our citizen soldiers of the Arkansas National Guard, active duty and civilian military, homeland security professionals, and our tremendous industry partners across the state.

As a result of this initiative, we have identified the strengths we can build upon to enhance our current military installations, as well as opportunities for growth within Arkansas. We are better equipped to advocate for local communities to accomplish short- and long-term objectives and position Arkansas as a priority state in our national defense plan.

The Military Affairs Committee was fortunate to partner with the experts who helped bring this effort to fruition: Matrix Design Group, The Roosevelt Group, and Hexad Analytics. I look forward to building on our great military assets to better serve our state's and nation's interests for many decades to come.

Sincerely,

A handwritten signature in black ink, appearing to read "Asa Hutchinson", written over a light blue horizontal line.

Asa Hutchinson

### Acknowledgements

*Matrix Design Group thanks all who participated and offered their knowledge, guidance, and experience to this analysis of the impacts military installations have in Arkansas. We want to extend special recognition to Governor Asa Hutchinson and his Military Affairs Steering Committee for their assistance during this process. We offer our gratitude to the numerous installation leaders who volunteered their time, both in person and in follow-up calls, to answer our questions and provide additional insight. We also thank the support personnel and staffs that provided volumes of information for our review. Our experience validated the proud tradition of state and local cooperation, civilian and military partnership, and genuine and balanced engagement the State of Arkansas historically enjoys. The Matrix Team is grateful to have had this opportunity to identify, review, and recommend actions the State could take in support of military installations and activities; service members, families, and veterans; and, surrounding localities in efforts to sustain and improve military installations, enhance missions, and improve quality of life.*

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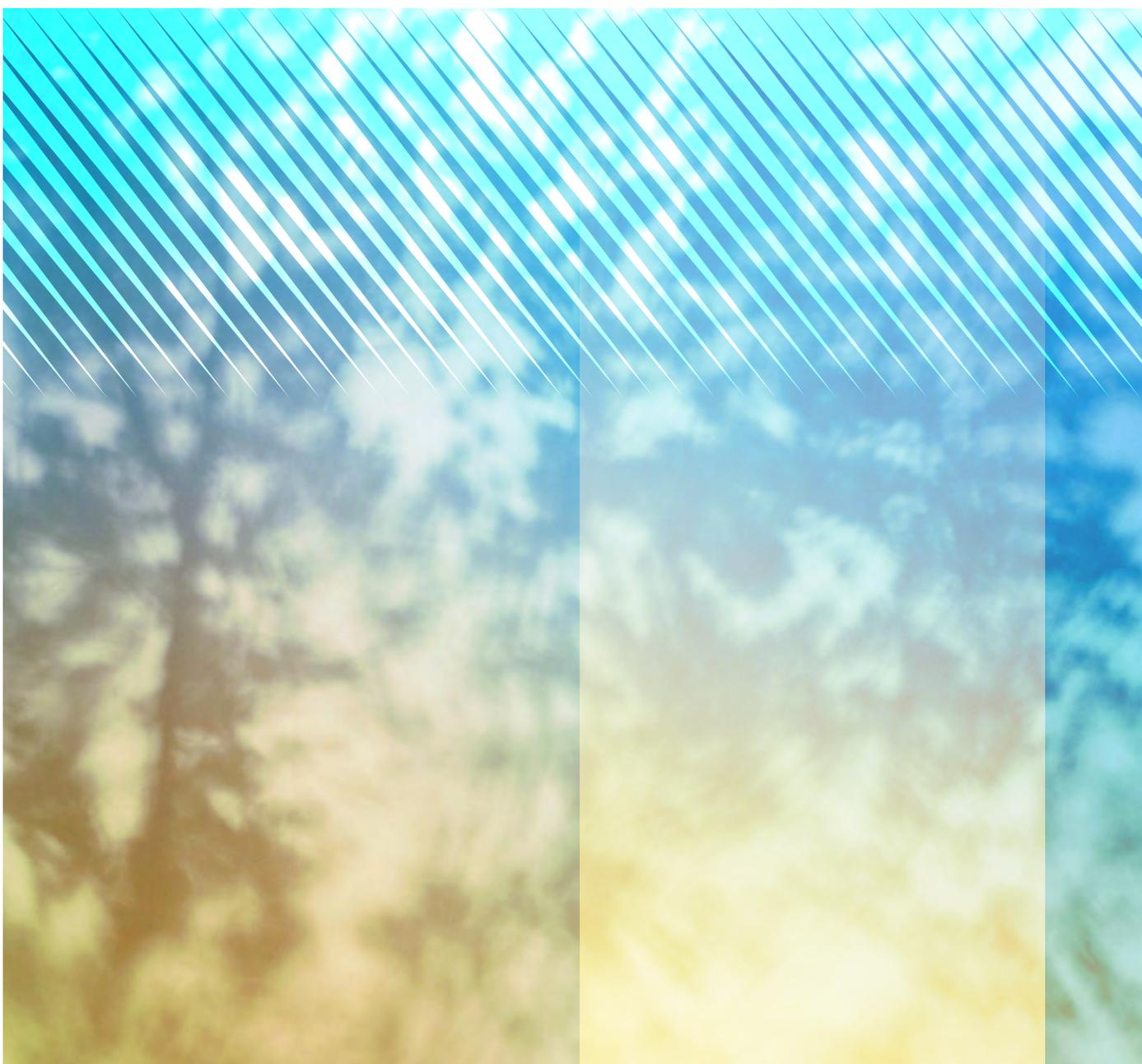
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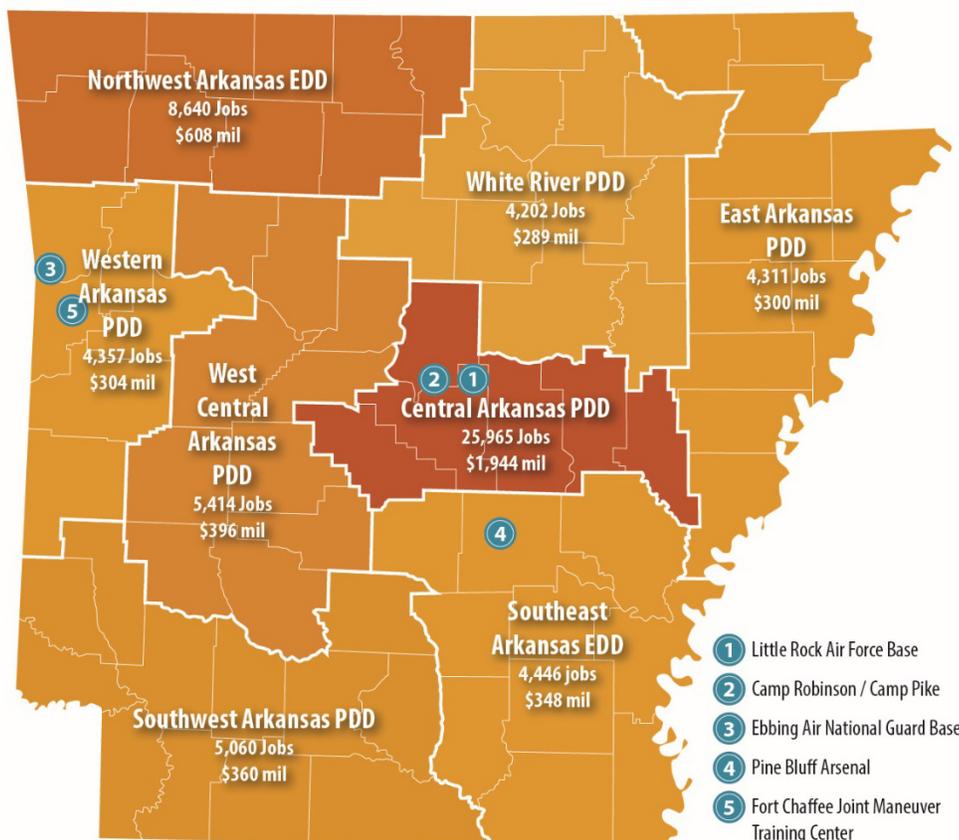
# Executive Summary



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In 2015, Governor Hutchinson established an initiative to support and promote the state’s military installations and related economic development interests. Each military installation in Arkansas, whether active duty, National Guard, or reserve, adds value to the nation’s defense and to the state’s economy. The strategic objectives for Arkansas are to grow and protect Arkansas’s military installations, utilization, and missions; advocate at state and federal levels on behalf of the state and local economic development interests; and position Arkansas as a priority state in the national defense plan. In order to assess the size and scope of the state’s military presence, the Governor commissioned an Impact Analysis to examine each installation and other facets of the state’s defense economy. The results of this study provide the Governor with 17 recommendations that directly support the strategic objectives.

*“The nation’s military presence in Arkansas through our bases and our defense contractors plays a vital role, not only in the defense of our country, but also in the economic stability of our state”*  
 - Governor Hutchinson



Map indicates the jobs supported and economic impact of the Defense Economy in each region.

The analysis was conducted over a four month period. Site visits were conducted by the consultant team at each of the five military installations including visits with leadership from both the military and stakeholders from the surrounding communities. Combined with feedback from the meetings, and intensive research collection, an analysis of the strengths, weaknesses, opportunities, and threats (SWOT) was generated, followed by recommendations based upon common themes amongst the installations. A robust economic analysis was concurrently conducted

which covered the spectrum of economic impacts the defense economy has on Arkansas. Finally, the recommendations were refined following interaction with the Governor’s Military Affairs Steering Committee.

The defense economy is a diverse, multi-faceted set of federal spending flows that cover installation operations, military contracts, and veteran and military retiree compensation and pension payments. From an operations perspective, the state is home to five military installations - Little Rock Air Force Base, Pine Bluff Arsenal, Camp Robinson and Camp Pike, Ebbing Air National Guard Base, and Fort Chaffee Joint Maneuver Training Center. Combined, these installations employ over 21,000 full and part-time active-duty, Department of Defense (DoD) civilian, National Guard, and reserve personnel generating over \$800 million in payroll expenditures. In support of these personnel and the national defense effort, the state performed over \$500 million in military contracts. Finally, over \$2.7 billion in Veterans Affairs expenditures and DoD pension payments were received by the state’s 248,000 veterans and 25,000 military retirees.

Combined, these spending flows account for over \$4 billion in direct defense-related expenditures to the State of Arkansas. When accounting for direct, indirect, and induced effects of these expenditures rippling through the state economy, Fiscal Year 2015 defense spending supported approximately 62,400 jobs, produced \$3 billion in labor income, impacted the state’s gross state product by over \$4.5 billion, and generated nearly \$330 million in state and local tax revenue.

Economic Measure	Defense Economy
Jobs Supported	62,400
Labor Income	\$3 Billion
Gross State Product	\$4.5 Billion
Tax Revenue Generated	\$330 Million

The 17 recommendations listed on the following page and expanded upon in the body of the report offer the Military Affairs Steering Committee and other state-level stakeholders the opportunity to lead the installations and communities to work together and improve Arkansas’ position in Defense.

1	<i>Pursue new missions across the state to include Battlefield Airman training at Little Rock AFB, Launch and Recovery Element for MQ-9 operations at Ebbing ANGB, and Joint Logistics Distribution for Chemical and Biological Defense at Pine Bluff Arsenal</i>
2	<i>Capitalize on expanded National Guard training opportunity and Emergency Management operations at Camp Robinson; promote Fort Chaffee JMTC as a premier training location for active, guard and special operations missions</i>
3	<i>Analyze a high-level partnership opportunity between DoD and the state to map out a long-term redevelopment program for Pine Bluff Arsenal</i>
4	<i>Invest state resources to enhance military installations</i>
5	<i>Determine each installation's capacity to accept new missions and pair with an assessment of competing military installations regarding their missions, strengths, opportunities and weaknesses</i>
6	<i>Leverage band-width available at Ebbing ANGB</i>
7	<i>Support AEDC with a persistent D.C.-based legislative campaign, legislative plan, National Guard advocacy plan, a plan to protect Pine Bluff Arsenal's unique production assets from international alternatives, and specific installation-wide advocacy campaigns</i>
8	<i>Conduct a Regional Joint Land Use Study and establish statewide "Red-Yellow-Green" mapping to ensure compatible development within the state</i>
9	<i>Analyze the potential for and the advantages of privatizing energy at Pine Bluff Arsenal</i>
10	<i>Initiate community led partnerships utilizing support agreements, partnerships, and leases</i>
11	<i>Pursue an OEA, Defense Industry Adjustment Grant to fully map Arkansas' Defense Industry supply-chain and develop strategies for diversifying the state's defense economy</i>
12	<i>Reinvigorate / strengthen military support organizations across the state, including Fort Smith Regional Military Support Group and state-wide Military Affairs Steering Committee</i>
13	<i>Improve Arkansas military family opportunities by refining K-12 education for military members and their families; consider if employment opportunities for spouses can/should be expanded</i>
14	<i>Capitalize on cyber training mission at Little Rock AFB and partner to expand cyber security missions and recruiting</i>
15	<i>Study efficiencies and synergies of C-130 Total Force Integration at Little Rock AFB and attract additional force structure</i>
16	<i>Retain more veterans across the state through a variety of dedicated efforts</i>
17	<i>Become competitive with nearby states regarding National Guard recruiting goals and processes</i>

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# Program Overview



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## Context

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In 2015, Governor Hutchinson established an initiative to support and promote the state's military installations and related economic development interests. Each military installation in Arkansas, whether active duty, National Guard, or reserve, adds value to the nation's defense. The strategic objectives for Arkansas are to grow and protect Arkansas's military installations, utilization, and missions; advocate at state and federal levels on behalf of the state and local economic development interests; and position Arkansas as a priority state in the national defense plan. In order to assess the size and scope of the state's military presence, the Governor commissioned an Impact Analysis that examined each installation and other facets of the state's defense economy

For the last 25 years, the Department of Defense (DoD) Base Realignment and Closure (BRAC) process offered defense communities around the country uncertainty, opportunities, and concerns about the future of military installations and missions in their areas. On one hand, the threat of the BRAC process motivated local leaders to engage in collaborative and cooperative efforts to preserve the safe and secure conduct of base missions while looking for ways to encourage compatible economic development for the region. On the other hand, concerns for the future of the economic contributions of a vital military installation affected local development and investment decisions. The State of Arkansas is forward leaning in understanding these dynamics and sought outside expertise to complete a comprehensive analysis of the impacts of defense spending on the Arkansas economy. As a result of this analysis, numerous recommendations have been developed to increase the military value of Arkansas military installations, to invite more mission opportunities, and to minimize and mitigate the state's defense-related weaknesses. This analysis accounts not only for the prospect of a BRAC round, but with consideration that the military services are making strategic basing decisions for the establishment of new missions or force reduction/reallocations outside the BRAC process.

The State of Arkansas must anticipate the choices and changes that will confront the DoD and the military services in the next decade. Due to budget reductions, evolving threats, and new capabilities and missions, Arkansas must position its military bases as the best options available to the DoD in a national security environment that demands readiness, capability, adaptability, innovation, and efficiency. Moreover, the DoD is increasingly focused on developing new partnership opportunities across the military, academia, and private industry as a means of generating both cost-savings and innovative practices. Over the coming years, unpredictability will continue to undermine existing strategic initiatives, and the DoD will continue to face fiscal pressure from existing legislation such as the Budget Control Act and the occasional

prohibition from retiring force structure.<sup>1</sup> The military departments will continue to depend on decision processes like the Air Force's Strategic Basing Process and requirements definition through Planning, Programming and Budgeting (PP&B) to save money and optimize readiness without sacrificing capability.<sup>2</sup> The DoD will continue to use the President's annual federal budget request to "shrink from within" and may consider using Section 2687 authorities unless Congress relents and approves a new round of base realignments and closures.<sup>3</sup>

The Department of Defense is not just looking for base closures and realignments in the continental United States. Two years ago, the DoD conducted a BRAC-like review of European facilities and bases which was delivered to Congress in January 2015. Implementation of European facilities closures and realignments will save more than \$500 Million annually. This was an important step from a legislative perspective because some members of Congress used overseas consolidation as a buffer before considering a state-side BRAC.

Today, the DoD faces considerable challenges. Secretary of Defense Carter and Chairman Dunford have testified to five significant challenges the DoD is addressing—Russia, China, North Korea, Iran, and terrorism. America's military men and women are working side by side with our allies to defeat the Islamic State of Iraq and the Levant, to deter Russian aggression, to ensure the Asia-Pacific region remains stable and secure, and to deter aggression from North Korea. Lastly, they help protect the citizens of the U.S. at home.



Our U.S. military is the best in the world, however, is not without its limits. The DoD has been at war continually for the last twenty-five years. Weapons systems are aging. Each of the Military Chiefs has testified to the significant readiness challenges they are facing. Further, it has been suggested by Secretary of Defense Ash Carter that the "lack of budget stability represents one of the biggest strategic risks to the DoD enterprise".<sup>4</sup> Each of the Military Chiefs has indicated that a return to sequestration funding levels, with an automatic \$100 billion cut, is of grave concern. The military services are making tough financial

<sup>1</sup> For an explanation of P.L. 112-25, the Budget Control Act of 2011, please see <http://budget.house.gov/budgetcontrolact2011/>.

<sup>2</sup> In the Carl Levin and Howard P. "Buck" McKeon National Defense Authorization Act for Fiscal Year 2015, P.L. 113-291, Congress prohibited DoD from retiring the Navy's USS George Washington and the Air Force's A-10 Warthogs.

<sup>3</sup> 10 U.S.C. Sec. 2687 requires the Secretary of Defense to give Congress 60 days to review proposed actions meeting certain thresholds, including: closure of an installation at which at least 300 civilian personnel are authorized; or realignment of an installation with at least 300 civilians involving a reduction by more than 1,000 — or by more than 50 percent — in the number of civilians authorized at the installation.

<sup>4</sup> Terri Moon Cronk, "Carter Describes Security Challenges, Budget Issues at Senate Panel Hearing," *US Department of Defense*, September 22, 2016: <http://www.defense.gov/News/Article/Article/952985/carter-describes-security-challenges-budget-issues-at-senate-panel-hearing>

choices to mitigate challenges today and to modernize for those unforeseen challenges that lie ahead.

The DoD's Fiscal Year (FY) 2017 President's Budget request adhered to the Bipartisan Budget Act of 2015 and funded a joint force capable of defeating the five challenges referenced by the Secretary. However, DoD requires funding above the Budget Control Act levels after 2017. In releasing the DoD FY 2017 budget, the Department made its position clear: "The Department confronts an uncertain fiscal environment in the absence of congressional action to reverse sequestration. The geopolitical events of the past year only reinforce the need to resource DoD at the president's requested funding level as opposed to current law. As the budget makes clear, a return to sequester-level funding would be irresponsible and dangerous, resulting in a force too small and ill equipped to respond to the full range of potential threats to the nation."<sup>5</sup>

Moreover, because Congress continues to block the DoD from retiring significant force structure, military departments will continue to face difficult choices between funding readiness, modernization, and people as they develop budget recommendations. The DoD has requested that Congress authorize a new round of BRAC for the fifth year in a row to help alleviate some of the fiscal challenges and to eliminate unneeded infrastructure that cost money and divert resources that could be spent on other pressing needs.

In July of 2015, the Army announced a force reduction bringing their active duty end-strength down to 450,000 soldiers. The 39th Chief of Staff of the Army, General Miley, took the lead in August of 2015 and set three priorities for the service: readiness, future Army, and taking care of the troops. As the Army developed their FY 2017 Budget Request they requested to reduce end-strength while deliberately prioritizing readiness, reduced funding for infrastructure maintenance, and decreased funding for modernization. As with each military department, the Army is seeking consistent, long-term, balanced, and predictable funding from Congress.

The Air Force continues to prioritize taking care of people, striking the balance between today's readiness and tomorrow's modernization, and making every dollar count. While the Air Force is struggling to recapitalize its nuclear enterprise and keep key priorities like the F-35 Joint Strike Fighter, KC-46A Tanker, and Long Range Strike Bomber on-track, Arkansas must be poised to increase their roles across other Air Force missions. General Goldfein was sworn in as the Air Force Chief of Staff in July of 2016. As he recently stated, "the number one capability that our combatant commanders ask of the United States Air Force – combatant commanders all around the world – and that is the role of ISR; Intelligence, Surveillance, and Reconnaissance.

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<sup>5</sup> Press Release No: NR-031-15, "DoD Releases Fiscal Year 2016 Budget Proposal," *US Department of Defense*, February 2, 2015: <http://www.defense.gov/News/News-Releases/News-Release-View/Article/605365>

Specifically, what we are doing in the world of our Remotely Piloted Aircraft (RPA) to try to lessen some of the strain and improve quality of life.”<sup>6</sup> Arkansas is helping support Combatant Commanders in this important mission at Ebbing Air National Guard Base.

If Congress does not authorize another round of BRAC in FY 2017, the “Administration will pursue alternative options to reduce this wasteful spending,” said Sen. Cochran (R-MS) in the Statement of Administration Policy, DoD Appropriations Act, 2016. Downsizing and force consolidation are coming, one way or another. During markup of the FY 2017 National Defense Authorization Act, the ranking democrat on the House Armed Services Committee, Rep. Adam Smith (WA) offered and later withdrew an amendment authorizing a BRAC-Like process.

The expectation that the DoD will be the sole investor in military missions and activities has shifted. The new paradigm involves states spending millions of dollars in and around their military installations to protect the intrinsic value of their military operations. More so than ever, the defense installation is a community asset to be protected, and states and communities are committing real resources to do so. Money is not always the answer. Joint planning, cooperation, and community outreach are also important. Advocacy inside the Pentagon, the White House, and on Capitol Hill can educate and enfranchise state leaders to the trends and opportunities for new missions and remind our military and congressional leaders that Arkansas insists on being part of the conversation when it comes to new and relevant missions. Force structure and end strength may continue to decline as the Pentagon prepares to field a smaller force, but such a force hosts some dazzling capabilities and opportunities, and ones that will coalesce within the most efficient installations, connected to competent defense communities whom are postured and resourced to do business and solve problems with the DoD.

The strategic approach to optimizing the value of Arkansas’ military installations must evaluate and integrate the joint value of Army, Navy, Air Force, and Marine Corps synergies to maximize military effectiveness while minimizing the cost of operations. As budgets shrink, the DoD is constantly evaluating how efficiencies can be found within the mission set(s) or how new technologies, like unmanned and autonomous systems can perform these mission sets better and cheaper without putting our personnel into harm’s way. In a deployed environment, the success of our military campaign depends on how well our air, naval, and ground forces work together, how well the total force works together, and how well we’re integrated with our allies. Arkansas’ success will depend on how well all these dimensions are factored into the strategic approach.

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<sup>6</sup> Press Briefing, “Department of Defense Press Briefing by Secretary of the Air Force Deborah Lee James and Air Force Chief of Staff General David Goldfein on the State of Air Force”, *US Department of Defense*, August 10, 2016: <http://www.defense.gov/News/Transcripts/Transcript-View/Article/911083/departments-of-defense-press-briefing-by-secretary-james-and-gen-goldfein-on-the>

This Impact Analysis calls for Arkansas to maximize opportunities and, in the process, create jobs, enhance mission capability and quality-of-life through third party financing of needed facilities, cut military overhead operation and maintenance costs and entice other federal agencies and private sector companies with synergistic capabilities to co-locate on or near the state’s active or guard military installations.

## Assessment Process

The process used to assess the statewide impact of military installation and associated defense spending on the Arkansas economy followed the following steps:

1. Project Kick-off
2. Research and Information Collection
3. Strengths, Weaknesses, Opportunities, and Threats (SWOT) Analysis
4. Economic Analysis
5. Recommendation Development

### Project Kick-Off

The team began site visits with stakeholders throughout the state beginning in July, 2016. This initial engagement included meeting with the Arkansas Economic Development Commission (AEDC) and Governor’s Military Affairs liaison. Additionally, we held forums with community representatives near Pine Bluff Arsenal, Little Rock AFB, and Camp Robinson. A subsequent visit included meetings with Little Rock AFB leadership, The Adjutant General and his staff at Camp Robinson, Camp Pike, the Fort Smith Community, and visits to Ebbing Air National Guard Base and Fort Chaffee Joint Maneuver Training Center.

### Research and Information Collection

Research and information collection began immediately in this program approach. The economical method to attain necessary information is to research existing reports, studies, and public sources of data to create a thorough baseline analysis. A responsible standard throughout our study was to avoid duplicative efforts and unnecessary requests for information. We were able to understand much about the current conditions from our research.

**Secondary Data Collection.** The Matrix team used the IMPLAN economic impact model to estimate the economic impacts of the defense economy at the both the state and regional levels. In order to do so, the team collected data on three distinct DoD spending flows:

- ▶ Installation personnel, including active duty, civilian, National Guard, and reserve
- ▶ DoD procurement spending, including base operating support, construction, manufacturing, and professional and technical services contracts
- ▶ Transfer payments to former servicemen and women residing in Arkansas, including U.S. Department of Veterans Affairs expenditures and DoD military pension payments

All data was provided by government sources, including the Arkansas National Guard, Department of Defense, Bureau of Labor Statistics, Department of Treasury, Department of Veterans Affairs, and DoD's Office of the Actuary. These data formed the baseline impact estimates tied to defense spending in the state during FY 2015.

### Installation and State-wide SWOT Analysis

The team utilized data collected from stakeholder meetings in coordination with our own research to conduct a detailed risk assessment, characterized as a strengths, weaknesses, opportunities, and threats (SWOT) analysis. Critical thinking, astute questioning of assumptions and status quo, and open-ended brainstorming sessions were key to the success of this process. Each installation was assessed individually, then the team was able to look for common themes. From these common themes, the team generated recommendations that will benefit Arkansas statewide.

In our analysis, we looked for themes for successful mission enhancement and growth, such as leveraging base assets. These arrangements can produce creative innovation through public-public, public-private (P4) partnerships, enhanced use leases (EUL), land use modifications, or other opportunities not usually associated with available assets. Such activities often convert risk into opportunity, enhancing overall value and even producing unscheduled revenue. This analysis was the foundation for the detailed recommendations we made and for the actions that need to occur.

### Economic Analysis

Defense installations play a vital role in the economies of many communities around the United States. The "boots on the ground" effect is a typical measure of the overall impact – the more uniforms seen in and around a community, the larger the impacts are thought to be. Although this is not a particularly bad indicator, the true economic linkages can run much deeper affecting broad swaths of the economy across fields as diverse as healthcare, manufacturing, and research and development. The type of mission, the type of installation, the nature of contract flows, the presence of veterans and retirees – these are all factors that taken together, can contribute mightily to a region's economic wellbeing.

In this report, the Defense Economy is defined as consisting of three distinct defense spending flows, or what can be thought of as three broad points of impact: the Installation Footprint, the Procurement Economy, and Veterans and Retirees transfer payments. The interplay of these elements, along with their relative magnitude, largely determines the size and scope of the impacts of the defense economy regardless of the geographic boundaries of the locality, region, or state under consideration. Here, we examine these core elements of the broader defense economy in the context of the State of Arkansas, major metropolitan statistical areas (MSA) hosting installations, and for each of the state’s eight Planning and Economic Development districts. This analysis provides economic and fiscal impacts associated with each defense spending flow, including total jobs supported, labor income earned, impact to gross state and regional product, and state and local tax revenue generated.

### Recommendation Development

After the initial SWOT analysis, common themes were evaluated by the consultant team. This resulted in generating 37 initial recommendations, each with significant merit. During the briefing to the Governor’s Military Affairs Steering Committee, the recommendations were vetted and enhanced and binned as a near, mid, or long term pursuit. Incorporating stakeholders and AEDC leadership in the process helps prioritize which recommendations to pursue and contributes towards a decision regarding the level of effort the state should consider.

## Installations, Missions, and Military Assets

When Governor Hutchinson announced his statewide initiative to support and promote the state’s military installations and related economic development interests, he stated: “The nation’s military presence in Arkansas through our bases and our defense contractors plays a vital role, not only in the defense of our country, but also in the economic stability of our state.”<sup>7</sup> Arkansas is home to five military installations employing over 21,000 defense personnel from the U.S. Army, Air Force, Navy, Marines, and National Guard. Major defense contractors, such as General Dynamics, Lockheed Martin, and Aerojet Rocketdyne, have manufacturing facilities throughout the state performing over \$250 million in defense contracts. Moreover, construction and base operating support contractors provide an additional \$260 million worth of production and service contracts to Arkansas’s military installations. With over \$1.3 billion spent in-state, total direct installation and defense procurement spending equates to approximately 1% of Arkansas’ GDP.<sup>8</sup>

<sup>7</sup>Press Release, “Governor Hutchinson Announces Initiative to Support Military Installations in Arkansas,” *Office of the Governor*, September 9, 2015: <http://governor.arkansas.gov/press-releases/detail/governor-hutchinson-announces-initiative-to-support-military-installations>.

<sup>8</sup> This number is exclusive of federal veteran and military retiree expenditures and represents only payroll and procurement contracts performed in-state during FY2015.

### Little Rock Air Force Base



Little Rock Air Force Base (AFB) is hosted by the 19th Airlift Wing which boasts the largest C-130 fleet in the world. The Wing supports missions ranging from airdropping supplies and troops into hostile areas to humanitarian relief. The 314th Airlift Wing is a “Center of Excellence” for training C-130 which accounts for the nation’s largest international flight training program for aircrew from the DoD, Coast Guard and 47 allied nations. Additional tenants and partners include the Air National Guard’s 189th Airlift Wing and Air Force Reserve Command’s 913th Airlift Group. The base is home to over 7,600 military and civilian

personnel along with 5,300 family members and an estimated 53,000 retiree population.

### Camp Robinson / Camp Pike

Camp Robinson, located in North Little Rock, serves as the headquarters to the Arkansas National Guard. With a 33,000-acre training facility it is one of the largest state-operated training sites in the United States. Additional assets located at Camp Robinson include the Arkansas National Guard Joint Forces Headquarters, the Professional Education Center and Marksmanship Training Unit. During World War II Camp Robinson spanned Pulaski and Faulkner counties. Since then, portions of the camp have been broken up and reallocated to the state and other organizations. Several hundred acres were re-designated to consolidate central Arkansas’s Army, Navy, and Marine Corps reserve centers and named Camp Pike in honor of the original name of the post.

### Pine Bluff Arsenal



Pine Bluff Arsenal is one of three U.S. Army Joint Munitions Command locations for production, storage, and demilitarization of conventional ammunition. Pine Bluff Arsenal manufactures chemical, incendiary, pyrotechnic, riot control, and smoke munitions used by all U.S. military services, other government agencies, and allied nations. The protective clothing and masks used by the military to protect against chemical and biological agents are also produced here. Additionally, various equipment and systems exist for destroying a range of munitions to include chemical agents, explosives, and propellants.

### Ebbing Air National Guard Base

Ebbing Air National Guard Base (ANGB) is home to the 188th Wing featuring capabilities in three primary missions: Remotely Piloted Aircraft (MQ-9 Reaper); Intelligence, Surveillance, and Reconnaissance (Distributed Ground Station-Arkansas); and Targeting (Space-Focused). The Wing is operated by 1,000 National Guardsmen

and Airmen. As a result of the 2005 BRAC, the 188th converted its F-16 squadron to an A-10C fighter unit. In 2013, the 188th was again converted from an A-10C fighter mission to an MQ-9 Reaper remotely piloted aircraft, intelligence, surveillance and reconnaissance and targeting wing. This included the world's first-ever space-focused targeting squadron.

### Fort Chaffee Joint Maneuver Training Center



Fort Chaffee Joint Maneuver Training Center (JMTC) is an Arkansas National Guard installation boasting a 64,592-acre training site. As a result of the 1995 BRAC, Fort Chaffee was closed as an active component installation and turned over to the Arkansas National Guard.

Today, the JMTC is one of nine

National Guard installations designated as a regional selective training capability, and one of only two installations with property on both sides of a major river. The JMTC has a brigade training capability with ideal terrain for light infantry units. The site includes over 6,000 acres of impact area, capability for river crossing operations, and a 2,500-meter convoy live fire range with stationary and moving targets.

Fort Chaffee JMTC's central location has attracted key training events by the U.S. Navy, U.S. Marine Corps and U.S. Army Reserve to include special operations units and other State National Guard units. Numerous local, state and federal agencies and departments utilize the capacity to train at Fort Chaffee JMTC.

Please see the next page.

**Arkansas  
Defense  
Economy**

Please see the next page.

## Introduction

United States military installations, both at home and abroad, can (and do) offer substantial economic benefits to the region(s) where they are located. In some cases, these local installations form the backbone of the region's economy. The relationship between local military installations and broader regional economic health may well go unnoticed by those who do not recognize the degree to which the public and private sectors interact around military installations. Department of Defense dollars that purchase intellectual capital from local design and engineering firms or which are used to buy goods from local manufacturers, for example, may well serve as an economic driver even when no military installation is present. The presence of veterans and retired and otherwise separated personnel in the local economy can also be overlooked even though the dollars that flow through to these former members of the armed services can sum into the billions of dollars. The defense economy is therefore much more than the uniformed services – it encompasses everything that is required to support them during and after their time in the military.

Gradual changes in the local defense economy may well go largely unnoticed. However, these equilibrium changes may well be punctuated by events which lead to drastic shifts in the defense economy and which will be widely noticed. It is in these instances that local communities can quickly become re-acquainted with the degree to which cycles and swings in the defense economy can affect local economic health. For example, as the Cold War drew to a quick, decisive and surprising close, many communities were startled by the impacts of defense cuts that seemed as impossible as a potential political implosion of the Soviet Union. Over two decades later – some are still struggling with that recovery. In a similar fashion, the war(s) that followed the events of 9-11 sustained tremendous growth in the defense community although that growth was, to borrow a term, somewhat asymmetric from the growth that surrounded the Cold War era. The Great Recession and the budget sequester that ultimately followed in its wake, the winding down of the operations in Iraq and Afghanistan, and further shifts in the understanding of the modern battlefield have led to significant changes in the defense economy. These are arguably as significant as the post-Cold War changes. Defense communities across the U.S. and the world have felt these impacts. Moreover, between the Cold War era and now, the overall economy has seen changes which are in themselves arguably as significant as the shift from the agrarian economy to the industrial economy a century ago. The strong backs that once tilled the soil in the agrarian era shifted to the heavy lifting in factories during the Industrial Revolution. The explosion in middle class wealth



ensured greater demand for goods and services which, in turn, ensured that everyone who used to work on the farm could largely find an engagement in the industrial economy. Those equipped with discipline and skills acquired in the armed services were in high demand in the industrial economy. As the industrial age transitioned into the information technology age – the strong backs were replaced by industrial robots and the battle for the future economy is now waged largely in the theater of the imagination. The neat, orderly transition from the discipline of the military environment to the more free-spirited economy (at least on the higher-wage end of the spectrum) is no longer as clean as it once was. This affects communities that are faced with losing a significant chunk of their defense economy perhaps more profoundly than any other transformational event in U.S. history.



These communities, whether faced with a declining or growing defense economy, are well served when they understand precisely how this defense economy interacts with, and affects their local, total economic circumstances. Moreover, to the extent that they understand how to leverage the defense economy to fund efforts to broaden and diversify their base economies, these communities can reap tremendous economic benefits locally while still offering strong support for their local military installations. Thus it is not an either/or prospect (defense or diversify); rather it is a both/and prospect (defense and diversify). This is because both the local region and the DoD benefit from strong local support of the installation AND a strong local economy. After all, the DoD, at the national level, depends on federal tax revenues for its growth and growing local economies provide greater tax revenues over time. To be sure, it is not an easy prospect for local communities and installations to strike the fine balance of coordination and sustained regional unity that is required to perfectly leverage every asset to its maximum potential. But those communities and installations that make such an effort, and have even moderate success, can reap tremendous rewards. Both the regional economy and the installations can find themselves better able to weather budget cuts and recessions. So too are they better able to capitalize on growth opportunities in an ever-changing, modern economic and budgetary climate.

Although every community that is host to a military installation has much in common with other installation communities, much is also different. The first step in understanding how to leverage all assets to the fullest is taken by developing an understanding of these assets and the role they play in the local economy. From this initial step, the potential linkages to further growth and development can better be identified and understood. Moreover, the overall economic impact statement itself can be utilized to generate public support for actions which may strengthen and diversify the defense economy. We take that first step here by performing an assessment of the overall size of Arkansas' defense economy – both at the state and regional level. In the section that follows, we outline the methodology that we

employ in estimating these impacts, the tools that we utilize to estimate the impacts, the data that feed into the estimates and finally, the estimates themselves.

## Methodology

Methodologies utilized to measure the economic impact of the defense economy are many – and varied. Some communities choose only to look at the personnel impacts, some choose to look only at military operations and procurement, and still others look holistically at impacts that range from military personnel through to retirees and veterans. None are more or less right – rather the efforts are more or less tailored to answering the question that underlies the reason for the study in the first place. Our team of analysts have always favored the broadest approach – not because it typically derives the greatest impacts but because it offers local communities a broad vision of the relationships between the defense economy and their local circumstances and, in so doing, offers the most opportunities to identify workable strategies for future success.



**Figure 1. Defense Economy**

the facility. This can correctly be thought of as the obvious “business presence” of the facility. Much as the local grocer employs individuals as staff, buys electricity from the local power supplier, etc., so too does the local military installation and the local economy interact. The second component of the analysis is labeled “procurement.” Our team differentiates “procurement” in this case from “operational procurement” by distinguishing the origin of the source of the demand. One can easily imagine that the Pine Bluff Arsenal might buy power from Entergy while a local installation in New York might buy power from Con Edison. It is much harder to conceive of the DoD remitting payment to Con Edison in New York to cover the cost of power

The broad approach to modeling defense impacts, as employed in this study, is represented in Figure 1. There are, as the figure shows, three key components which offer a holistic snapshot of the size and nature of the defense economy. The first, most obvious component, are the installations themselves. This consists of the military personnel stationed at the facility, the civilian personnel who are employed by the DoD at the facility and the overall operational expenditures of

consumption at an Arkansas installation. Thus, payment for electrical power consumption is typically considered to be a local, operational procurement expenditures. But, just as a Florida, Southern California or Hawaii grower might supply winter tomatoes to grocers across the United States, so too might a local defense company supply technology or weapons components to the entire DoD. This latter process can and does occur largely independent of the presence of the local installation. Local installations do not let contracts for a new tank or aircraft, for example. Those decisions are made at a much higher level. The potential procurement impacts that may be felt largely independent of a local installation are identified as “high-impact procurement.” High impact procurement spending is, as we define it here, associated with Construction, Manufacturing and Professional and Technical Services expenditures. Procurement dollars with a local place of performance that are in these sectors are considered “Impact Procurement” rather than “Operational Procurement.” This helps distinguish the degree to which the local defense economy may be tied to broader DoD trends rather than just the local cycles and swings associated with an installation.

Finally, as the third element of the overall impact assessment, we include transfer payments. To continue with our grocer’s analogy, we can think of retirees from a grocery business choosing to live near that business when they retire if it offers them a lifetime discount on groceries. Although such a scenario is a bit far-fetched in the private sector - the same is not true with the DoD. Retirees and veterans often choose to live near installations with large footprints because, in many cases, they can continue to access services on the post. For example, they might shop at the commissary - saving money on groceries. They might also access base health care facilities, etc. at reduced or no cost. Thus, the presence of the installation is a draw for these retirees and veterans who, in turn, spend their retirement income in the region. As one might imagine, there is a strong connection between their presence and the overall size of the retail industry in no small part because these veterans and retirees rely on local businesses for many of their daily needs. However, there is also a strong connection between their presence and demands in health care, construction and other sectors where the DoD or Veterans Affairs offers discounts or subsidies (lending for education, home purchases, health insurance, subsidized care, etc.). Although these are indirect impacts, they can play a major role in the regional economy.

We will utilize these three broad segments as representative of the “Defense Economy”. The sum of these segments represents estimates of the impact of the defense establishment on the local economy. In the section that follows, we offer a description of the geographies that we analyze within the context of this study, the models utilized to estimate these economic impacts, and a description of the framework that we will utilize to report the impact estimates.

## The Arkansas Defense Economy

Our charge, in this case, is to provide Arkansas with a state and “regional” assessment of the overall size of the defense economy. To produce these estimates, we utilize the suite of Arkansas multipliers from IMPLAN which were provided to us by the Arkansas Economic Development Corporation (AEDC). The IMPLAN economic impact assessment tool is based upon traditional input-output models of economic impact assessment. These “multiplier” models contemplate that some direct expenditure of funds will yield additional positive benefits that go beyond the dollar value of this direct expenditure thereby multiplying the original expenditure by some identifiable amount. These effects are typically labeled as either indirect or induced impacts. An indirect impact results from increased sales in sectors that supply the goods and services necessary to meet the direct demand. Induced impacts are associated with household income generated by the direct and indirect expenditures.

In the case of defense impacts, a direct impact can be thought of as a DoD dollar spent to pay the salary of a military or civilian employee on base or a dollar spent to pay the electric bill for the installation. The fuel that the power company needs to purchase because the installation is consuming power is an indirect impact – so too are the employees of the power company hired to meet the installation’s demand for energy production. The jobs generated at the local supermarket when these power company employees spend their salary dollars can be thought of as an induced impact. It is entirely correct, if somewhat confusing, to think of Department of Veterans Affairs (VA) expenditures, for example, as an indirect impact even though we utilize it as a direct impact in the model entry. One becomes a veteran only through military service and, particularly in the case of retirees, that veteran often chooses to live near an installation for the benefits offered there to veterans and separated personnel. The inclusion of an “indirect” DoD veteran impact as a direct impact in the model poses no problem for the validity of this analysis for two reasons. First, we are open about including it as a component of the overall final impact and, by segmenting the veterans’ impacts out, we permit critical readers to impose their own judgments on the analysis. And second, our inclusion of veterans and retiree impacts is justified because it would not otherwise be captured as an indirect impact by the model even though the presence of veterans and retirees in a local economy is clearly and demonstrably related to the presence of a nearby installation (not to mention the national defense economy).

These direct, indirect, and induced impacts are typically measured utilizing four key metrics:

- ▶ **Output**, which is commonly associated with total industry sales.
- ▶ **Employment** which counts the number of jobs associated with the direct expenditure of funds.

- ▶ **Labor Income** which counts wages, salaries, and benefits paid in the region.
- ▶ **Value Added** which is comprised of employee compensation (total payroll costs, including benefits), proprietary income (payments received by self-employed individuals as income), other property income (payments for rents, royalties and dividends) and indirect business taxes (excise taxes, property taxes, fees and sales taxes paid by businesses). Value Added is a closely related to Gross Domestic Product and is used here as its proxy.

In the analysis which follows, we also touch briefly on a number of fiscal impact metrics which are produced by the IMPLAN model. Our research team accepted the assumptions imposed by IMPLAN on these fiscal impact estimates. Although we certainly view these fiscal impact estimates as useful comparative benchmarks, we caution against the blind acceptance of the absolute magnitude of the fiscal impact estimates (particularly as a derivative of an input-output construct). Fiscal impact models have proven difficult to calibrate not just for IMPLAN, but for the entire economic impact simulation community.

We will contextualize this state-wide assessment within a series of distinct sub-regions. These sub-regions include:

- ▶ The Little Rock Metropolitan Statistical Area
- ▶ The Pine Bluff Metropolitan Statistical Area
- ▶ The Fort Smith Metropolitan Statistical Area
- ▶ The Northwest Arkansas Economic Development District
- ▶ The White River Planning District
- ▶ The East Arkansas Planning District
- ▶ The Southeast Arkansas Economic Development District
- ▶ The Central Arkansas Planning District
- ▶ The West Central Arkansas Planning district
- ▶ The Southwest Arkansas Planning District
- ▶ The Western Arkansas Planning District

The first three regions include the counties that, per the U.S. Office of Management and Budget, form the metro area. The latter eight regions are derived from maps which have historically represented Arkansas' different planning and development regions. The adaptation utilized here was drawn from maps provided by the AEDC.

Upon completion of the discussion off the state-wide impact assessment, we will, in turn, offer similar charts for each of the metro areas and regions listed above. It is important to note that we are capturing, even in a sub-state region, the economic impact of the Arkansas defense economy on that region. We are not presenting the economic impact of that region's defense economy. To understand the difference, suppose that \$100 in DoD procurement flowed to the Little Rock Metro. Further suppose that \$100 in demand generated \$60 in additional impacts in the Little Rock

Metro. Suppose also that it generated \$20 in purchases in the Pine Bluff Metro (indirect impacts). If we modeled each region separately, we would capture only the \$160 in impacts in Little Rock. The additional \$20 in indirect impacts in Pine Bluff would never be captured in a model which does not correctly link the sub-regions. We utilized a linked model to capture, within each individual region, the statewide impacts of the defense economy in that selected region.

## Personnel Expenditures

The first component of the baseline economic impact estimates is related to the presence of personnel. We label this component the installation footprint. We break employment down into four types for this study – federal military, federal DoD civilian, National Guard, and Reserve. Table 1 below provides the distribution across all employment types. The National Guard and Reserve component constitutes approximately 12,300 full and part-time military personnel, or nearly 70% of the total force structure located within the state. The remaining 30% is distributed between federal military (active-duty) and DoD civilians at approximately 5,000 and 3,700 full-time personnel, respectively.

**Table 1.**  
**Arkansas Military Force Structure**  
Source: Department of Defense Base Structures Report, FY 2015

Employment Type	Count	Percent of Total Force Structure
National Guard	9,222	44%
Federal Military (Active Duty)	4,954	24%
DoD Civilian	3,731	18%
Reserve	3,138	15%
Sub-Total	21,045	100%
Full-time Equivalents <sup>1</sup>	13,657	-
Total Compensation	\$802 mil	-

With respect to National Guard personnel, we were fortunate to obtain county-level residential patterns for members of the Arkansas National Guard. These data also included salaries paid in each county as well (both federal and state-level contributions to National Guard and civilian support personnel). In order to arrive at

<sup>1</sup> Because Arkansas is a National Guard and Reserve heavy state, the 21,000 personnel reported by the DoD's Base Structures Report (FY 2015) are not all full-time positions. In order to provide accurate economic impact estimates, this study utilizes compensation expenditures for both military and civilian employees at the county-level. The IMPLAN input-output model converts those expenditures into full-time equivalent job estimates based on RIMS II multipliers and sales-per-worker ratios derived from the US Bureau of Economic Analysis.

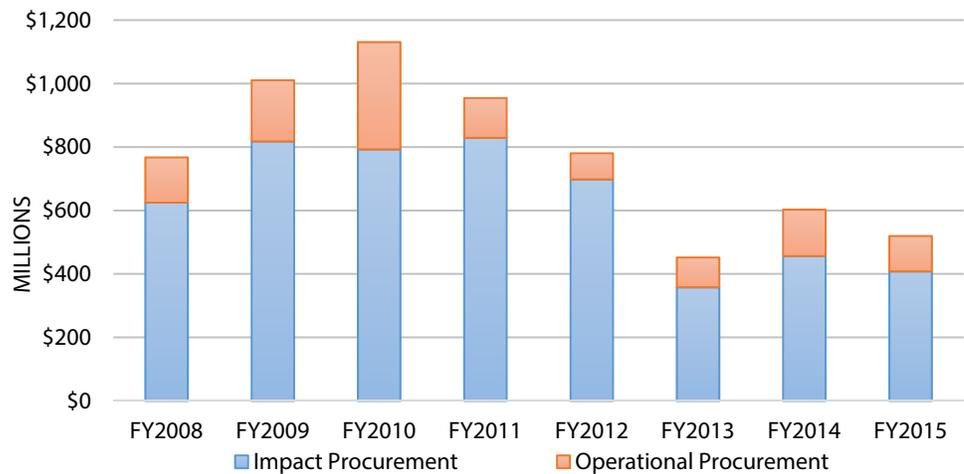
the impact assessments that are presented throughout this report, we consulted the Bureau of Economic Analysis’ tables on salaries paid to federal military and civilian personnel by county. These data represent the most accurate direct impact assessments because they overcome traditional headcount and place of residence weaknesses that may not, for example, correctly account for situations where a local installation is “officer heavy” and therefore has larger average salaries per military member, or where members of the reserve reside (and thus spend their salaries) throughout the state. We add state-level expenditures to these federal data and utilize total salary flows to estimate military and civilian personnel impacts. These salaries sum to approximately \$802 million in direct military compensation during FY 2015.

## Procurement Expenditures

The second key component of the defense economy is associated with procurement expenditures by the DoD.<sup>2</sup> Here we bifurcate procurement spending into operational (local) purchases and the more non-operational, defense-wide purchases.<sup>3</sup> The data in Figure 2 represents an overview of procurement by type performed in-state from FY 2008 to FY 2015.

**Figure 2. Department of Defense Procurement Contracts Performed In-State, FY 2008 – 2015**

Source: US Department of Treasury, USA Spending.gov



<sup>2</sup> Procurement expenditure totals are derived from data presented in USA Spending.gov. We create an annualized sum of all dollars spent by the Department of Defense, at the ZIP Code level, by place of performance, for the ZIP codes in the cities and counties present in the analysis. To render those data compatible with entry into the IMPLAN model, we utilize the NAICS to IMPLAN crosswalk offered by IMPLAN.

<sup>3</sup> Our analysis treats “contractors on base” as synonymous with procurement spending. We do not offer an estimate of the number of civilian contractors on base, off base or in an adjacent county – rather we count these impacts as spending impacts (which generate the jobs). To add “civilian contractor” jobs back in would be to double-count the procurement spending which generates those jobs. It is also important to note that “civilian contractors” are not federal employees and therefore are not counted in the federal civilian employment totals.

The data reflect a significant amount of volatility - swinging from a high of nearly \$1.2 billion in procurement in FY 2010 to just over \$400 million in FY 2013. As these data also indicate, the high-impact procurement spending (manufacturing, construction, and professional and technical services) over the period was relatively evenly split between manufacturing and construction. The state obtains few dollars in the professional and technical services sectors (primarily research, design and engineering). The operational figure represents a fairly standard split among the top categories which typically are utilities and trade. For the IMPLAN model, we utilize FY 2015 procurement data as reported consistent with the FY 2015 personnel data discussed above. It is important to note that the retail and wholesale expenditure sectors are entered into the IMPLAN model net of the cost of goods sold. In Table 2 we present the IMPLAN categories that we enter net of the cost of goods sold along with IMPLAN's estimate of the "profit" margin.

**Table 2.**  
**State of Arkansas - Margins on Wholesale and Retail Categories**

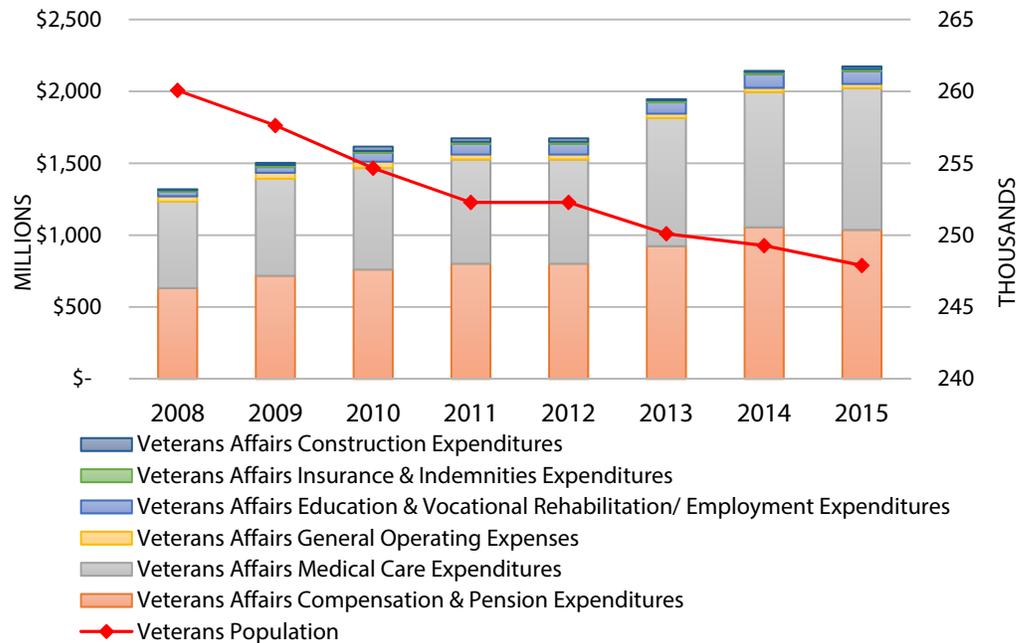
Category	Margins
Wholesale trade	17.3%
Retail - Motor vehicle and parts dealers	19.4%
Retail - Furniture and home furnishings stores	46.8%
Retail - Electronics and appliance stores	29.9%
Retail - Building material and garden equipment and supplies stores	34.6%
Retail - Food and beverage stores	27.7%
Retail - Health and personal care stores	30.3%
Retail - Gasoline stores	11.6%
Retail - Clothing and clothing accessories stores	45.9%
Retail - Sporting goods, hobby, musical instrument and book stores	41.7%
Retail - General merchandise stores	26.6%
Retail - Miscellaneous store retailers	47.2%
Retail - Non-store retailers	39.1%

### Transfer Expenditures

In the Figures 3 and 4, we present data from the two main direct sources of transfer impacts – DoD pension payments to federal military retirees and spending from the US Department of Veterans Affairs (VA). As Figure 3 indicates, spending by the VA, which includes direct payments to disabled and low-income veterans as well as more general departmental expenditures, has risen dramatically. In FY 2008 expenditures totaled just shy of \$1.5 billion with a veteran population of approximately 260,000. Statewide VA expenditures rose dramatically to over \$2 billion dollars by 2015 in light of a declining veteran population. This increase is associated both with rising healthcare costs in general and the costs associated with caring for veterans in the wake of the Iraq and Afghanistan operations. Included in these total expenditures are compensation and pension payments, education subsidies, healthcare expenditures and other payments and subsidies.

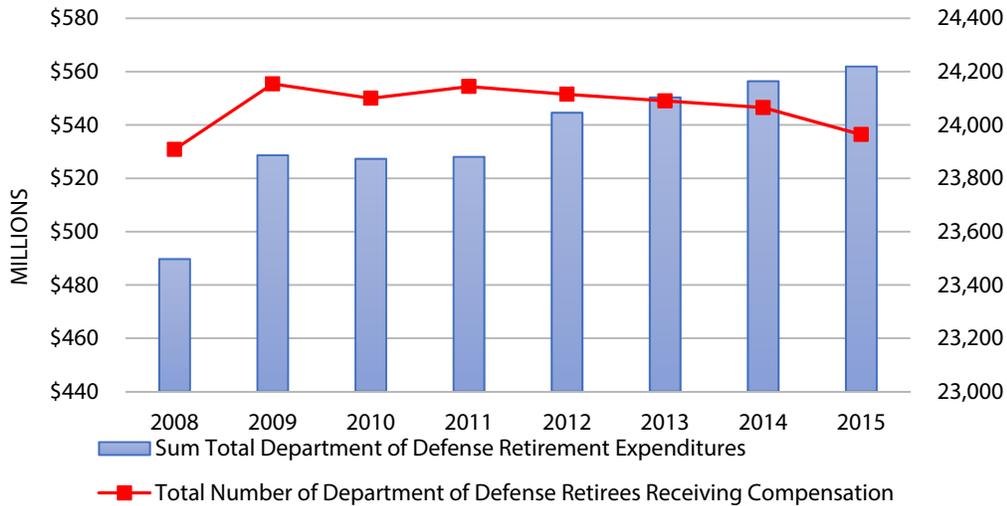
**Figure 3. Veterans Population and VA Expenditures, FY 2008 – 2015 State of Arkansas**

Source: US Department of Veterans Affairs



**Figure 4. Military Retirees Receiving DoD Pensions, FY 2008 – 2015 State of Arkansas**

Source: US Department of Defense, Office of the Actuary



The second transfer spending flow are military pension payments. Figure 4 provides statewide military retiree population and associated pension payments. The patterns are largely the same as those associated with VA expenditures although the totals and growth rates are somewhat smaller. Arkansas received just under \$490 million in expenditures from DoD retirement payments in FY 2008 rising to over \$560 million by FY 2015, while the military retiree population remained essentially flat.

With respect to transfer payments and their associated populations, understanding how the state performance compares to the nation is important. Tables 3 and 4 below provide this comparison for both veterans and military retirees. Beginning with Table 3, Arkansas’ veteran population has declined by .60% annually between FY 2008 and FY 2015 – barley outpacing the national trend at -.97%. Of important note, as is implicit in Figure 3, the per veteran expenditure in Arkansas has grown from just over \$5,000 in FY 2008 to nearly \$9,000 in FY 2015. Although the national per veteran expenditure has grown at a greater annual rate (9.87% compared to Arkansas’ 7.07%), Arkansas maintains a greater per veteran expenditure at a delta of just over \$1,000 per veteran.

**Table 3.**  
**Veterans Affairs Expenditures**

Population/Expenditure	FY 2008	FY 2015	CAGR <sup>4</sup>
Arkansas Vet Population	260,074	247,888	-0.60%
Per Vet Expenditure	\$5,077	\$8,770	7.07%
US Vet Population	23,333,968	21,578,655	-0.97%
Per Vet Expenditure	\$3,649	\$7,749	9.87%

Source: Department of Veterans Expenditures

Similar to the veteran population provided in Table 3, Table 4 provides this comparison for military retirees receiving DoD pensions. Unlike the downward trend facing the state's veteran population, Arkansas' military retiree population has remained essentially flat since FY 2008, while the national trend is up by .66%, annually. The state's growth rate of per retiree pension payments has lagged slightly behind the nation at 1.7% compared to nearly 2% nationally. The delta between the state and national per retiree pension payment of approximately \$2,600 is most likely due to the ratio of enlisted-to-officer demographic making-up each population.

**Table 4.**  
**Military Retiree Population and Pensions**

Population/Pensions	2008	2015	CAGR
State of Arkansas Population	23,919	23,969	0.03%
Per Retiree Expenditure (Pension)	\$20,482	\$23,444	1.70%
United States Population	1,880,871	1,982,184	0.66%
Per Retiree Expenditure (Pension)	\$22,760	\$26,656	1.99%

Source: Department of Defense, Office of the Actuary

Data provided in Tables 3 and 4 are important metrics to track as veterans and, specifically military retirees, tend to make-up a disproportionate share of the national, private-sector defense workforce. Any attempt to develop the private-sector defense economy, should consider, not only the federal dollars tied to veterans and military retirees, but also the impact this special population has on the ability for defense contractors to acquire the talent needed to expand their production. Better understanding of how the state can grow this segment of their workforce can pay dividends with developing statewide business attraction strategies.

<sup>4</sup> Compound annual growth rate.

## Total Direct Defense Expenditures.

Together, these sources of inputs account for all direct model entries that are utilized to estimate the size of the Arkansas defense economy and its influence on regional economies throughout the state. We offer, in Tables 5 (on the next page), an overview of how these impact estimates are likely to fall. With regard to all components—personnel, procurement, and transfer payments—it is little surprise that Pulaski County—home to Little Rock AFB and Camp Robinson—accounts for a significant portion of the direct impact totals in each.

When summed across columns, Pulaski County received approximately \$1.1 billion in direct defense expenditures during FY 2015. This equates to approximately 30% of the state's \$4 billion in total defense expenditures. Pulaski County alone accounted for more than 50% of the state's personnel expenditures, 20% of transfer payments, and over 17% of defense procurement contracts. Pulaski County is truly the epicenter of Arkansas's defense economy.

Outside of Pulaski County, the distribution of defense expenditures flattens somewhat. With respect to personnel expenditures, Jefferson and Sebastian counties—home to the Pine Bluff Arsenal and Ebbing ANGB and Fort Chaffee JMTC, respectively—received a combined \$92 million. Because Arkansas is a National Guard and Reserve heavy state, all counties received some level of personnel expenditures due to the broad distribution of residency patterns of these personnel. This distribution is primarily due to their part-time position with each organization; therefore, some counties that may not intuitively be consider personnel heavy, such as Garland County, yet still receive significant personnel compensation flows.

Procurement dollars flowing into the state tell a different story. Nearly 50% of the state's DoD procurement contracts were performed in Calhoun and Ouachita counties. Within these two counties, General Dynamic's—the state's largest defense contractor—accounted roughly \$175 million in contracts. Lockheed Martin, Aerojet Rocketdyne, and Spectra Technologies accounted for an additional \$50 million in contracts. Although counties that host installations—Pulaski, Sebastian, and Jefferson—performed over \$150 million in DoD contracts, over 70% of all contracts were performed outside of the installation gate, demonstrating the extent to which the entire state is impacts by private sector, DoD spending.



**Table 5.**  
**Top 20 Counties Ranked by Defense Expenditures**

Rank	Personnel Compensation, FY 2015		Procurement Contracts, FY 2015		Transfer Payments, FY 2015		Total Defense Expenditures, FY 2015	
	County	2015 Millions	County	2015 Millions	County	2015 Millions	County	2015 Millions
1	Pulaski	\$470	Calhoun	\$173	Pulaski	\$571	Pulaski	\$1,133
2	Jefferson	\$63	Pulaski	\$92	Washington	\$173	Washington	\$205
3	Garland	\$40	Ouachita	\$70	Benton	\$157	Benton	\$187
4	Sebastian	\$29	Jefferson	\$35	Lonoke	\$133	Calhoun	\$175
5	Benton	\$21	White	\$26	Garland	\$111	Jefferson	\$172
6	Washington	\$20	Sebastian	\$25	Faulkner	\$102	Garland	\$156
7	Faulkner	\$11	Prairie	\$20	Sebastian	\$100	Sebastian	\$154
8	Saline	\$10	Washington	\$11	Saline	\$92	Lonoke	\$139
9	Craighead	\$9	Saline	\$11	White	\$78	Faulkner	\$113
10	White	\$7	Benton	\$9	Jefferson	\$73	Saline	\$113
11	Lonoke	\$6	Columbia	\$8	Crawford	\$58	White	\$111
12	Crawford	\$5	Phillips	\$6	Craighead	\$53	Ouachita	\$94
13	Pope	\$5	Baxter	\$5	Baxter	\$48	Crawford	\$66
14	Crittenden	\$4	Garland	\$5	Pope	\$46	Craighead	\$63
15	Mississippi	\$4	Desha	\$4	Cleburne	\$38	Baxter	\$57
16	Greene	\$4	Crawford	\$3	Greene	\$36	Pope	\$54
17	Miller	\$4	Miller	\$3	Boone	\$34	Cleburne	\$42
18	Union	\$4	Cleburne	\$2	Crittenden	\$31	Greene	\$40
19	Baxter	\$4	Pope	\$2	Mississippi	\$30	Boone	\$38
20	Boone	\$3	Yell	\$2	Hot Springs	\$28	Crittenden	\$36

*Currency are Valued in Millions US Dollars*

Finally, transfer payments were most highly concentrated in the central part of the state – Pulaski, Lonoke, Faulkner, and Saline counties – accounting for nearly \$900 million, or 33% of defense-related transfer payments. However, other parts of the state such Washington and Benton counties in the Northwest region, accounted for nearly 12% of transfer payments. Although veterans and retirees tend to cluster near active duty installations, such as Little Rock AFB, the vast majority (nearly 70%) in Arkansas reside elsewhere. This means that nearly \$2 billion in transfers payments were distributed to regions other than Little Rock.

## Economic Impacts

**Table 6.**  
**The Defense Economy and the State of Arkansas**  
 Model: IMPLAN County-Level, Arkansas Version 3.1.1001.12

*Cells Representing Currency are Valued in US Dollars*

	Direct Effect	Indirect Effect	Induced Effect	Total Impact
<b>The Defense Economy</b>				
Employment	40,912	4,234	17,248	62,394
Output	\$3,920	\$590	\$2,117	\$6,627
Labor Income	\$2,163	\$171	\$651	\$2,986
Gross State Product	\$3,018	\$309	\$1,226	\$4,553
<b>Operations (Personnel)</b>				
Employment	13,657	-	5,914	19,571
Output	\$1,166	\$-	\$726	\$1,892
Labor Income	\$802	\$-	\$223	\$1,025
Gross State Product	\$1,166	\$-	\$421	\$1,586
<b>Procurement Impacts</b>				
Employment	2,653	1,003	1,190	4,846
Output	\$470	\$165	\$146	\$781
Labor Income	\$114	\$47	\$45	\$206
Gross State Product	\$171	\$84	\$85	\$340
<b>Transfers Impacts</b>				
Employment	24,602	3,232	10,144	37,978
Output	\$2,283	\$426	\$1,245	\$3,954
Labor Income	\$1,247	\$124	\$383	\$1,754
Gross State Product	\$1,681	\$225	\$721	\$2,626

**Direct Effects** – In this case, expenditures made by the DoD and VA in support of the defense economy. As a result of leakages in regional economies, a portion of direct expenditures is lost to surrounding states as a result of regional purchasing coefficients.

**Indirect Effects** - The impact of local industries buying goods and services from other local industries as a direct result of the initial expenditure (direct effect); otherwise known as second order effects.

**Induce Effects** - The response by an economy to an initial change (direct effect) that occurs through re-spending of income received by employees of businesses impacted by both direct and indirect spending.

We present the state-wide economic impact estimates for Arkansas in Table 6. The table includes estimates for the Defense Economy as whole, as well as its constituent spending components. We separate each component in order to understand the magnitude of each. The data are further parsed by direct, indirect, induced effects, as well by the total impact. Reading the table from left to right, the reader can see how each spending component ripples through the economy cumulating in a total economic impact.

The first series in the table, labeled “The Defense Economy” represents the total economic impact estimates. As the data show, the defense economy accounted for just under \$4 billion in output (or sales) across Arkansas and generated just over \$2.7 billion in indirect and induced sales for a total of just over \$6.6 billion in sales. These sales support over 62,000 Arkansas jobs, generates nearly \$3 billion in labor income, and impacts the state economy (gross state product) by \$4.5 billion.

Moving the down the table, operations (personnel) account for \$1.5 billion of gross state product with over 19,500 jobs and nearly \$1 billion in labor income. Procurement spending accounts for nearly \$340 million in gross state product, just under 5,000 jobs, and just over \$200 million in labor income. Finally, Arkansas’ largest segment of the defense economy is associated with transfer payments tied to veterans and military retirees. This segment accounts for nearly \$2.6 billion in gross state product, supports nearly 38,000 total jobs, and generates over \$1.7 billion in total labor income.

### Fiscal Impacts

As one might imagine, these transactions generate substantial revenues for state and local governments. The economic activity generated by defense spending impacts a broad array of state and local taxes. These taxes include social insurance (state pension contributions), business taxes (sales, property, motor vehicle license, severance, etc.), and personal tax (income, property, motor vehicle license, estate and gift, fines and fees, etc.). Table 7 (on the following page) presents these impacts for each category.

As a portion of the jobs supported by the defense economy are with state and local governments, a smaller portion of fiscal impacts generated come in the form of contributions to the state pension system – the Arkansas Public Employees Retirement System. Approximately \$7 million in pension contributions are generated through both employee and employer contributions. The largest contributor of fiscal impacts is the business tax component. In all, nearly \$192 million in business tax collections, with the vast majority being generated by sales tax (\$134 million) and commercial property tax (\$47 million). The remaining \$130 million in fiscal impacts are realized through personal taxes, mostly by way of income tax (\$100 million).

The sum of all tax revenue generated by the defense economy in FY 2015 is nearly \$330 million. With almost \$220 million coming from veterans and military retiree transfer payments, it is clear this spending flow is the true driver of the defense economy's tax revenue.

**Table 7.**  
**Statewide Fiscal Impacts Associated with Defense Spending, 2015**

Model: IMPLAN County-Level, Arkansas Version 3.1.1001.12

Tax Type	Operations	Procurement	Transfer Payments	Total
<b>Social Insurance Tax</b>	<b>\$2.53</b>	<b>\$0.43</b>	<b>\$4.06</b>	<b>\$7.02</b>
State Pension- Employee Contribution	\$0.86	\$0.15	\$1.38	\$2.38
State Pension- Employer Contribution	\$1.67	\$0.29	\$2.69	\$4.64
<b>Business Tax</b>	<b>\$32.92</b>	<b>\$18.59</b>	<b>\$140.24</b>	<b>\$191.76</b>
Sales Tax	\$23.04	\$13.01	\$98.15	\$134.20
Property Tax	\$8.11	\$4.58	\$34.55	\$47.24
Motor Vehicle License	\$0.27	\$0.15	\$1.14	\$1.56
Severance Tax	\$0.32	\$0.18	\$1.35	\$1.84
Other Taxes	\$1.07	\$0.61	\$4.57	\$6.25
S/L Non Taxes	\$0.11	\$0.06	\$0.49	\$0.67
<b>Personal Tax</b>	<b>\$45.21</b>	<b>\$9.68</b>	<b>\$74.85</b>	<b>\$129.74</b>
Income Tax	\$34.98	\$7.49	\$57.91	\$100.38
Estate and Gift Tax	\$0.00	\$0.00	\$0.00	\$0.00
Non Taxes (Fines- Fees	\$7.17	\$1.54	\$11.87	\$20.58
Motor Vehicle License	\$1.49	\$0.32	\$2.46	\$4.27
Property Taxes	\$0.44	\$0.09	\$0.72	\$1.25
Other Tax (Fish/Hunt)	\$1.14	\$0.24	\$1.88	\$3.26
<b>Total Tax Generated</b>	<b>\$80.66</b>	<b>\$28.70</b>	<b>\$219.15</b>	<b>\$328.52</b>

### Regional Impacts

Finally, in the section below we present a summary breakdown of the regional impacts aggregated at two regional levels – the Metropolitan Statistical Area (MSA) and the Arkansas Planning and Economic Development District region.<sup>5</sup> Table 8 (on the following page) provides summary impacts for each of the MSAs that hosts one or more of the state’s five military installations: Little Rock MSA (Little Rock AFB and Camp Robinson); Fort Smith MSA (Fort Chaffee JMTC and Ebbing ANGB); and, Pine Bluff MSA (Pine Bluff Arsenal). For each MSA, we parse the impacts associated with each spending flow.<sup>6</sup>



Beginning with the Little Rock MSA, defense spending supports approximately 26,500 jobs across the six-county region, \$1.3 billion in labor income, and \$1.9 billion in gross regional product. The two largest component of defense in the MSA are operations and transfer payments, with the two comprising nearly 97% of all impacts. Operations from Little Rock AFB, Camp Robinson, and those part-time guardsmen/reservist who live in the Little Rock MSA support approximately 12,300 jobs while generating nearly \$640 million in labor income and close to \$1 billion gross region product.<sup>7</sup>

The composition of impacts in the Fort Smith MSA are strikingly different than the mix of spending seen in Little Rock. Here, transfer payments drive approximately 70% of overall impact equating to just over 2,400 jobs, \$107 million in labor income and over \$161 million in gross regional product. The MSA is home to Fort Chaffee JMTC and Ebbing ANGB and those installations drive the lion’s share of the operational and procurement impacts throughout the region. Combined, they account for just over 1,000 jobs, and \$54 million in labor income, and \$82 million in gross regional product. In all, defense spending in the MSA supports nearly 3,500 jobs, \$160 million labor income, and generates over \$240 million in gross state product.

Finally, the Pine Bluff MSA is driven by the operational and procurement impacts derived primarily by the Pine Bluff Arsenal. Within the region these spending flows support over 1,300 jobs, nearly \$90 million in labor income, and just under \$130 million in gross regional impacts.<sup>8</sup> While transfer payments support roughly 50% of the jobs generated in the region, they make-up only 40% of the overall impact to gross regional product.

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<sup>5</sup> See Appendix A for a detailed listing of each region’s impacts. This appendix includes direct, indirect and induced effects as well as fiscal impacts – both at the MSA and Planning and Economic Development District level.

<sup>6</sup> The sum total of the MSA impact do not equal the state level impacts present in Table 8, as these three MSAs account for only 12 of the 75 counties in the state.

<sup>7</sup> Because personnel from both Little Rock AFB and Camp Robinson may reside outside of the MSA, additional impacts from the presence of these installation may link into the surrounding regions.

<sup>8</sup> As a function of the model, the operational impact may pick-up additional impacts tied to part-time guardsmen and reservist residing in the Pine Bluff MSA.

**Table 8.**  
**Regional Impacts of Defense Spending to**  
**Major Metropolitan Statistical Areas (MSA)**  
 Model: IMPLAN County-Level, Arkansas Version 3.1.1001.12

*Cells Representing Currency are Valued in US Dollars*

Spending Component	Jobs Supported	Economic Output	Labor Income	Gross Domestic Product
<b>Little Rock Metropolitan Area</b>				
<b>Counties: Faulkner, Grant, Lonoke, Perry, Pulaski, and Saline</b>				
Total Impacts	26,562	\$2,736	\$1,294	\$1,981
<i>Operational Impacts</i>	12,314	\$1,182	\$640	\$992
<i>Procurement Impacts</i>	1,284	\$210	\$56	\$94
<i>Transfers Impacts</i>	12,964	\$1,344	\$599	\$895
<b>Fort Smith Metropolitan Area</b>				
<b>Counties: Crawford, Franklin, and Sebastian</b>				
Total Impacts	3,460	\$355	\$160	\$243
<i>Operational Impacts</i>	830	\$84	\$46	\$70
<i>Procurement Impacts</i>	187	\$22	\$8	\$12
<i>Transfers Impacts</i>	2,443	\$249	\$107	\$161
<b>Pine Bluff Metropolitan Area</b>				
<b>Counties: Cleveland, Jefferson, and Lincoln</b>				
Total Impacts	2,532	\$289	\$145	\$214
<i>Operational Impacts</i>	1,218	\$146	\$83	\$122
<i>Procurement Impacts</i>	101	\$15	\$4	\$6
<i>Transfers Impacts</i>	1,212	\$128	\$58	\$86

In Table 9, on the following page, we present the impacts at the Planning and Economic Development District level. These regions capture the entirety of the state and will sum to the state totals presented in Table 6. To assist the reader, regions are in order of impact magnitude from greatest to least. As the data indicate, approximately 40% of the impacts (across all measures) are concentrated in the Central Arkansas Planning district. This is due to the high concentration of both personnel (either fulltime personnel assigned to Little Rock AFB or guardsmen/reservist residing in-region) and veterans/military retirees receiving transfer payment residing in the region. In all, defense spending in the Central Arkansas region supports nearly 26,000 jobs, \$1.2 billion in labor income, and generates nearly \$2 billion in gross regional product.

**Table 9.**  
**Regional Impacts to Arkansas Economic and Planning Development Districts**

*Cells Representing Currency are Valued in US Dollars*

Spending Component	Jobs Supported	Economic Output	Labor Income	Gross Regional Product
<b>Central Arkansas Planning Development District Counties: Faulkner, Pulaski, Saline, Lonoke, Prairie, and Monroe</b>				
Total Impacts	25,965	\$2,669	\$1,270	\$1,944
<i>Operational Impacts</i>	12,284	\$1,180	\$638	\$989
<i>Procurement Impacts</i>	881	\$162	\$39	\$70
<i>Transfers Impacts</i>	12,800	\$1,328	\$592	\$885
<b>Northwest Arkansas Economic Development District Counties: Benton, Carroll, Boone, Marion, Baxter, Washington, Madison, Newton, and Searcy</b>				
Total Impacts	8,640	\$886	\$401	\$608
<i>Operational Impacts</i>	1,521	\$134	\$71	\$112
<i>Procurement Impacts</i>	378	\$43	\$13	\$21
<i>Transfers Impacts</i>	6,740	\$710	\$318	\$475
<b>West Central Arkansas Planning Development District Counties: Johnson, Pope, Conway, Yell, Perry, Montgomery, Garland, Hot Spring, and Clark</b>				
Total Impacts	5,414	\$567	\$263	\$396
<i>Operational Impacts</i>	1,298	\$137	\$75	\$114
<i>Procurement Impacts</i>	119	\$14	\$4	\$7
<i>Transfers Impacts</i>	3,996	\$416	\$183	\$275
<b>Southwest Arkansas Planning Development District Counties: Union, Calhoun, Dallas, Ouachita, Nevada, Columbia, Lafayette, Miller, and Hempstead</b>				
Total Impacts	5,060	\$696	\$228	\$361
<i>Operational Impacts</i>	542	\$48	\$25	\$40
<i>Procurement Impacts</i>	2,557	\$443	\$112	\$183
<i>Transfers Impacts</i>	1,961	\$205	\$92	\$137

**Table 9.**  
**Regional Impacts to Arkansas Economic and  
 Planning Development Districts**

*Cells Representing Currency are Valued in US Dollars*

Spending Component	Jobs Supported	Economic Output	Labor Income	Gross Regional Product
<b>Southeast Arkansas Economic Development District Counties: Grant, Jefferson, Arkansas, Desha, Chicot, Ashely, Drew, Bradley, Cleveland, and Lincoln</b>				
Total Impacts	4,446	\$496	\$233	\$349
<i>Operational Impacts</i>	1,483	\$169	\$95	\$141
<i>Procurement Impacts</i>	631	\$80	\$27	\$41
<i>Transfers Impacts</i>	2,333	\$246	\$111	\$167
<b>Western Arkansas Planning Development District Counties: Crawford, Franklin, Logan, Sebastian, Scott, and Polk</b>				
Total Impacts	4,357	\$446	\$201	\$305
<i>Operational Impacts</i>	957	\$95	\$52	\$79
<i>Procurement Impacts</i>	191	\$23	\$8	\$12
<i>Transfers Impacts</i>	3,209	\$328	\$142	\$213
<b>East Arkansas Planning Development District Counties: Randolph, Clay, Greene, Craighead, Poinsett, Cross, St. Francis, Lee, Phillips, and Mississippi</b>				
Total Impacts	4,311	\$440	\$198	\$301
<i>Operational Impacts</i>	885	\$78	\$41	\$65
<i>Procurement Impacts</i>	52	\$13	\$2	\$4
<i>Transfers Impacts</i>	3,373	\$349	\$154	\$231
<b>White River Planning Development District Counties: Fulton, Izard, Stone, Van Buren, Cleburne, Sharp, Independence, White, Lawrence, Jackson, and Crittenden</b>				
Total Impacts	4,202	\$426	\$191	\$290
<i>Operational Impacts</i>	600	\$53	\$28	\$44
<i>Procurement Impacts</i>	37	\$3	\$1	\$2
<i>Transfers Impacts</i>	3,566	\$370	\$162	\$244

The Northwest Arkansas region receives the second greatest impact from defense spending in-state. Here, defense spending supports over 8,500 jobs, \$400 million in labor income, and nearly \$610 million in gross regional product. However, unlike Central Arkansas, these impacts are driven primarily by transfer payments which made-up nearly 80% of the region impacts. In total, this region receives approximately 15% of total statewide impacts.

The remaining 45% of statewide impact are distributed fairly evenly across the remaining six regions. This is due in large part to the relatively equal distribution of veterans and retirees living throughout these regions, which drives similar impacts from transfer payments throughout. However, the Southwest and Southeast regions tell a slightly different story. While their total impacts are approximately the same at roughly 5,000 jobs supported in each, the components driving these impacts are different. Whereas West Central Arkansas, Western Arkansas, East Arkansas, and the White River regions are fundamentally driven by transfer payments, Southwest and Southeast Arkansas are driven by procurement spending and operational spending, respectively.

As mentioned previously, nearly 50% of the entire state's DoD procurement contracts were performed in the Southwest Arkansas region – specifically Calhoun and Ouachita counties. The region is home to General Dynamics who performed more than \$175 million in DoD munitions contracts, as well as other notable contractors in the aerospace and technology industries - Lockheed Martin, Aerojet Rocketdyne, and Spectra Technologies. The procumbent spending in this region accounts for roughly half of the 5,000 jobs and \$360 million in gross regional product generated by defense spending in the region.

Finally, the Southwest Arkansas region paints a slightly different picture with a larger portion of impacts coming from the operations of the Pine Bluff Arsenal. Nearly 1,500 jobs are supported in the region by the Arsenal and another 600 by procurement spending – much of which can also be attributed to the Arsenal. The remaining impacts in the region are a direct result of transfer payments. In all, the region generates 4,500 jobs, \$233 million in labor income, and \$350 million in gross regional product from defense expenditures flowing into the region.

**Table 10.**  
**The Defense Establishment and the Arkansas Economy, 2015**  
 Model: IMPLAN County-Level, Arkansas Version 3.1.1001.12

Spending Component	Defense Economy	Arkansas Economy	% of Arkansas Economy
<b>Economic Impacts (Direct, Indirect and Induced Effects)</b>			
Jobs Supported	62,400	\$1.6 Million	3.9%
Labor Income	\$3 Billion	\$115 Billion	2.6%
Gross State Product	\$4.5 Billion	\$125 Billion	3.6%
<b>Fiscal Impacts (Tax Revenue Generated)</b>			
Tax Revenue	\$330 Mil	\$7.6 Billion	4.3%

### Economic Justification for BRAC Preparedness

The defense economy provides very real and noticeable economic impacts to the Arkansas economy. As presented in Table 10 (on previous page), in relation to the broader state economy, the defense economy supports nearly 4% of the state’s total jobs, 2.5% of the overall income generated, and over 3.5% of the state’s gross state product. From a fiscal impact standpoint, the defense economy generates nearly 4.5% of the state’s general tax revenue collections. However, defense spending is function of congressional approval and military necessity. As demands on our military change, so too do the mission requirements that drive nearly 40% of the state’s defense economy. As was mentioned at the onset of this report, previous rounds of BRAC have allowed the military to reassess its installations and determine how best to move and/or eliminate certain missions throughout the nation. With respect to the economic impacts tied to these movements, as is outlined above, the state stands to lose significant dollars (i.e. jobs) if it is not prepositioned to be a net-winner in the next round of BRAC.

### Base Realignment and Closure

#### BRAC History in Arkansas

Overall, the State of Arkansas fared fairly well in BRAC 2005 with a net gain of almost 3,600 positions. The great majority of that increase was attributed to the DoD’s decision to restructure the C-130 fleet by consolidating aircraft at Little Rock AFB to create a single major active duty C-130 unit. BRAC 2005 also increased the number of C-130 aircraft at the 189th Airlift Wing (ANG), Little Rock AFB by relocating C130-H aircraft from both 152nd Airlift Wing, Reno-Tahoe, Nevada and the 109th Airlift Wing, Schenectady, New York. The resultant larger unit at Little Rock AFB would also create

the opportunity for an association between active duty and the Air National Guard, optimizing aircraft utilization creating a larger, more effective squadron.

Other BRAC 2005 actions included closure of El Dorado Armed Forces Reserve Center and Stone U.S. Army Reserve Center, Pine Bluff. Camp Pike was realigned as Camp Pike Army Reserve Center, Headquarters 90th Regional Readiness Command and gained approximately 177 people. These recommendations were part of the Army's overall transformation of Reserve Component facilities and command and control structure throughout the southeast region of the United States.



BRAC 2005 also directed Ebbing ANGB distribute the 15 F-16 aircraft assigned to the 188th Fighter Wing (ANG) and convert to A-10 aircraft. This was a hard fought victory of sorts for the State of Arkansas. BRAC 2005 initially recommended the inactivation of the 188th Fighter Wing and closure of Ebbing ANGB. The BRAC Commission changed the decision after a great fight by Arkansas' leaders and decided to give it a new mission. The unit still lost its F-16s but received eighteen A-10 Thunderbolt II ground attack aircraft. One of the deciding factors was Ebbing ANGB's location near Fort Chaffee, a former National Guard training post.

Earlier rounds of BRAC were significantly more harmful to Arkansas. Eaker Air Force Base was located three miles northwest of central Blytheville, Arkansas and was closed during BRAC 1991. Mississippi County saw its unemployment rise by 5 percent the year after the base closed and the local population dropped by more than 5,000. The closure was a significant and harmful hit to the communities of Blytheville and Gosnell, and it has taken years to recover. The U.S. Government Accountability Office Report 05-614 on Military Base Closures, released May 3, 2005, indicated civilian jobs lost compared to gain since the base closed was 66%. It further indicated that this community was one of four nationwide to have unemployment in the double digits – at 13% as of July 2004...twelve years after the base closed. The August 2016 unemployment figures for Mississippi County, as published by the U.S. Bureau of Labor and Statistics, were 7.2%, not adjusted for seasonal factors.

The former Eaker Air Force Base now operates the Arkansas Aeroplex with five areas dedicated to business development. The five areas include The Office Park, Distribution Center, Aviation Park, Industrial Park, and Arkansas International Airport. The airport hosts the largest runway in the State of Arkansas with airspace that is unrestricted and non-congested and with access to delivery by truck, rail or river. The Aeroplex also provides potential tenants with 1.5 million total square-foot of building space, 2.5 million square-foot of concrete ramp space, 3,771 total acres, and a 1.8 million gallon above-ground fuel farm.

Fort Chaffee JMTC, a former site of a Joint Readiness Training Center, was closed following the 1995 BRAC round. Since that time, the Arkansas National Guard has been using 66,000 acres as a training facility. The State of Arkansas received 6,000 acres, about half of which have been redeveloped as of 2014.

### Outlook for the Next BRAC

The purpose of the BRAC process is to enable the DoD to realize efficiencies by closing and realigning infrastructure and people consistent with the National Defense Strategy. The BRAC process is guided by the Defense Base Closure and Realignment Act of 1990 as amended through the Fiscal Year 2005 National Defense Authorization Act (NDAA). Implementation and savings or “payback” are required to occur within six years.

The DoD has completed five BRAC rounds in the past 30 years:

- ▶ 1988 - 16 major closures
- ▶ 1991 - 26 major closures
- ▶ 1993 - 28 major closures
- ▶ 1995 - 27 major closures
- ▶ 2005 - 33 major closures

A total of more than 350 installations have been closed in the first five BRAC rounds saving approximately \$14 billion per year. Over that same period, the DoD realigned 55 major bases and closed or realigned an additional 234 minor installations.

In the final report submitted to the President by the 2005 BRAC Commission, it recommended that the next round of BRAC begin in 2015 with future rounds of BRAC every 8 to 12 years, immediately following a Quadrennial Defense Review (QDR).

As a result of the Budget Control Act of 2011 and sequestration, the Pentagon slashed almost \$1 trillion in spending as it scales down its force structure to accommodate the stringent spending caps imposed to reduce the national deficit. Budget cuts have fallen particularly hard on installations, delaying routine maintenance, renovation and modernization, as well as quality-of-life services for personnel and their families.

One of the ways the DoD wants to realize savings is to conduct another BRAC round. The Department again requested a new BRAC in the Fiscal Year 2017 President’s Budget Request to Congress - the fifth consecutive year DoD has requested a new BRAC round.

The DoD justification for a new BRAC round is based on analyses of excess capacity. Last year Congress required a capacity analysis as part of the 2016 National Defense Authorization Act. This required the DoD to submit an updated capacity analysis that would presumably assist the DoD to justify a new BRAC round. In March 2016, the DoD released its study which claims 22% overall excess capacity with the Army



having 33% excess capacity, Air Force 32% excess capacity and Navy 7% excess capacity<sup>9</sup>. The report further indicated Army arsenals having 36% excess capacity (an issue warranting concern for Pine Bluff Arsenal), 53% excess training space for Army Reserves, and Air Force stating 36% excess ramp capacity for large aircraft. Given these results, the DoD will certainly continue to request authorization for a round of BRAC in the next budget cycle if not approved by the outgoing 214<sup>th</sup> Congress.

To date, Congress has rejected a BRAC request based on two factors: 1) the 2005 BRAC round was too costly and 2) the current uncertainty regarding the force structure levels needed to address an emerging array of threats to our Nation's security. Despite these concerns, support in Congress is growing for a BRAC round, based in part on an expanding number of defense communities who are telling their congressional delegations that BRAC offers more opportunities than threats for their bases. In a constrained fiscal environment where sequestered defense budgets have reduced the number of military personnel and systems operating on the base, BRAC offers a chance for bases with high military value to be used more efficiently and effectively.

A new Administration and Congress will give the request for a BRAC round a new look and consideration. We believe that Congress may be poised to authorize a round next year in the NDAA for Fiscal Year 2018 to allow the DoD to conduct a closure round in 2021. The criteria used to evaluate each military facility for closure or realignment has changed little since BRAC 1988, but there is growing interest by communities, the DoD, and even Congress, in updating the law and preventing a repeat of the BRAC 2005 round, which was seen as too expensive and not successful at closing installations. Therefore, we also believe that the authorization may contain statutory changes that will make the next round fundamentally different from the BRAC in 2005, focusing on substantial infrastructure reductions and cost savings as opposed to transformation of the military which was the hallmark of the 2005 round.

The current budget environment demands a new round of BRAC that must be focused on efficiencies and savings. During last year's Association of Defense Communities National Summit, a poll was taken and more than 92% of the defense communities preferred a BRAC to the status quo.

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<sup>9</sup> Defense, D. o. (2016, March). DoD Infrastructure Capacity . *DoD Infrastructure Capacity*. Washington, DC: DoD.

## DoD Published Criteria for BRAC 2005

In selecting military installations for closure or realignment, the DoD, prioritizing military value, will consider:

### *Military Value*

1. The current and future mission capabilities and the impact on operations readiness of the total force of the DoD, include the impact on joint warfighting, training, and readiness;
2. The availability and condition of land, facilities, and associated airspace (including training areas suitable for maneuver by ground, naval, or air forces throughout a diversity of climate and terrain areas and staging areas for the use of the Armed Forces in homeland defense missions) at both existing and potential receiving locations;
3. The ability to accommodate contingency, mobilization, surge, and future total force requirements at both existing and potential receiving locations to support operations and training; and
4. The cost of operations and the manpower implications.

### *Other Considerations*

1. The extent and timing of potential costs and savings, including the number of years, beginning with the date of completion of the closure or realignment, for the savings to exceed the costs;
2. The economic impact on existing communities in the vicinity of military installations;
3. The ability of the infrastructure of both the existing and potential receiving communities to support forces, missions, and personnel; and
4. The environmental impact, including the impact of costs related to potential environmental restoration, waste management, and environmental compliance activities.

### *The Process*

Below is an outline of the BRAC process; however, Congress may revise its own rules and procedures for any given BRAC round.

The Pentagon examines its forces and installations and compiles a list of recommended BRAC actions. An independent BRAC commission selected by both the Administration and Congress reviews the list, undertakes site visits, solicits stakeholder input and recommends a final BRAC list to the President. The President then reviews the list and transmits it to Congress. If Congress does not approve of the list, it must pass a resolution to reject it as a whole and sustain it over a presidential veto, should the President choose to veto the congressional resolution. If Congress takes no action, the list is enacted automatically.

### The Way Ahead

Though Congress has not authorized another round of BRAC, there has been significant discussion about the need for a reduction of DoD footprint and consolidation. The Pentagon has affirmed that the next BRAC will focus on closing rather than realigning military facilities. Furthermore, cost savings will be given more importance especially since the primary objective and justification for requesting BRAC authority is to reduce excess infrastructure and the O&M costs associated with maintaining that excess infrastructure. In the same context, seeking maximum cost savings by optimizing the use of all DoD assets through “Joint Operations and Training” will be more closely scrutinized than in previous BRACs. States like Arkansas that have done their homework will have increased the military value of their ranges and installations through increased partnerships between the Total Force, academia and industry.

# Recommendations



Please see the next page.

## Recommendations

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We recommend 17 pursuits where the Military Affairs Steering Committee and the AEDC along with other state-level stakeholders can lead the installations and communities to work together and focus on keeping Arkansas on the leading edge. These areas will help protect current assets and attract new missions.

### **Pursue new missions across the state to include Battlefield Airman training at Little Rock AFB, Launch and Recovery Element for MQ-9 operations at Ebbing ANGB, and Joint Logistics Distribution for Chemical and Biological Defense at Pine Bluff Arsenal**

The DoD will continue to face fiscal pressure in the coming years. Combining this reality with a potential new BRAC round will mean significant risk for states and their installations. The best way to prepare for these types of challenges is to ready Arkansas installations to accept new missions, either as part of realignment under BRAC or during the organic growth and distribution of new missions across the DoD. Arkansas has three missions they should pursue immediately: Battlefield Airman training at Little Rock AFB, Launch and Recovery Element (LRE) for MQ-9 operations at Ebbing ANGB, and Joint Logistics Distribution for Chemical and Biological Defense at Pine Bluff Arsenal.

#### ***Battlefield Airman training at Little Rock AFB***

The Air Force's Battlefield Airmen are comprised of conventional and special operations ground forces, such as combat controllers, para-rescue men, special operations weathermen and tactical air control party airmen. They currently undergo training in multiple locations, often creating gaps in their pipeline of new accessions by weeks at a time. A review by the department concluded that grouping training at consolidated locations may lead to improvements and synergies in the current training processes. Amongst seven other locations, Little Rock AFB was cited a one candidate location for the consolidated training.

The basing process for consolidated Battlefield Airman training will study a full range of operational and infrastructure requirements. The detailed, on-the-ground evaluations will involve data collection by the Air Force to determine the impacts and requirements for consolidated training. The state should create a dedicated team responsible for ensuring that all requests for information and other needs for the site survey are met. An advocacy strategy will ensure a consistent message and generate public, expert and governmental support for Little Rock AFB as a preferred location for Battlefield Airmen training. As the Air Force conducts site surveys, the community team should generate strong turnout for public events and ensure the well-attended

town halls express strong support from federal, state and local leaders and the community.

These proactive efforts will ensure a unified support to consolidate one of the Air Force's most elite mission to Arkansas. Demonstrating the capacity at the installation will enable the Air Force to create a more efficient and in turn effective training for their quiet professionals.

### ***Launch and Recovery Element (LRE) for MQ-9 operations at Ebbing ANGB***

With no aircraft stationed at Ebbing ANGB, there is excess capacity to be leveraged. The Arkansas National Guard's mission to fly remotely piloted aircraft would be significantly enhanced by having an LRE to accompany their current MQ-9 mission. In addition to allowing MQ-9 aircrews additional opportunities to maintain and hone their flying skills, having the same parent unit provide both an LRE and mission control element (MCE) for operational missions would be a first-of-its-kind opportunity. Bringing manned Intelligence, Surveillance and Reconnaissance (ISR) to Ebbing ANGB would also add to the Governor's domestic response capabilities by supporting incident awareness assessments. This initiative would also be a significant factor in recruiting efforts for the state as remotely piloted aircraft (RPA) operations are a big draw for young, tech-savvy Airmen.

### ***Joint Logistics Distribution for Chemical and Biological Defense at Pine Bluff Arsenal***

An impressive 85,000 Arkansans are employed in the distribution and logistics industry. There are 46 colleges and universities across the state, with degrees in supply chain management offered at both University of Arkansas and Arkansas State University. When you combine these facts with the advantages of railways, waterways, highways, and general location, Arkansas has the opportunity to capitalize on an opportunity that joints multiple Arkansas strengths together. A new Joint Logistics Distribution for Chemical and Biological Defense at Pine Bluff Arsenal would consolidate sustainment functions for a DoD Joint Program Executive Office while enhancing product support for life cycle management of critical warfighter equipment.

This would enable a distribution center for chemical defense equipment at the Arsenal, providing indoor/outdoor storage, equipment inspection, maintenance & repair capability, and enterprise resource planning and materials equipment planning interface. In addition, creating a partnership between U.S. Army Pine Bluff Arsenal and the University of Arkansas could leverage logistics expertise for both concept development and requirements definition. Ultimately, this joint operation would enable rapid deployment of military hardware to global destinations via the Arkansas surface transportation network or the Little Rock AFB/commercial airport regional air opportunities.

## Capitalize on expanded National Guard training opportunities and the Emergency Management operations at Camp Robinson; promote Fort Chaffee JMTC as a premier training location for active, guard and special operations missions

### *Camp Robinson*

The Lavern E. Weber Professional Education Center (PEC), located at Camp Robinson is the national training center for the Army National Guard, providing instruction to over 20,000 members of the military force annually. The PEC has been a full service training and conferencing facility since 1974. Arkansas has the opportunity to leverage their national leadership position in training at the PEC's six Training Centers.

- ▶ Human Resource & Readiness Center (HRRTC)
- ▶ Installations, Logistics and Environmental Training Center (IL&ETC)
- ▶ Information Technology Training Center (ITTC)
- ▶ Organizational Readiness Training Center (ORTC)
- ▶ Resource Management Training Center (RMTC)
- ▶ Strength Maintenance Training Center (SMTC)

The PEC also hosts over 5,000 conferees annually from the National Guard, Army Reserve, Active Army, DoD, state and federal agencies. The PEC is also on the leading edge of providing Distributed Learning Courses to all members of the National Guard. Additionally, the PEC collaborates with other schoolhouses and agencies to leverage the full spectrum of media and training delivery. Through these efforts, satellite facilities at the schoolhouse are able to provide the vehicle for training delivery throughout the world.

The PEC vision is to "Be the National Guard's recognized leader for challenging, agile, innovative and adaptive training and education in a contemporary operational environment. "Readiness Starts Here," now and in the future."

Arkansas should take a leading role in maximizing the opportunities for growth of this tremendous asset.

In addition, the Arkansas Department of Emergency Management (ADEM) maintains the State's Emergency Operations Center (SEOC) on Camp Robinson. In support of local jurisdictions, ADEM provides training in areas of emergency management, terrorism preparedness, hazardous materials, and weapons of mass destruction. Promoting this capability to local emergency managers and first responders, city and county government officials, representatives of volunteer organizations, and others in the private sector interested in emergency management will increase the training throughput at the ADEM as well as bolster the state's preparedness.

This premier SEOC along with its robust training programs gives Arkansas additional opportunities to lead the region as a central training site. Standards set by DHS ensure all state and local jurisdictions adhere to National Incident Management System (NIMS) training. Curriculums from state to state maintain the integrity and standards of the NIMS system and therefore applicable even while crossing stateliness. Arkansas should lead training for FEMA Region 7 as well as other neighboring states.

### ***Fort Chaffee JMTC***

Fort Chaffee JMTC is a premier training installation with nearly 65,000 acres capable of supporting training up to the Brigade level and the capacity to surge up to 4,200 customers. Not only does Fort Chaffee have excess capacity but it also provides unique capabilities that are not found elsewhere. In 2011, Fort Chaffee was designated as a Regional Collective Training Facility for live fire. It is also one of two installations with DoD property on both sides of a major river which provides the largest river crossing in the Department of Army.

There are six Maneuver Training Centers (MTC) in the Army – MTC Chaffee, MTC Leavenworth, MTC Dodge, MTC Atterbury, and MTC Gowen and MTC Fort Indiantown Gap. Further understanding what each of these six MTCS provides to the Department of Army and identifying training facility gaps as part of the Army's new training strategy, "Sustainable Readiness" and "Objective T" will enable Arkansas to promote Fort Chaffee to potential customers as a cost effective and valuable training resource for the Army Total Force. While Fort Chaffee JMTC has current partnerships with the U.S. Weather Service and U.S. Coast Guard, it still has tremendous capacity to expand and attract additional customers to train on this premier facility. Ultimately, a deliberate campaign plan should be developed to attract new customers and include insight from lessons learned by other former active-duty Army bases.

### **Analyze a high-level partnership opportunity between DoD and the state to map out a long-term redevelopment program for Pine Bluff Arsenal**

The AEDC should consider utilizing the Army Community Partnership Program to explore public-public, public-private (P4) partnerships focusing on real and ground-breaking re-use opportunities for Pine Bluff Arsenal. There is inherent risk to Pine Bluff Arsenal from the loss of the chemical weapons de-militarization mission at the arsenal. A typical Army Community Partnership Program tends to focus on relatively low risk and generally minor cost savings initiatives, from library and pharmacy services, to dog training, and shooting range agreements. Creating a joint Army-Community Partnership Program could set in-place a medium to explore a Whole of Government approach to utilize a portion of Pine Bluff Arsenal in an entirely new mission set, possibly the Joint Logistics Distribution for Chemical and Biological Defense referenced in an earlier recommendation. The combined State of Arkansas, Congressional Delegation, and Army attention could generate new ideas to gain

momentum, to gain advocates, and potentially funding key accomplishments, should Pine Bluff Arsenal be scrutinized by the Army and Joint Cross Service Teams during the typically tight BRAC analysis phase.

### **Invest state resources to enhance military installations**

The Budget Control Act of 2011 (BCA) has resulted in almost a \$1 trillion decline in spending by the DoD to accommodate rigid spending caps levied to reduce the national deficit. Unless Congress repeals the BCA, the defense and homeland security budgets will continue to be constricted. To mitigate risk of Arkansas' military installations being targeted in any future BRAC action, the state should consider investing resources focused on growth and improvement of its military installations.

Precedence has been set by states like Massachusetts, Connecticut, Texas, and Florida making investments to assist installations or regions to advance existing or growth missions. Connecticut has invested nearly \$14 million for infrastructure improvements and facility construction. In Texas, \$30 million in grants were awarded for land acquisition, building renovations, and improving water supply. The Florida Defense Task Force has been strengthening their bases ahead of a possible BRAC by providing over \$7 million promoting economic diversification, acquiring land to prevent encroachments, and improving transportation.

Long-term partnerships with the DoD to enhance Arkansas' defense and homeland security missions will result from committed funding. A state level military bond bills can be used to support defense missions and installations by investing in those assets and opportunities that increase the military value of a base. Additionally, creative partnerships among state, local and federal governments and the private sector will insulate military installations and defense and homeland security missions from federal budget constraints. A program that consolidates the requirements and opportunities to leverage state funding strengthen and protect the assets in Arkansas as well as create prospective growth in missions.

### **Assess near peer installations and missions to become competitive to attract growth in Arkansas**

Arkansas synergizes ISR, RPA, and targeting capabilities while being home to restricted airspace used for training in the United States. Together, these create a premier location to beddown an RPA launch and recovery element to combined ISR operations. The variety of permits in place coupled with available building capacity would enable additional production at Pine Bluff Arsenal. Ample SCIF sensitive compartmented information facility space can accommodate expanded cyber training and operations.

This Impact Analysis observed the capacity for growth and new missions within Arkansas. These areas were highlighted during our site assessments to installations and our discussions with AEDC stakeholders. Additionally, the surveys collected from

various units outlined areas to strengthen current operations and attract new missions. The growing requirements by combatant commanders for cyber operations and RPA assets will create competition between installations and states to establish these missions. By assessing these contenders, Arkansas can emphasize its candidacy as the preferred location for growing missions.

### **Leverage band-width available at Ebbing ANGB**

With the new ISR missions added to Ebbing ANGB, the installation now has a bandwidth of 9.6 GBps. This creates a unique opportunity for the installation to expand into other data-intensive markets associated with their new mission. For instance, this may create opportunities to partner with Silicon Valley or the greater logistics industry. Additionally, we understand the Army has invested in a new fiber optic buildout from Fort Smith to Fort Polk. It will be important for Arkansas to fully understand the implications for mission growth as a result of this investment.

### **Support AEDC with a persistent D.C.-based legislative campaign including an annual Congressional legislative plan with the Arkansas Congressional staff and professional congressional Defense Committees, a specific National Guard advocacy plan, a plan to protect Pine Bluff Arsenal's unique production assets from international alternatives, and specific installation-wide advocacy campaigns**

We strongly recommend AEDC institutionalize a persistent DC-based legislative campaign and associated plan in support of Arkansas's military installations. An annual and organized legislative campaign works by adding disciplines and instilling a "battle rhythm" to the yearly legislative activity. A campaign encourages the involvement of all relevant stakeholders, focusing and organizing them each year to take into account statewide military needs, coalescing around an approved and statewide Congressional strategy, and producing a deliverable to track actions and success. An effective strategy involves Arkansas's entire Congressional Delegation, the Governor, Lieutenant Governor, Adjutant General, and input from each of the state's defense communities.

During our July 7<sup>th</sup> meeting with AEDC and Lieutenant Governor Tim Griffin, who not only served in Congress, but also on the House Armed Services Committee, the Lieutenant Governor emphasized the need for persistent outreach, with follow-up, action, and execution. We agree and understand any Congressional defense request requires management, advocacy, justification, and the potential support from not only the Arkansas's Delegation, but from a broad coalition of Congressional delegations, as well as, support from the relevant Congressional defense authorization and appropriations committees, and their relevant professional staff.

In addition to the above referenced effort, it is important to note this advocacy effort should also include a specific National Guard advocacy plan as the Guard has their own unique set of opportunities to shape policy and decisions.

Finally, advocacy efforts for Arkansas should not be limited to a DC-based campaign. A future advocacy partner should help the state develop specific installation-wide advocacy campaigns focused on key issues and new missions. Examples of this be plans to protect Pine Bluff Arsenal’s unique production assets from international alternatives, a sustainment plan for Pine Bluff Arsenal, and a plan to add additional C-130 force structure at Little Rock AFB.

## **Conduct a regional Joint Land Use Study and establish statewide “Red-Yellow-Green” mapping to ensure compatible development within the state**

### ***Regional Joint Land Use Study (JLUS)***

A JLUS provides cooperative land use planning as a joint venture between the military installation, surrounding community, state and federal agencies, and other affected stakeholders. A JLUS aims to reduce potential conflicts between a military installation and surrounding areas while accommodating new growth and economic development, sustaining economic vitality, and protecting the general public’s health and safety, without compromising the operational missions of the installation. The study results in a series of recommendations and strategies to promote compatible land use planning around the base and surrounding communities.

A statewide (or regional) JLUS will address common issues and promote a unified approach to compatibility. This enables Arkansas to maximize state and local resources to assist in coordinating the efforts of the numerous local governmental units responsible for implementation activities. The overall goal will be to promote a more effective and efficient process to carry out statewide initiatives and JLUS recommendations. The major end product should be a Regional JLUS Implementation Strategy (RJIS) that the AEDC (and other designated offices) can use to identify and communicate issues, make recommendations for improvements or enhancements and prioritize scarce resources. Successful resolution of compatibility issues sets the stage for viable, long-term military sustainment and growth.

### ***Statewide “Red-Yellow-Green” mapping***

The primary purpose of a Red-Yellow-Green assessment is to identify areas within a state where various types of military operations occur so that they can be protected or monitored to reduce the current and future development of incompatible uses. Military protection areas reflect the sum of military operational areas, i.e. installations, ranges, special use airspaces (restricted airspace, military operating areas, alert areas, and warning areas) and military training routes, throughout the state. These areas are where military operations can influence or impact the civilian community and where development or incompatible uses can impact military operations.

Arkansas can benefit from developing a unified Red-Yellow-Green map as a strategy for addressing and communicating statewide issues related to vertical obstruction, alternative energy, and manmade structures. This map can be used as a tool to guide policy development and assist with making land use decisions going forward.

### **Analyze the potential for and the advantages of privatizing energy at Pine Bluff Arsenal**

Generally speaking, unless a military installation has a war-fighting requirement to maintain its own utility systems (typically includes gas lines, electrical distribution networks, and water and sewer systems), privatizing utility system should be considered. Based on our visit and discussions with personnel from Pine Bluff Arsenal, we understand at least three systems (electrical distribution, water, and sewer) are still organically operated by the Department of Army, while the gas system is in the final stages of the privatization process. Further, we understand it was at least 10 years ago when the Army considered packaging all systems for privatization, but chose not to pursue due to projected costs versus savings. Considering the significant changes that have occurred on the installation and within the surrounding communities (let alone at the regional and national levels) since 2005, we feel it is prudent for the installation to reconsider an overall systems privatization analysis.

As a frame of reference, the Defense Logistics Agency just recently awarded a utilities privatization contract to an electric cooperative to own, operate and maintain the electrical system infrastructure at Eglin Air Force Base, Florida for 50 years. The deal was characterized as, “another significant step forward for Eglin AFB toward a more efficient, resilient and reliable energy program...” Eglin AFB had been trying to upgrade its electrical distribution system for years, but could not due to limited operations and maintenance funding. The biggest concern was the base’s inability to reconfigure after an outage; now, there are funded projects to add to the installation’s resiliency by improving the ability to recover after significant natural or manmade disaster. The three privatization contracts at Eglin have a total cost avoidance of more than \$161 million over the lifespans of each contract. Utilities privatization will allow the professionals at Pine Bluff Arsenal to focus their manpower on mission-critical issues, while the utility companies assure the utility systems are maintained and operating to industry standards.

### **Initiate community led partnerships utilizing the authorities for support agreements, partnerships, and leases**

Changes to the National Defense Authorization Act (NDAA) have opened up opportunities for military installations to enter into agreements with local and state governments to facilitate intergovernmental cooperation. A few examples of partnership programs are:

- ▶ Intergovernmental Support Agreements
- ▶ Installation-support services

- ▶ Enhanced Use Leases
- ▶ Energy Savings Contracts and Activities
- ▶ Cooperative Agreement Authorities
- ▶ Power Purchase Agreements
- ▶ Utilities Privatization
- ▶ Energy Savings Performance Contracts

In today’s fiscally constrained environment, community partnerships are becoming instrumental to attain compatible goals that can’t easily be obtained independently. Force structure changes and defense industry reductions drives the need for installations and communities to find ways to operate more efficiently. Public-public, public-private (P4) partnerships enable two or more organizations to work together for mutual benefits, and invest in a relationship by sharing responsibilities, information, resources, risks and rewards. Partnerships can be win-win opportunities for the military installation and the communities by saving money through economies of scale, enhancing quality of services, and reduce operating costs.

Rather than relying on internally-driven pursuits from the Air Force or National Guard to partner with the community, Arkansas should foster a “outside-in”, externally-driven efforts from areas around an installation to initiate and guide partnerships. From the experience we’ve seen, both can be successful, but leadership is the key. These initiatives will promote sharing resources and responsibilities among government and private entities to reach common goals or provide mutual support. Partnerships can be regional or local in scope with a varied focus, including municipal services, health services, facilities, work force, education, transportation, land use, etc. The communities of Jacksonville, North Little Rock, Fort Smith, and Pine Bluff should begin to formalize initiatives and focus on opportunities to partner with their symbiotic installations.

**Pursue an Office of Economic Adjustment (OEA), Defense Industry Adjustment grant to fully map Arkansas’ defense industry supply-chain and develop strategies for diversifying the state’s defense economy**

An analysis of Arkansas’ defense industry supply-chain will assist the state with identifying potential linkages between Defense and the local Aerospace and Advanced Manufacturing industries. The Matrix team fully understands the strategic importance of developing an accurate supply chain of regional defense and manufacturing companies. Currently, state’s across the union are leveraging OEA dollars to identify their region’s defense contractor across the entirety of the defense supply-chain including Originally Equipment Manufacturers (OEM) – such as General Dynamics—as well as 1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup>, and 4<sup>th</sup> tier suppliers operating within the state. The DoD procurement spending identified in this report captures only prime contractors. What it does not provided are the sub and sub-to-sub contracts that are crucial to the defense economy.

The linkages identified by such a product will provide critical insights into how the region's defense and manufacturing sectors are adjusting to the reduced DoD procurement expenditures experienced by all states since 2009. These budget decisions are driven, in large part, by the tight fiscal climate resulting from the Budget Control Act of 2011. Aside from the pressure applied by a state's congressional delegation, states have limited ability to impact change at the federal level without developing an aggressive advocacy strategy. As such, strengthening regional economies at the state and local levels require economic development strategies that exceed traditional business recruitment efforts. Pursuing an effort like this will help stitch together the regional and statewide activities and uncover economic development opportunities previously unknown by the AEDC. Ultimately, the findings from a study of this nature will be used to develop strategies to: 1) promote the resiliency of the state's defense and manufacturing supply chain, and 2) identify opportunities for Arkansas defense suppliers and advanced manufacturers to branch into new business segments in high demand by both military and commercial sectors.

### **Reinvigorate and strengthen the military support organizations across the state, including the Regional Military Support Group in Fort Smith and the state-wide Military Affairs Steering Committee**

We applaud Arkansas for creating the Governor's Military Affairs Steering Committee in September, 2015. Arkansas joined nearly 30 other states that have committees whose purposes are to provide advice, counsel and recommendations to Governors, Secretaries, Military Affairs Directors, General Assemblies, and other state agencies on initiatives, programs and legislation intended to increase the value military installations (to include Guard and Reserve) play in America's defense strategy and the economic health and vitality of their respective states.

With continued economic pressures (Budget Control Act, declining defense spending patterns, etc.) and threats of personnel reductions and down-sizing (Army end-strength reductions, "shadow-BRAC", etc.), it is more important than ever to have a fully empowered organization to protect your assets and leverage growth opportunities. Though the Governor's Military Affairs Steering Committee was stood up over a year ago, its charter, mission statement, purpose, goals, and objectives are not readily apparent. Our team could not find a dedicated website with external communications nor could it find evidence of meetings schedules or minutes.

Conversely, numerous states interested in preserving their military missions have highly active, fully engaged, and well resources military affairs commissions, committees, or defense support task forces. According to a recent Association of Defense Communities publication, *State of Support 2016: Highlights of State Support for Defense Installations*, 30% of state organizations were created in the last three years (41% in the last six years), so Arkansas has the opportunity to garner lessons

learned from other recent ventures. For illustrative purposes, it is instructive to view Florida as a state that has a very mature and robust military support construct.

In 2011, Florida Statutes 288.987 created the Florida Defense Support Task Force (FDSTF), a legislatively-mandated council whose mission is to preserve, protect, and enhance Florida’s military missions and installations. The Florida Defense Alliance (FDA), with its three or four-person staff, became the “action arm” for FDSTF as it advanced a number of action items:

- ▶ Working with Florida’s Base Commanders to prevent encroachment from impacting mission capabilities for military forces based in Florida
- ▶ Maintaining and expanding the missions of Florida military installations
- ▶ Improving transportation access to Florida’s military installations
- ▶ Assisting installations in meeting DoD renewable energy goals
- ▶ Strengthening state support for military families and veterans with a focus on education, health care, employment, and family programs

Unlike numerous statewide commissions/committees that operate with annual budgets of \$500,000 or less (62% according to the previously cited ADC report), the FDSTF receives significant annual appropriations. It has averaged over \$3.5M per year since its inception in FY 2011, in addition to personnel support provided by the full-time employees of FDA.

We recommend the current Governor’s Military Affairs Steering Committee be reviewed and ultimately empowered, staffed, and financed to better advance programs and initiatives to strengthen the state’s overall military posture. If the Military Affairs Steering Committee is to evolve and to put Arkansas ahead of peer competitor states, the organization will require stable funding (annual appropriation) and a dedicated support team (full-time staff). We believe further study of the Florida model (and others as appropriate) will yield a series of concepts worth discussing and potentially adopting.

Similarly, we recommend the Regional Military Support Group in Fort Smith be reinvigorated to support Ebbing ANGB and Fort Chaffee JMTC. Every sound state-wide MAC is augmented by these smaller support groups in communities immediately around installations. Fort Smith has unique opportunities with respect to ranges, airspace and training that should be assessed through the lens of Fort Smith being a geographic crossroads. This regional support group should champion these issues.

### **Improve Arkansas military family opportunities by refining K-12 education for military members and their families and consider if employment opportunities for spouses can/should be expanded**

Active duty members move every 2-3 years on average during their military careers. As a result, K-12 military students face interruption of their school years. For families moving to Arkansas, finding a quality school for their children is utmost priority. Military families have a higher percentage of home-based schooling because of the difficulty of these transitions and the desire for continuity. A state-wide effort to ensure military dependents can transition into 'like' programs from their previous assignment can ease this transition.

Quality of schools is one of the first things military families inquire about their next duty station and, rightly or wrongly, perception is reality. Many military-connected families are concerned about the strength of the K-12 system at their post. The transiency of the military lifestyle makes learning especially difficult, particularly because states teach different curricula even for the same grade. Arkansas can improve perceptions by proactive communication to military-connected parents regarding resources and opportunities at the K-12 level.

In addition to maximizing school opportunities for military members and their families, we know it would be prudent to analyze and determine if employment opportunities for spouses can/should be expanded. There are multiple examples from across the country where states have made progress in this area and believe a dedicated effort would be worthwhile.

### **Capitalize on cyber training mission at Little Rock AFB and partner to expand cyber security missions and recruiting**

U.S. Cyber Command has tasked the Services to supply fully trained Cyber Protection Teams to fulfill multiple team positions in the Cyber Mission Forces. Both the Army and the Air Force are meeting this task through a "Total Force" concept, meaning the allocation of forces will encompass active, guard and reserve forces. Many guard members work in the technology sector in their civilian capacity, and those civilian-acquired skills give guard members a unique ability to contribute in their military roles. Guard forces will be trained and equipped with standard cyber weapons and will fill rotational active Cyber Protection Team taskings. The Arkansas National Guard will operate one of these 11 Army Guard cyber teams by the end of fiscal year 2019. The state has the infrastructure capacity, academic accreditation, and political support to further grow these cyber assets. The Secretary of the Air Force has recognized the available sensitive compartmentalized information facility (SCIF) at Little Rock AFB along with proximity to the National Guard Professional Education Center at Camp Robinson as optimal circumstances and worth considering for future beddown of cyber missions. Operators for these teams can be drawn from the information assurance centers of academic excellence accredited by the National Security Agency at the University of Arkansas at Little Rock and at Fayetteville. Finally,

the new cyber training mission on Little Rock AFB affords the state synergistic capabilities to field a Cyber Protection Team for the Air National Guard. The goal for cyber defense is to train, equip and provide highly-skilled forces responsive to the needs of the nation. The Airmen trained at Little Rock AFB will support requirements established by the services and U.S. Cyber Command.

Additionally, the PEC's Information Technology Training Center (ITTC) mission is to provide relevant training and educational assistance to all National Guard IT Professionals while fostering professional relationships. The ITTC provides functional training in critical automation domains such as network engineering, server administration, network security and database administration. The ITTC also hosts the National Guard's Cyber Operations Range. Arkansas has the opportunity to develop partnerships with universities and colleges in the state to create a pipeline of potential recruits.

### **Study efficiencies and synergies of C-130 Total Force Integration at Little Rock AFB and attract additional force structure**

Little Rock AFB is truly a Total Force installation. Today, Little Rock AFB is home to more than 54, C-130 Hercules with active duty, Air Force Reserve, and Air National Guard units. In previous years the base had as many as 95 aircraft stationed on the ramp. The 19<sup>th</sup> Airlift Wing is the host unit and supports the largest C-130 fleet in the world. The 314<sup>th</sup> Airlift Wing, comprised of two squadrons, provides training for C-130 units from the DoD, U.S. Coast Guard and 47 partner nations. The 189<sup>th</sup> Airlift Wing, an Air National Guard unit, works in partnership with the 314<sup>th</sup> Airlift Wing providing C-130 training as well. Little Rock AFB is also home to the Air Force Reserve's 913<sup>th</sup> Airlift Group. The 19<sup>th</sup> Airlift Wing, in conjunction with its partner units (314<sup>th</sup> Airlift Wing, 189<sup>th</sup> Airlift Wing and the 913<sup>th</sup> Airlift Group) provide unparalleled support to Air Mobility Command's global reach capability. This tremendous synergy and increased capability gained by having the Total Force located together on Little Rock AFB is significant and must be studied and documented. The study should further assess how many additional C-130s could be stationed at Little Rock AFB and ascertain the efficiencies and operational benefits that could be realized from basing additional aircraft there.

Once the study identifying possible efficiencies and operational synergies is complete, along with an understanding of the capacity of the ramp and infrastructure to support additional aircraft, a plan must be developed to advocate for this potential mission growth. A plan should also consider where the remainder of the C-130 fleet is based across the globe.

Fact-based data for both cost savings and operational benefits must be provided to key decision makers in Air Mobility Command and the Air Staff. Key offices would include, at a minimum:

- ▶ Commander, Air Mobility Command
- ▶ Deputy Chief of Staff for Operations, Headquarters U.S. Air Force
- ▶ Assistant Secretary of the Air Force for Installations, Environment and Energy, Headquarters U.S. Air Force

These offices are directly responsible to the Secretary of the Air Force and Chief of Staff for the Air Force for operations and basing.

**Retain more veterans across the state through dedicated efforts to: study the effect of military education benefits on Arkansas, evaluate why military retirees choose to retire to other states rather than stay in Arkansas at the end of their career, provide an unbiased analysis regarding taxation of military retirements, study possibilities and implications of incentivizing veteran owned small businesses, and change perception and create a more military-friendly community through a “military talent acquisition” strategy**

Veterans transitioning from military service offer significant skills and experience to the regional workforce. Whether separating after one term or retiring after a lengthy career, service members leave with both hard and soft skills in high demand from the private sector. Discipline, focus, and ability to follow instructions, although common to former military personnel, are valuable in the broader marketplace. Furthermore, the technical skills developed by longer servicing military personnel makes transitioning into the private-sector, defense industry easier for separating personnel than into other industries. As a trained workforce is a prerequisite for any industry development strategy, so too for the defense industry. Retaining veterans and retired military personnel is one component to developing the defense industry workforce.

One of the most effective ways to retain veterans and military retirees in Arkansas is by increasing and improving the benefits of remaining in the state after separating from the military. There are a number of ways to do this: tax and other financial incentives, improving the school systems, increasing job opportunities, improving and/or marketing the state’s quality of life, and expanding existing transportation infrastructure to name a few.

Since 2008, the population of veterans in Arkansas has decreased from 260,071 to 247,888. This reduction is primarily attributed to veterans of World War II, Korea and Vietnam passing away. It is important to note that this decline is better than the national average. If Arkansas followed the national average decline of nearly 1%, the population would be closer to 240,000 veterans. An important subset of veterans is retirees. The Arkansas population of retirees has remained essentially flat since 2008, increasing only slightly over that same period from 23,908 to 23,964. Unfortunately, this slight increase trails the national average growth (about 2/3 of 1 % annually).

If Arkansas had followed the national trend for retirees, the state would have about 1,200 more than it does today.

We believe it is important for Arkansas to pursue an organized, systemic effort to evaluate the reasons why more military retirees choose to retire to other states rather than stay or return to Arkansas at the end of their career. Additionally, as part of this effort, we believe Arkansas should undertake an unbiased analysis regarding taxation of military retirements. We understand this has been an initiative under legislative consideration for many years. Our experience is that independent analysis is often the key to making a proper decision for the state. We know that understanding the multitude of issues that affect retiree residency decisions is paramount, as opposed to making the decision based upon a single taxation issue. We also think it is important to economically analyze other possible incentives, including the implications of incentivizing veteran owned small businesses.

The culmination of these efforts is to create a more military-friendly community through a “military talent acquisition” strategy that maximizes strategic communication and messaging opportunities. Arkansas should create a campaign-like effort to identify separating and retiring talent while encouraging families to remain in the area. Combining innovative communications strategies, a comprehensive understanding of service member and veteran priorities, a decision making processes, and an aggressive message will yield success. A well-executed advocacy campaign will result in a significant numbers of service members (active and transitioning) choosing to select Arkansas as their choice of residence.

**Become competitive with nearby states regarding National Guard recruiting goals and processes**

Arkansas has a self-recognized image problem. Traveling across the state revealed that many of the community members and assigned military believe that Arkansas is more associated with “rednecks, tornados, and trailers” than the reality of high-tech, logistics, and patriotism. This inaccurate perception of Arkansas combines with some existing policies to make it challenging to recruit new guardsman to the state. A dedicated effort should be assembled to study and overcome this challenge. Specifically, a full understanding of what nearby, competing states have to offer better than Arkansas with respect to education and taxation benefits. A robust economic analysis should be conducted to determine if policies should be changed and the implications for the state. Additionally, investment should be made to make the presentation of opportunities more appealing. A simple review of nearby state National Guard websites reveals that Arkansas lags behind in this area.

### Conclusion

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The AEDC established the Military Affairs Initiative to preserve, protect and enhance Arkansas's military installations, create and foster long-term economic development strategies in support of the military community and work to improve the state's military friendly environment for service members, military dependents, military retirees and business that bring military and base-related jobs to the state. As a result of this comprehensive Impact Analysis of Arkansas's military installations and missions, it can be determined that the state is well-suited to grow and protect its current military mission sets.

Each military installation in Arkansas adds value to the nation's defense, with a military mission or missions that are integral to the whole. However, over the next 10 years, the threats to our national security will continue to evolve unpredictably in unforeseen parts of the world. As noted throughout this report, there are a number of areas in which Arkansas should focus in order to create additional military value and expand capabilities.

This Impact Analysis validated the need to maximize the value of military assets, facilitate new missions, recruit organic talent, study additional defense economy opportunities, strengthen military ties to the local community, and maximize outreach and advocacy. This Military Affairs Initiative should be viewed as a beginning, not an end.

# Appendices



Please see the next page.

## Appendix A: Installation Analyses

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### Purpose

Members of the AEDC Committee and Matrix team conducted engagements with various stakeholders, to include garrison leaders, mission commanders, and community representatives. The intent of the meetings was to aid in information collection associated with the research and analysis of State of Arkansas military missions and installations.

### Information Collection

All meetings were conducted in similar fashion: opening comments by a member of AEDC; host comments pertinent to the visit; and, a presentation by the AEDC’s consultants outlining the details of the Military Installation Impact Analysis. Meetings lasted several hours and covered a variety of topics that were ultimately binned using a Strengths, Weaknesses, Opportunities and Threats (SWOT) framework, defined as follows:

- ▶ Strengths – characteristics of the installation / community that give it an advantage over others.
- ▶ Weaknesses – characteristics that place the installation / community at a disadvantage relative to others.
- ▶ Opportunities – elements that the installation / community could exploit to its advantage.
- ▶ Threats – elements in the environment that could cause trouble for the installation / community.

The stakeholders consistently provided a vast amount of information that was of great benefit to the AEDC. For brevity, we have captured items most frequently mentioned (in meetings and from follow-up calls) and aligned most closely with our charter of focusing efforts on issues that will support and promote the state’s military installations and related economic development interest.

### Little Rock Air Force Base

#### Strengths

##### *Base partnerships and community support*

The partnership amongst the three wings and their leadership is the largest strength consistently noted during our engagements. The Jacksonville Community has a strong Community Council which can be leveraged for support. Additionally, the City of Jacksonville is working hard to rebuild and is on a positive trajectory. The installation is 6,100 acres and only 2,700 of those are developed so leadership recognizes this is a strength and opportunity.

##### *Geography and airfield conditions*

The centralized location of Little Rock AFB in the U.S. is a key benefit of stationing airlift assets in Arkansas. Additionally, Little Rock AFB has a recently upgraded 12,000-foot runway and available ramp space for potential new missions. Because of the enduring training mission for both the active duty (314<sup>th</sup>) and National Guard (189<sup>th</sup>), the training systems and infrastructure already exist that have capacity to handle more.

##### *Developable space*

The installation is 6,100 acres, but only 2,700 of those are developed. Base leadership recognizes this as a point of strength and opportunity.

##### *Emerging missions*

One of the unique strengths at Little Rock AFB is the Cyberspace Training Squadron mission that will begin initial operations capability in fall, 2016. The 189<sup>th</sup> will conduct cyber training in support of the National Guard Bureau and AFSPACE. This new mission is expected to contribute positively towards recruiting and help solve a 350-person shortfall of guardsman, going as far as partnering with the University of Arkansas to recruit talent. As part of this training mission, the 189<sup>th</sup> Airlift Wing has an 11,000 square-foot Sensitive Compartmented Information Facility (SCIF) which can be exploited further. The guard's training is agile and responsive to the current dynamic environment. They update their course syllabus weekly, a process that can take several months when dictated by training command. Future growth includes building a cyber-range in the facility.

##### *Quality of education*

A recent article published in *Stars and Stripes*<sup>1</sup> cited the quality of public schools as a factor when considering the value of an installation facing a round of base closures. There is a general impression that education is headed in right direction for the area surrounding Little Rock AFB. Currently, there is a charter junior high school on base and a magnet high school off-base. The City of Jacksonville made a tough decision on

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<sup>1</sup> <http://www.stripes.com/opinion/quality-of-public-schools-can-be-a-brac-factor-1.426022>

location of the school which adversely impacted a previous plan to host it on the installation.

### Weaknesses

#### *Quality of life on base*

Access to medical care and elementary schools are two challenges facing Little Rock AFB. There is only a medical clinic on base and the closest hospital is 11 miles away. The 35-year old elementary school is administered by the Department of Defense Education Activity. These factors make choosing to live on the installation a tough sell for families with young children. Despite the overall feeling that education is on an upward trajectory, it is still an issue for airmen and their families, and it drives housing decisions for many.

#### *Veteran retention*

There is a general consensus that the state does not have a proactive effort to retain retiring or separating airmen. This is compounded by a lack of statistics on the numbers of airmen that separate or retire annually. Reports indicate that the number of veterans in the state is declining but the number of retirees is remaining consistent. Though not intuitive based on these facts, Arkansas is ahead of the national average in veteran growth, but lagging the national average in retiree growth. The most common factor brought up by stakeholders is the tax structure in the state. The neighboring states of Missouri, Tennessee, Louisiana, and Oklahoma have special military retirement pay exemptions, whereas Arkansas only exempts a portion of retirement compensation from taxation. With major employers like Caterpillar, John Deere, and Lockheed Martin leaving the region over the past few years, there are fewer job opportunities for military veterans.

#### *Air Force Reserve group with no aircraft*

The 913<sup>th</sup> Airlift Group (Air Force Reserve Command) began as a Reserve detachment in 2010 then stood up the airlift group in July 2014. As a result of the Air Force's Total Force Integration initiative, the 50th Airlift Squadron under the 19th Airlift Wing is an 913th Airlift Group associate unit of the group's 327th Airlift Squadron. The 913th will continue its transition to become a fully operational, combat-ready unit to support global operations. However, having no assigned aircraft to the reserve unit is considered a threat.

#### *Lack of awareness in the greater area of this active duty mission*

Installation leadership pointed out that while there is immediate local support, there is a general lack of awareness in the greater Little Rock area about the installation, missions and contributions to the economy. There is also a perception that the locals are insular and that military members often struggle as 'outsiders'.

### Opportunities

#### *Increased retention of transitioning veterans*

The state and Little Rock AFB community could take a more proactive approach to retain the experienced workforce of airmen transitioning from the base, where hundreds of personnel separate or retire each year. Understanding the skills-sets of these service members enables the community to actively pursue strategies to retain separating talent. Retaining this talent is important from both an economic and workforce development perspective.

This could begin with building a lasting partnership between Little Rock AFB, Jacksonville and the state to specifically look at transitioning personnel into the surrounding communities. In this relationship information can be shared by both installation and community stakeholders to develop commonalities between transitioning personnel and workforce needs. As the program evolves, local employers can better target experienced personnel and retain that talent to bolster the regional workforce.

#### *Pursue Battlefield Airmen Initiative*

Little Rock AFB is one of eight installations the Air Force is considering to consolidate Battlefield Airmen training. Battlefield Airman training is currently conducted at eight primary training locations across seven states. The Air Force determined that grouping training at fewer locations could lead to improvements and synergies in the current training processes. Current planning should select preferred and reasonable alternatives in early 2017. This is a recommendation that should be organized and pursued immediately by an advocacy team if Arkansas has any chance to influence the outcome.

#### *Community led partnership for shared services*

In today's fiscally constrained environment, community partnerships are becoming instrumental for installations and their surrounding communities to achieve compatible goals that cannot easily be obtained independently. Force structure changes and defense industry reductions drive the need for installations and communities to find ways to operate more efficiently. Public-public, public-private (P4) partnerships enable two or more organizations to work together for mutual benefit, and invest in a relationship by sharing responsibilities, information, resources, risks and rewards. Partnerships can be win-win opportunities for the installation and the communities by saving money through economies of scale, enhancing quality of services, and reduce operating costs. Successful P4 partnerships provide access to additional capacity in resources, skills, expertise, facilities, and infrastructure.

Changes to the law via the National Defense Authorization Act (NDAA) have opened up opportunities for military installations to enter into agreements with local and state governments to facilitate intergovernmental cooperation. A few examples of partnership programs are:

- ▶ Installation-support services
- ▶ Enhanced Use Leases
- ▶ Energy Savings Contracts and Activities
- ▶ Cooperative Agreement Authorities
- ▶ Power Purchase Agreements
- ▶ Utilities Privatization
- ▶ Readiness and Environmental Protection Initiative
- ▶ Energy Savings Performance Contracts
- ▶ Transition Assistance

Little Rock AFB has been through an Air Force-led P4 initiative which yielded limited success. By assembling a workgroup of stakeholders, a community led P4 program can yield different results. Goals and objectives can be established that will forge long-term relationships. Commitment from community leaders will attract commensurate involvement by installation leadership. Throughout the maturation process, an acknowledgment and understanding of cultural differences is needed to overcome many perceived barriers. As the partnership grows, working groups can be organized in pursuit of collaborative efforts. A sustained P4 program led by the community will strengthen the military value of Little Rock AFB while improving the strategic collaboration in the associated region.

### *Grow/attract additional flying missions*

The number of assigned aircraft has decreased by nearly 50% over the past decade due to a change in aircraft model and reduction in assigned numbers. The result is an excess capacity of available ramp space. In addition, the runway is being upgraded through MILCON. The available capacity for aircraft parking coupled with a highly rated runway makes Little Rock AFB an attractive location to beddown additional missions. These missions can build on the center of excellence in airlift that already exists or augment the growing remotely piloted aircraft and ISR missions growing in the state. The reserve unit should pursue getting into the C-130J model which is an upgrade from the H2 models they fly now.

## Threats

### *Contracted aircraft maintenance and low current maintenance wage rate*

The Air Force F-35 program is coming on-line in significant numbers across the Air Force. Due to sequestration and the Budget Control Act, the Air Force does not have the force structure to create a new crop of F-35 maintenance personnel. Instead, they are growing this maintenance force from within by cross-training airmen from other airframes. The Air Force Reserve's 314th Airlift Wing is giving up their C-130 maintainers to cross-train into the priority F-35 program. The result will force Little Rock AFB to hire contracted aircraft maintainers in the interim while gradually restoring their organic, blue-suit capability. This could threaten the mission as both a cost and manpower issue to the wing.

Additional to the transition of maintenance from blue-suit to contractor is the challenge of a low wage rate for contracted maintainers. The fact of the matter is it will be difficult to recruit and retain quality contract maintainers because there are more competitive opportunities elsewhere.

***Better educational incentives in competitor states***

While consistent across the entire state, Little Rock AFB guard and reserve units report difficulty in recruiting and retaining airmen due to the reduced educational benefits offered in Arkansas versus nearby competitors.

## Camp Robinson / Camp Pike

### Strengths

#### *State use of facilities offsets operating costs*

Many state agencies operate from Camp Robinson, e.g. the Arkansas Department of Emergency Management. Occupying facilities on the post offsets the costs of building, leasing, and maintaining this infrastructure which saves the state an estimated \$200,000 annually.

#### *National Guard Marksmanship Training Center (NGMTC)*

The NGMTC is the National Guard's only dedicated marksmanship school. Here they administer training and competitions at all levels for all 54 states and territories of the Army and Air National Guard. This is a unique mission that services a large demographic across the DoD. Additionally, the NGMTC provides training and support for the U.S. Army Sniper course.

#### *Quality of VA services in the area*

Veterans are known to schedule vacations to the area that coincide with VA appointments because of the significant quality of care.

#### *Logistical advantage*

This region of the state has tremendous multimodal logistical opportunities that are a definite strength. They can be used to leverage new opportunities to the installation and the region.

#### *Community support*

The State of Arkansas, and specifically the community surrounding Camp Robinson is staunchly patriotic and supportive of all military missions throughout the state. This is a strength which can be leveraged in defense of any potential BRAC as well as used as a positive indicator when courting new missions.

#### *National Guard/Emergency Management ties*

The National Guard and Arkansas Emergency Management services located on Camp Robinson are intrinsically linked. Additionally, FEMA keeps their mobile command post onsite.

#### *Geography and climate*

The centralized location of Camp Robinson in the U.S. is a key benefit of attracting joint training exercises to the state. Additionally, the moderate climate and river crossing opportunities associated with Arkansas make it attractive to the service members.

#### *State Partnership Program (SPP) with Guatemala*

The National Guard SPP is a DoD program managed by the National Guard that links U.S. States with partner countries around the world for the purpose of supporting the

security cooperation objectives of the geographic Combatant Commands. By linking U.S. states with designated partner countries, the SPP aims to promote access, enhance military capabilities, improve interoperability and enhance the principles of responsible governance. This Arkansas partnership has been ongoing since 2002.

### Weaknesses

#### *Poor marketing and communications*

The Arkansas National Guard is disadvantaged versus competitors that do a better job selling their capabilities and opportunities. Our discussions, interviews, and follow-on research indicated the State can do much to share its opportunities and be more competitive with neighboring states.

#### *Declining veteran population*

A declining veteran population brings in less fiscal impact to the state and erodes a known support base. Fortunately, the number of retirees (a subset of veterans) has remained consistent, though behind the national average.

#### *National Guard manning challenges*

The Arkansas National Guard is undermanned. Mission changes, a perception of reduced benefits, and quality of life make it a challenge to recruit and retain talent.

### Opportunities

#### *Emergency operations training*

Headquartered on Camp Robinson, the Arkansas Department of Emergency Management (ADEM) maintains the State's Emergency Operations Center (SEOC). In support of local jurisdictions, ADEM provides training in areas of emergency management, terrorism preparedness, hazardous materials, and weapons of mass destruction. Promoting this capability to local emergency managers and first responders, city and county government officials, representatives of volunteer organizations, and others in the private sector interested in emergency management will increase the training throughput at the ADEM as well as bolster the state's preparedness.

#### *Capitalize on increased Arkansas National Guard education benefits*

At every unit across the state, recruitment and retention was brought up as a challenge. All stakeholders believe that increasing the Arkansas National Guard education benefits will directly impact this challenge in a positive direction.

#### *Youth Challenge expansion*

Arkansas is a strong participant in the National Guard Youth Challenge Program, a civilian youth opportunities program for at risk youth. The Arkansas Youth Challenge Program is administered by the Arkansas Department of Military Affairs and is one of the original four pilot programs established in 1993. They offer at risk youth the opportunity to change the direction of their lives and develop the strength of

character and life skills necessary to become successful, responsible citizens. There is opportunity to expand this program that consists of a 5 ½ month-long residential phase followed by a year-long post-residential phase.

### Threats

#### *Mobility of younger generation*

The willingness of recruiting-age personnel to entertain serving in National Guard units in other states makes effective recruitment incentives paramount. The tuition waivers granted by competitors is a direct threat to the Arkansas National Guard.

#### *Substance abuse*

There is a perception that the target demographic for recruiting age personnel are more likely to have substance abuse problems which shrinks the pool of potential personnel.

#### *Statewide K-12 education*

Poor education attainment in certain regions adversely impacts recruitment as many of the target audience do not meet minimum requirements

### Pine Bluff Arsenal

#### Strengths

##### *Safety culture*

Pine Bluff Arsenal promotes and exudes a strong culture of safety. Their Environment, Safety and Occupational Health (ESOH) is a benchmark program awarded by the Arkansas Department of Labor for 1.4 million hours without a loss time injury and zero Worker's Compensation claims. Prior to hiring a new employee, candidates conduct job simulation testing simulating movements and physical activity. By this process, prospective employees are exposed to industrial working conditions which results in a very high retention rate of those hired.

##### *Increased productivity by cross-training*

Employees are not stove-piped into one specific specialty. A deliberate effort is made to cross train employees between the ammunition and chemical portfolios as well as within specific systems. As production requirements shift, so does the labor force required for each activity. The result is an effective 98% productivity rate for employee floor time.

##### *Capabilities*

Pine Bluff Arsenal is permitted (environmentally and otherwise) to perform a variety of functions. The process to establish these capabilities elsewhere is costly and lengthy requiring likely five to seven years to complete. Pine Bluff Arsenal is the only facility capable of producing white phosphorous ammunition. Of the 135 items manufactured at the site, two-thirds are exclusive to this Arsenal.

#### Weaknesses

##### *Increased per-unit costs*

The fluctuating defense budget affects the quantities of ammunition being procured and consequently manufactured. As the workload at Pine Bluff Arsenal decreases, the unit cost for production increases. This creates an underutilized workforce and depot as a whole. In 2016, the Arsenal has been operating at 57% capacity that it was in 2009. This equates to 570,000 man-hours versus over 1,000,000. When the operating capacity falls below 700,000 man-hours, the overhead to maintain operations become too high.

##### *Chemical storage departure*

With the loss of the chemical storage mission, Pine Bluff Arsenal becomes more vulnerable to closure. In addition to 350 jobs being eliminated, this anchor mission is now gone.

## Opportunities

### *Decrease dependency on foreign source items*

10 US Code 2505 National technology and industrial base contains provisions allowing procurement of items through foreign sales. Munitions purchases are being expanded to include the United Kingdom and Australia. While capacity as at U.S. Arsenals still exists, this is an opportune time to limit the munitions purchased from foreign manufacturers.

### *Expand textile manufacturing*

Current textile manufacturing on Pine Bluff Arsenal include chemical and biological protective clothing. This is one area Pine Bluff Arsenal can grow its missions and capability. Efforts should be taken to attract new requirements from the Joint Program Executive Office for Chemical and Biological Defense (JPEO-CBD).

### *Utility Partnerships*

In 2005, Pine Bluff Arsenal put forth an effort to privatize all utilities. Unfortunately, the Department of the Army did not view the initiative as cost effective. In the decade since there has been significant changes in government and public partnerships which should allow Pine Bluff Arsenal to reinvigorate utility privatization efforts.

### *Joint Logistics Distribution for Chemical and Biological Defense*

A new Joint Logistics Distribution for Chemical and Biological Defense at Pine Bluff Arsenal would consolidate sustainment functions for a DoD Joint Program Executive Office while enhancing product support for life cycle management of critical warfighter equipment.

## Threats

### *No anchor mission*

After nearly seven decades, chemical weapons storage at Pine Bluff Arsenal ended in November of 2010. Two years following, the Pine Bluff Chemical Activity and Chemical Agent Disposal Facility closed operations and with it the anchor mission to the Arsenal. Today, there no longer exists a completely unique mission requiring specialties in chemistry and material security.

### Ebbing Air National Guard Base

#### Strengths

##### *Demand for ISR*

Over the past decade, the demand for ISR has grown tremendously. The successful use of Remotely Piloted Aircraft (RPA) in the DoD has expanded their demand into other government agencies as well. While federal budgeting for ISR has flattened in recent years due to the Budget Control Act and sequestration, the insatiable demand continues to rise. The 188th Wing continues to meet these demands delivering collection, analysis, and intelligence with synergistic, one-of-a-kind combined operations.

##### *Proximity to restricted and protected airspace*

Ebbing ANGB is within miles to Razorback Range at Fort Chaffee JMTC, making it a very short transit to the largest military operating area in middle America. Operators can train in unrestricted airspaces spanning zero to 30,000 feet in some areas. The 188th Wing owns and operates over 6,000 square miles of training area allowing for exceptional ability to simulate the dense stacking of air assets and real world scenarios. Additionally, Fort Chaffee JMTC offers more than 64,000 acres of training area with over 100 miles of improved and unimproved roadways. Together this provides tremendous joint air and ground coordinated training opportunities.

##### *Cost of living*

The Fort Smith area enjoys a cost of living that is 86% of the national average.

#### Weaknesses

##### *Recruiting and retention*

As the missions of the 188th Wing have transformed over the past decade so have the skill sets required to execute new missions. Previous expertise supported aircraft operations in maintenance, systems, and airfield management. Today, computer and network based skills sets driven by analytic process create a demand for technical expertise in intelligence operations, analysts, and communications. There is a lack of comparable industries in the surrounding areas to match these needed skillsets. This leads to challenges in recruiting and retaining the personnel needed to execute these missions.

##### *Excess Capacity*

Earlier this year, the DoD submitted a report to the House Armed Services Committee stating the Air Force has 32% excess capacity based on the Service's Fiscal Year 2019 force structure plan. The Services prefer to not carry more than 20% excess capacity and a BRAC historically closes 5% of excess infrastructure. Since a BRAC round has yet to be authorized, the Air Force announced this summer that it is conducting a top level military value study and capacity analysis to help determine which facilities

could be closed or mothballed. The infrastructure required for aircraft operations is much different than what is needed for ISR. The various aircraft platforms that have departed Ebbing ANG left behind support facilities not being used to capacity. This has created an overage of square footage which is scrutinized by the DoD as excess capacity.

### *Perception*

Installation leadership reports that there is a recognized image problem that Arkansas suffers from. They believe this leads to recruiting challenges and a general lack of awareness of the important military missions that exist in the area.

## Opportunities

### *Launch and Recovery Element (LRE) for RPA operations*

With no aircraft stationed at Ebbing ANGB, there is excess capacity to be exploited. The Arkansas Air National Guard's mission to fly remotely piloted aircraft would be significantly enhanced by having an LRE to accompany their current MQ-9 mission. In addition to allowing MQ-9 aircrews additional opportunities to maintain and hone their flying skills, having the same parent unit provide both an LRE and mission control element (MCE) for operational missions would be a first-of-its-kind opportunity.

### *Bandwidth*

With the new ISR missions added to Ebbing ANGB, the installation now has a bandwidth of 9.6 GBps. This creates a unique opportunity for the installation to expand into other data-intensive markets associated with their new mission.

### *Grow joint training*

Detachment 1 of the 188th Wing supports fixed wing customers from four surrounding states. Fighter, bomber, and airlift aircraft utilize the Razorback Range from Texas, Oklahoma, Missouri, Louisiana, as well as Arkansas. The largest military operating area in middle America coupled with robust capability at Fort Chaffee JMTC provides opportunities for air and ground assets to train jointly. Specifically, Special Operations Forces from the Army and Air Force can establish relationships conducting multiple concurrent operations in an expansive training area.

## Threats

### *Negative publicity for RPA missions*

As science fiction becomes science reality, there are growing concerns of how information is being accessed publically. While the 188th Wing supports missions globally, an uninformed public will perceive "drone" operations as a risk to their privacy. This results in negative press and publicity for Ebbing ANGB and mission growth.

### *Fiscal environment*

As with all other installations across the state, Ebbing ANGB recognizes the threat they are under in the current fiscal environment that pushes DoD to request a new BRAC and apply pressure to installation sustainment funding.

### *No organic firefighters*

The fire department on Ebbing ANGB was removed simultaneously with the loss of the A-10 mission. This forces the installation to rely on others for this mission critical support.

### *Leased land*

The 188th Wing occupies 110 acres of leased land on the Fort Smith Municipal Airport, located approximately 2 miles southeast of Fort Smith, Arkansas.

### *Perception about relationship with Fayetteville*

Installation and community leadership believes there is a chip on the shoulder of Fort Smith with respect to Northwest Arkansas, specifically Fayetteville. Fayetteville outpaces national growth trends while Fort Smith has been following national trends.

## Fort Chaffee Joint Maneuver Training Center

### Strengths

#### *Quality of ranges*

As one of nine Army National Guard installations approved as a Regional Collective Training Capability, Fort Chaffee JMTC has expansive and quality training ranges that offer simultaneous operations. The 64,000 acres of maneuver lands include a live fire shoot house, convoy live fire, combined arms collective training facility, an improvised explosive device (IED) lane, Javelin live fire range, and multiple grenade and small/heavy arms ranges. Utilized by all services, this dynamic installation provides over 200,000 man-days of training annually.

#### *Ranger Company sized landing zone*

In addition to the numerous ranges, Fort Chaffee JMTC has Arrowhead, Cole, and Rattle Snake drop zones capable of handling Ranger Company sized units. This airborne training capability increases the value to the installation.

#### *Unique bridge training*

Fort Chaffee JMTC is one of only two installations with property on both sides of a major river. There are four river crossing sites and Engineer Lake which make this a special training location. This has attracted key events by all military services as well as local, state, and federal agencies.

#### *Urban warfare training villages*

Fort Chaffee JMTC created the Carnis and Lonestar villages as well as a POW camp to simulate challenging environments for training. These offer modern technology video and audio to create more efficient and effective training.

#### *Attack helicopter and door gunner aerial gunnery ranges*

In addition to the land based training, Fort Chaffee JMTC also offers attack helicopter and door gunner aerial gunnery ranges. This bolsters the full spectrum of tactical operations and enables joint and coordinated training amongst units.

#### *Naval Surface Warfare Group SEAL training*

Fort Chaffee JMTC has a habitual relationship with the SEALs. The Navy sends 6-8 rotations per year through a rigorous 4 week course at the installation offering a variety of training opportunities including sniper, foreign weapons, immediate action drills, and automatic weapons.

#### *Efforts to reduce operating costs*

Deputy Chief of Staff, Engineering (DCSEN) has been proactive to reduce utility costs with state-wide energy efficiency projects. These projects included LED lighting, HVAC systems, energy management control systems, utility metering and tankless water heaters. Future returns on these investments will continue to drive energy costs down with approximate savings of over \$500K in FY16 alone. Electricity costs rose for

last five Fiscal Years but have decreased in 2016 year due to Return On Investment (ROI) on energy conservation these projects.

### Weaknesses

#### *Facilities*

While Fort Chaffee JMTC has been the recipient of significant Military Construction projects over the past five years, there has been reduced sustainment and replacement to the base facilities. The capabilities on the ranges have been bolstered with new training facilities and courses. Some infrastructure projects have included renovations to barracks, billeting and support facilities. However, there will be continued degradation to a majority of the infrastructure without a more comprehensive master plan. The plant replacement value of the facilities is over \$460 million and combined with the land value the installation is valued over \$1 billion.

#### *Fire Fighting Payroll*

The most expensive cost of base operations is the Fire Fighter Services payroll. This exceeds the utility costs of the JMTC.

### Opportunities

#### *Promote and attract new customers*

There are six Maneuver Training Centers (MTC) in the Army – MTC Chaffee, MTC Leavenworth, MTC Dodge, MTC Atterbury, and MTC Gowen and MTC Fort Indiantown Gap. Further understanding what each of these six MTCS provides to the Department of Army and identifying training facility gaps as part of the Army's new training strategy, "Sustainable Readiness" and "Objective T" will enable Arkansas to promote Fort Chaffee to potential customers as a cost effective and valuable training resource for the Army Total Force. While Fort Chaffee has current partnerships with the U.S. Weather Service and U.S. Coast Guard, it still has tremendous capacity to expand and attract additional customers to train on this premier facility. Ultimately, a deliberate campaign plan should be developed to attract new customers and include insight from lessons learned by other former active-duty Army bases.

### Threats

#### *Federal budget*

Pressures have been created by reduced fiscal authority (Budget Control Act, eroding contingency funds, reduced operations and maintenance accounts, etc.). The inability of Congress to repeal the Budget Control Act or develop a long term deal has made it very difficult for the DoD to plan accordingly. Sequestration has had a negative impact on DoD capability, capacity, and predictability for industry. The uncertainty of the last few years has made it difficult to plan accordingly, leading to negative impacts on readiness, modernization, and the workforce.

### *Degraded Infrastructure*

The electrical grid is outdated posing capacity limitations and outages that impacts training missions. The same degradation exists with communication services further threatening missions.

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## Appendix B: Metropolitan Statistical Area (MSA) Impacts

The Defense Economy Little Rock Metropolitan Statistical Area Counties: Faulkner, Grant, Lonoke, Perry, Pulaski, and Saline Model: IMPLAN County-Level, Arkansas Version 3.1.1001.12				
Economic Measure	Direct Effect	Indirect Effect	Induced Effect	Total Impact
<b>The Defense Economy</b>				
Employment	17,757	1,330	7,476	26,562
Output	\$1,639,517,800	\$179,456,955	\$917,516,532	\$2,736,491,287
Labor Income	\$959,109,175	\$52,949,941	\$282,147,053	\$1,294,206,169
Gross State Product	\$1,354,421,662	\$95,028,940	\$531,491,878	\$1,980,942,480
<i>Employee Compensation</i>	\$926,694,884	\$44,394,935	\$245,735,565	\$1,216,825,383
<i>Proprietor Income</i>	\$32,414,291	\$8,555,007	\$36,411,489	\$77,380,786
<i>Other Property Income</i>	\$367,467,157	\$33,830,523	\$202,183,491	\$603,481,171
<i>Tax on Production</i>	\$27,845,330	\$8,248,476	\$47,161,334	\$83,255,140
<b>Operations (Personnel)</b>				
Employment	8,624	-	3,690	12,314
Output	\$729,301,750	\$-	\$452,981,045	\$1,182,282,795
Labor Income	\$500,270,673	\$-	\$139,255,870	\$639,526,543
Gross State Product	\$729,301,766	\$-	\$262,366,834	\$991,668,600
<i>Employee Compensation</i>	\$500,270,673	\$-	\$121,276,338	\$621,547,012
<i>Proprietor Income</i>	\$-	\$-	\$17,979,532	\$17,979,532
<i>Other Property Income</i>	\$229,031,093	\$-	\$99,827,217	\$328,858,310
<i>Tax on Production</i>	\$-	\$-	\$23,283,747	\$23,283,747
<b>Procurement Impacts</b>				
Employment	716	246	322	1,284
Output	\$134,122,096	\$36,513,950	\$39,524,359	\$210,160,405
Labor Income	\$32,206,335	\$11,262,495	\$12,162,612	\$55,631,441
Gross State Product	\$52,091,361	\$19,500,384	\$22,902,028	\$94,493,772
<i>Employee Compensation</i>	\$27,747,129	\$9,834,054	\$10,594,719	\$48,175,903
<i>Proprietor Income</i>	\$4,459,206	\$1,428,441	\$1,567,892	\$7,455,539
<i>Other Property Income</i>	\$16,870,172	\$6,527,169	\$8,707,835	\$32,105,176
<i>Tax on Production</i>	\$3,014,854	\$1,710,720	\$2,031,581	\$6,757,156
<b>Transfers Impacts</b>				
Employment	8,417	1,084	3,463	12,964
Output	\$776,093,954	\$142,943,005	\$425,011,128	\$1,344,048,087
Labor Income	\$426,632,167	\$41,687,446	\$130,728,571	\$599,048,184
Gross State Product	\$573,028,535	\$75,528,556	\$246,223,017	\$894,780,107

## Arkansas Military Installations Impact Analysis

Fiscal Impacts Associate with the Defense Economy Little Rock Metropolitan Statistical Area Counties: Faulkner, Grant, Lonoke, Perry, Pulaski, and Saline Model: IMPLAN County-Level, Arkansas Version 3.1.1001.12				
Tax Type	Operations	Procurement	Transfer Payments	Total
State Pension: Employee Contribution	\$533,944	\$41,386	\$469,992	\$1,045,322
State Pension: Employer Contribution	\$1,042,859	\$80,832	\$917,953	\$2,041,644
Commercial: Sales Tax	\$14,375,742	\$4,171,971	\$32,855,285	\$51,402,998
Commercial: Property Tax	\$5,060,851	\$1,468,705	\$11,566,407	\$18,095,963
Commercial: Motor Vehicle License	\$167,128	\$48,502	\$381,966	\$597,597
Commercial: Severance Tax	\$197,311	\$57,261	\$450,948	\$705,520
Commercial: Other Taxes	\$669,295	\$194,235	\$1,529,651	\$2,393,181
Commercial: S/L Non-Taxes	\$71,497	\$20,749	\$163,404	\$255,649
Personal Tax: Income Tax	\$21,865,052	\$2,083,469	\$19,728,782	\$43,677,303
Personal Tax: Non- Taxes (Fines- Fees)	\$4,481,770	\$427,057	\$4,043,890	\$8,952,718
Personal Tax: Motor Vehicle License	\$930,517	\$88,667	\$839,603	\$1,858,787
Personal Tax: Property Taxes	\$272,468	\$25,963	\$245,848	\$544,279
Personal Tax: Other Tax (Fish/Hunt)	\$709,910	\$67,646	\$640,550	\$1,418,105
<b>Total Tax Revenue Generated</b>	<b>\$50,378,344</b>	<b>\$8,776,444</b>	<b>\$73,834,279</b>	<b>\$132,989,066</b>

The Defense Economy Fort Smith Metropolitan Area Counties: Crawford, Franklin, and Sebastian Model: IMPLAN County-Level, Arkansas Version 3.1.1001.12				
Economic Measure	Direct Effect	Indirect Effect	Induced Effect	Total Impact
<b>The Defense Economy</b>				
Employment	2,280	255	926	3,460
Output	\$207,577,255	\$33,758,829	\$113,585,945	\$354,922,029
Labor Income	\$115,230,690	\$9,948,601	\$34,936,093	\$160,115,384
Gross State Product	\$159,073,003	\$17,872,111	\$65,802,836	\$242,747,950
<i>Employee Compensation</i>	\$108,439,997	\$8,282,132	\$30,428,984	\$147,151,114
<i>Proprietor Income</i>	\$6,790,692	\$1,666,469	\$4,507,109	\$12,964,270
<i>Other Property Income</i>	\$37,855,567	\$6,394,145	\$25,028,343	\$69,278,054
<i>Tax on Production</i>	\$5,986,746	\$1,529,365	\$5,838,400	\$13,354,511
<b>Operations (Personnel)</b>				
Employment	567	-	264	830
Output	\$51,234,000	\$-	\$32,370,204	\$83,604,204
Labor Income	\$35,753,251	\$-	\$9,951,138	\$45,704,389
Gross State Product	\$51,234,001	\$-	\$18,748,701	\$69,982,701
<i>Employee Compensation</i>	\$35,753,251	\$-	\$8,666,302	\$44,419,552
<i>Proprietor Income</i>	\$-	\$-	\$1,284,837	\$1,284,837
<i>Other Property Income</i>	\$15,480,750	\$-	\$7,133,675	\$22,614,425
<i>Tax on Production</i>	\$-	\$-	\$1,663,888	\$1,663,888
<b>Procurement Impacts</b>				
Employment	115	28	44	187
Output	\$13,109,632	\$4,032,781	\$5,335,594	\$22,478,006
Labor Income	\$4,619,666	\$1,255,099	\$1,641,869	\$7,516,633
Gross State Product	\$6,582,813	\$2,178,845	\$3,091,501	\$11,853,158
<i>Employee Compensation</i>	\$3,617,620	\$1,082,515	\$1,430,199	\$6,130,335
<i>Proprietor Income</i>	\$1,002,046	\$172,584	\$211,669	\$1,386,298
<i>Other Property Income</i>	\$1,319,781	\$763,232	\$1,175,257	\$3,258,271
<i>Tax on Production</i>	\$643,365	\$160,513	\$274,375	\$1,078,254
<b>Transfers Impacts</b>				
Employment	1,598	226	618	2,443
Output	\$143,233,623	\$29,726,048	\$75,880,147	\$248,839,819
Labor Income	\$74,857,773	\$8,693,502	\$23,343,086	\$106,894,362
Gross State Product	\$101,256,190	\$15,693,266	\$43,962,635	\$160,912,090
<i>Employee Compensation</i>	\$69,069,127	\$7,199,617	\$20,332,483	\$96,601,227
<i>Proprietor Income</i>	\$5,788,646	\$1,493,885	\$3,010,604	\$10,293,135
<i>Other Property Income</i>	\$21,055,036	\$5,630,912	\$16,719,411	\$43,405,359
<i>Tax on Production</i>	\$5,343,381	\$1,368,852	\$3,900,137	\$10,612,370

## Arkansas Military Installations Impact Analysis

Fiscal Impacts Associated with the Defense Economy Fort Smith Metropolitan Area Counties: Crawford, Franklin, and Sebastian Model: IMPLAN County-Level, Arkansas Version 3.1.1001.12				
Tax Type	Operations	Procurement	Transfer Payments	Total
State Pension: Employee Contribution	\$38,159	\$5,266	\$82,986	\$126,411
State Pension: Employer Contribution	\$74,529	\$10,286	\$162,082	\$246,897
Commercial: Sales Tax	\$1,027,310	\$665,730	\$6,552,240	\$8,245,280
Commercial: Property Tax	\$361,655	\$234,364	\$2,306,657	\$2,902,676
Commercial: Motor Vehicle License	\$11,943	\$7,740	\$76,174	\$95,857
Commercial: Severance Tax	\$14,100	\$9,137	\$89,931	\$113,169
Commercial: Other Taxes	\$47,829	\$30,995	\$305,054	\$383,877
Commercial: S/L Non-Taxes	\$5,109	\$3,311	\$32,587	\$41,007
Personal Tax: Income Tax	\$1,543,031	\$261,347	\$3,547,910	\$5,352,289
Personal Tax: Non-Taxes (Fines- Fees)	\$316,281	\$53,569	\$727,230	\$1,097,081
Personal Tax: Motor Vehicle License	\$65,667	\$11,122	\$150,989	\$227,779
Personal Tax: Property Taxes	\$19,228	\$3,257	\$44,212	\$66,697
Personal Tax: Other Tax (Fish/Hunt)	\$50,099	\$8,485	\$115,193	\$173,777
<b>Total Tax Revenue Generated</b>	<b>\$3,574,941</b>	<b>\$1,304,610</b>	<b>\$14,193,245</b>	<b>\$19,072,797</b>

The Defense Economy Pine Bluff Metropolitan Statistical Area Counties: Cleveland, Jefferson, and Lincoln Model: IMPLAN County-Level, Arkansas Version 3.1.1001.12				
Economic Measure	Direct Effect	Indirect Effect	Induced Effect	Total Impact
<b>The Defense Economy</b>				
Employment	1,577	120	834	2,532
Output	\$170,521,294	\$16,328,260	\$102,400,657	\$289,250,211
Labor Income	\$108,280,340	\$4,744,797	\$31,485,927	\$144,511,065
Gross State Product	\$146,466,628	\$8,526,430	\$59,314,778	\$214,307,836
<i>Employee Compensation</i>	\$105,275,322	\$3,962,063	\$27,421,894	\$136,659,279
<i>Proprietor Income</i>	\$3,005,018	\$782,734	\$4,064,034	\$7,851,786
<i>Other Property Income</i>	\$35,785,583	\$3,023,480	\$22,565,055	\$61,374,118
<i>Tax on Production</i>	\$2,400,704	\$758,154	\$5,263,796	\$8,422,654
<b>Operations (Personnel)</b>				
Employment	741	-	477	1,218
Output	\$87,599,000	\$-	\$58,535,409	\$146,134,409
Labor Income	\$64,674,244	\$-	\$17,993,950	\$82,668,193
Gross State Product	\$87,598,998	\$-	\$33,902,706	\$121,501,704
<i>Employee Compensation</i>	\$64,674,244	\$-	\$15,670,495	\$80,344,739
<i>Proprietor Income</i>	\$-	\$-	\$2,323,455	\$2,323,455
<i>Other Property Income</i>	\$22,924,755	\$-	\$12,899,804	\$35,824,559
<i>Tax on Production</i>	\$-	\$-	\$3,008,952	\$3,008,952
<b>Procurement Impacts</b>				
Employment	56	22	23	101
Output	\$9,024,837	\$3,480,116	\$2,816,188	\$15,321,141
Labor Income	\$2,128,042	\$989,935	\$866,022	\$3,984,000
Gross State Product	\$3,010,475	\$1,754,993	\$1,631,157	\$6,396,625
<i>Employee Compensation</i>	\$1,605,683	\$851,292	\$754,250	\$3,211,225
<i>Proprietor Income</i>	\$522,359	\$138,644	\$111,772	\$772,775
<i>Other Property Income</i>	\$767,192	\$594,806	\$620,214	\$1,982,212
<i>Tax on Production</i>	\$115,242	\$170,251	\$144,921	\$430,413
<b>Transfers Impacts</b>				
Employment	780	98	335	1,212
Output	\$73,897,457	\$12,848,144	\$41,049,060	\$127,794,660
Labor Income	\$41,478,054	\$3,754,862	\$12,625,955	\$57,858,871
Gross State Product	\$55,857,154	\$6,771,437	\$23,780,916	\$86,409,507
<i>Employee Compensation</i>	\$38,995,395	\$3,110,771	\$10,997,148	\$53,103,315
<i>Proprietor Income</i>	\$2,482,659	\$644,090	\$1,628,807	\$4,755,556
<i>Other Property Income</i>	\$12,093,637	\$2,428,673	\$9,045,037	\$23,567,347
<i>Tax on Production</i>	\$2,285,463	\$587,902	\$2,109,923	\$4,983,288

## Arkansas Military Installations Impact Analysis

<b>Fiscal Impacts Associated with the Defense Economy</b> Pine Bluff Metropolitan Statistical Area Counties: Cleveland, Jefferson, and Lincoln Model: IMPLAN County-Level, Arkansas Version 3.1.1001.12				
Tax Type	Operations	Procurement	Transfer Payments	Total
State Pension: Employee Contribution	\$69,021	\$2,759	\$45,619	\$117,398
State Pension: Employer Contribution	\$134,806	\$5,388	\$89,099	\$229,293
Commercial: Sales Tax	\$1,857,773	\$265,744	\$3,076,758	\$5,200,275
Commercial: Property Tax	\$654,012	\$93,553	\$1,083,145	\$1,830,710
Commercial: Motor Vehicle License	\$21,598	\$3,089	\$35,770	\$60,457
Commercial: Severance Tax	\$25,498	\$3,647	\$42,229	\$71,375
Commercial: Other Taxes	\$86,493	\$12,372	\$143,245	\$242,110
Commercial: S/L Non-Taxes	\$9,240	\$1,322	\$15,302	\$25,863
Personal Tax: Income Tax	\$2,678,961	\$141,038	\$1,905,221	\$4,725,220
Personal Tax: Non-Taxes (Fines- Fees)	\$549,118	\$28,909	\$390,521	\$968,548
Personal Tax: Motor Vehicle License	\$114,009	\$6,002	\$81,081	\$201,092
Personal Tax: Property Taxes	\$33,384	\$1,758	\$23,742	\$58,883
Personal Tax: Other Tax (Fish/Hunt)	\$86,980	\$4,579	\$61,858	\$153,417
<b>Total Tax Revenue Generated</b>	<b>\$6,320,891</b>	<b>\$570,159</b>	<b>\$6,993,591</b>	<b>\$13,884,642</b>

## Appendix C: Arkansas Economic Development and Planning District Impacts

The Defense Economy Central Arkansas Economic Development District Counties: Faulkner, Pulaski, Saline, Lonoke, Prairie, and Monroe Model: IMPLAN County-Level, Arkansas Version 3.1.1001.12				
Economic Measure	Direct Effect	Indirect Effect	Induced Effect	Total Impact
<b>The Defense Economy</b>				
Employment	17,379	1,251	7,335	25,965
Output	\$1,600,549,439	\$168,666,953	\$900,280,766	\$2,669,497,158
Labor Income	\$943,468,129	\$49,545,002	\$276,846,643	\$1,269,859,774
Gross State Product	\$1,333,361,663	\$89,253,588	\$521,508,100	\$1,944,123,351
<i>Employee Compensation</i>	□913,046,709	\$41,491,486	\$241,119,177	\$1,195,657,372
<i>Proprietor Income</i>	\$30,421,420	\$8,053,516	\$35,727,466	\$74,202,402
<i>Other Property Income</i>	\$362,938,722	\$31,914,490	\$198,386,567	\$593,239,780
<i>Tax on Production</i>	\$26,954,813	\$7,794,095	\$46,274,890	\$81,023,798
<b>Operations (Personnel)</b>				
Employment	8,602	-	3,682	12,284
Output	\$727,634,750	\$0	\$451,980,846	\$1,179,615,596
Labor Income	\$499,166,295	\$0	\$138,948,379	\$638,114,674
Gross State Product	\$727,634,766	\$0	\$261,787,509	\$989,422,275
<i>Employee Compensation</i>	\$499,166,295	\$0	\$121,008,546	\$620,174,841
<i>Proprietor Income</i>	\$0	\$0	\$17,939,833	\$17,939,833
<i>Other Property Income</i>	\$228,468,471	\$0	\$99,606,794	\$328,075,264
<i>Tax on Production</i>	\$0	\$0	\$23,232,337	\$23,232,337
<b>Procurement Impacts</b>				
Employment	468	184	228	881
Output	\$106,133,058	\$27,960,848	\$28,005,229	\$162,099,135
Labor Income	\$22,204,959	\$8,511,660	\$8,620,844	\$39,337,463
Gross State Product	\$38,861,143	\$14,904,834	\$16,230,321	\$69,996,298
<i>Employee Compensation</i>	\$19,304,749	\$7,472,378	\$7,510,165	\$34,287,292
<i>Proprietor Income</i>	\$2,900,210	\$1,039,282	\$1,110,679	\$5,050,171
<i>Other Property Income</i>	\$14,130,777	\$5,034,074	\$6,170,518	\$25,335,368
<i>Tax on Production</i>	\$2,525,407	\$1,359,100	\$1,438,960	\$5,323,467
<b>Transfers Impacts</b>				
Employment	8,308	1,067	3,425	12,800
Output	\$766,781,631	\$140,706,105	\$420,294,691	\$1,327,782,427
Labor Income	\$422,096,875	\$41,033,342	\$129,277,420	\$592,407,637
Gross State Product	\$566,865,754	\$74,348,754	\$243,490,270	\$884,704,778

## Arkansas Military Installations Impact Analysis

Fiscal Impacts Associate with the Defense Economy Central Arkansas Economic Development District Counties: Faulkner, Pulaski, Saline, Lonoke, Prairie, and Monroe Model: IMPLAN County-Level, Arkansas Version 3.1.1001.12				
Tax Type	Operations	Procurement	Transfer Payments	Total
State Pension: Employee Contribution	\$532,765	\$29,455	\$464,917	\$1,027,137
State Pension: Employer Contribution	\$1,040,557	\$57,529	\$908,042	\$2,006,128
Commercial: Sales Tax	\$14,344,000	\$3,286,790	\$32,394,543	\$50,025,334
Commercial: Property Tax	\$5,049,676	\$1,157,085	\$11,404,207	\$17,610,969
Commercial: Motor Vehicle License	\$166,759	\$38,211	\$376,610	\$581,580
Commercial: Severance Tax	\$196,875	\$45,112	\$444,624	\$686,611
Commercial: Other Taxes	\$667,817	\$153,024	\$1,508,200	\$2,329,041
Commercial: S/L Non-Taxes	\$71,339	\$16,347	\$161,112	\$248,798
Personal Tax: Income Tax	\$21,815,523	\$1,543,331	\$19,506,633	\$42,865,487
Personal Tax: Non-Taxes (Fines- Fees)	\$4,471,618	\$316,343	\$3,998,356	\$8,786,317
Personal Tax: Motor Vehicle License	\$928,409	\$65,680	\$830,149	\$1,824,238
Personal Tax: Property Taxes	\$271,851	\$19,232	\$243,079	\$534,163
Personal Tax: Other Tax (Fish/Hunt)	\$708,302	\$50,109	\$633,337	\$1,391,747
<b>Total Tax Revenue Generated</b>	<b>\$50,265,493</b>	<b>\$6,778,246</b>	<b>\$72,873,810</b>	<b>\$129,917,549</b>

The Defense Economy Northwest Arkansas Economic Development District Counties: Counties: Benton, Carroll, Boone, Marion, Baxter, Washington, Madison, Newton, and Searcy Model: IMPLAN County-Level, Arkansas Version 3.1.1001.12				
Economic Measure	Direct Effect	Indirect Effect	Induced Effect	Total Impact
<b>The Defense Economy</b>				
Employment	5,715	605	2,320	8,640
Output	\$520,186,448	\$81,236,852	\$284,711,274	\$886,134,573
Labor Income	\$290,149,532	\$23,722,347	\$87,564,829	\$401,436,708
Gross State Product	\$400,476,036	\$42,668,344	\$164,935,224	\$608,079,604
<i>Employee Compensation</i>	\$274,447,866	\$19,760,957	\$76,267,045	\$370,475,868
<i>Proprietor Income</i>	\$15,701,666	\$3,961,390	\$11,297,784	\$30,960,840
<i>Other Property Income</i>	\$96,969,367	\$15,236,749	\$62,735,736	\$174,941,853
<i>Tax on Production</i>	\$13,357,137	\$3,709,248	\$14,634,659	\$31,701,043
<b>Operations (Personnel)</b>				
Employment	1,113	-	408	1,521
Output	\$83,485,000	\$0	\$50,090,950	\$133,575,950
Labor Income	\$55,308,330	\$0	\$15,399,462	\$70,707,792
Gross State Product	\$83,485,003	\$0	\$29,013,142	\$112,498,146
<i>Employee Compensation</i>	\$55,308,330	\$0	\$13,411,313	\$68,719,643
<i>Proprietor Income</i>	\$0	\$0	\$1,988,150	\$1,988,150
<i>Other Property Income</i>	\$28,176,673	\$0	\$11,039,018	\$39,215,691
<i>Tax on Production</i>	\$0	\$0	\$2,574,662	\$2,574,662
<b>Procurement Impacts</b>				
Employment	256	47	76	378
Output	\$25,965,668	\$7,304,970	\$9,325,956	\$42,596,594
Labor Income	\$8,161,372	\$2,148,974	\$2,867,882	\$13,178,228
Gross State Product	\$11,638,552	\$3,735,763	\$5,401,892	\$20,776,207
<i>Employee Compensation</i>	\$6,885,228	\$1,862,038	\$2,497,759	\$11,245,024
<i>Proprietor Income</i>	\$1,276,144	\$286,936	\$370,124	\$1,933,204
<i>Other Property Income</i>	\$3,039,754	\$1,273,302	\$2,054,294	\$6,367,350
<i>Tax on Production</i>	\$437,427	\$313,487	\$479,716	\$1,230,630
<b>Transfers Impacts</b>				
Employment	4,346	558	1,836	6,740
Output	\$410,735,780	\$73,931,882	\$225,294,367	\$709,962,029
Labor Income	\$226,679,830	\$21,573,373	\$69,297,485	\$317,550,688
Gross State Product	\$305,352,480	\$38,932,581	\$130,520,190	\$474,805,251
<i>Employee Compensation</i>	\$212,254,308	\$17,898,919	\$60,357,974	\$290,511,201
<i>Proprietor Income</i>	\$14,425,522	\$3,674,454	\$8,939,511	\$27,039,487
<i>Other Property Income</i>	\$65,752,941	\$13,963,447	\$49,642,424	\$129,358,812
<i>Tax on Production</i>	\$12,919,710	\$3,395,761	\$11,580,281	\$27,895,752

## Arkansas Military Installations Impact Analysis

<b>Fiscal Impacts Associated with the Defense Economy</b> <b>Northwest Arkansas Economic Development District</b> Counties: Counties: Benton, Carroll, Boone, Marion, Baxter, Washington, Madison, Newton, and Searcy Model: IMPLAN County-Level, Arkansas Version 3.1.1001.12				
Tax Type	Operations	Procurement	Transfer Payments	Total
State Pension: Employee Contribution	\$59,034	\$9,660	\$249,566	\$318,260
State Pension: Employer Contribution	\$115,301	\$18,867	\$487,433	\$621,601
Commercial: Sales Tax	\$1,589,636	\$759,810	\$17,223,264	\$19,572,710
Commercial: Property Tax	\$559,617	\$267,484	\$6,063,295	\$6,890,396
Commercial: Motor Vehicle License	\$18,481	\$8,833	\$200,233	\$227,547
Commercial: Severance Tax	\$21,818	\$10,429	\$236,394	\$268,641
Commercial: Other Taxes	\$74,009	\$35,375	\$801,868	\$911,251
Commercial: S/L Non-Taxes	\$7,906	\$3,779	\$85,659	\$97,344
Personal Tax: Income Tax	\$2,480,443	\$458,089	\$10,468,862	\$13,407,394
Personal Tax: Non-Taxes (Fines- Fees)	\$508,427	\$93,896	\$2,145,846	\$2,748,169
Personal Tax: Motor Vehicle License	\$105,561	\$19,495	\$445,526	\$570,582
Personal Tax: Property Taxes	\$30,910	\$5,708	\$130,456	\$167,074
Personal Tax: Other Tax (Fish/Hunt)	\$80,534	\$14,873	\$339,901	\$435,308
<b>Total Tax Revenue Generated</b>	<b>\$5,651,677</b>	<b>\$1,706,299</b>	<b>\$38,878,302</b>	<b>\$46,236,278</b>

The Defense Economy West Central Arkansas Planning Development District Counties: Johnson, Pope, Conway, Yell, Perry, Montgomery, Garland, Hot Spring, and Clark Model: IMPLAN County-Level, Arkansas Version 3.1.1001.12				
Economic Measure	Direct Effect	Indirect Effect	Induced Effect	Total Impact
<b>The Defense Economy</b>				
Employment	3,525	370	1,519	5,414
Output	\$331,687,887	\$48,899,573	\$186,413,759	\$567,001,220
Labor Income	\$191,165,830	\$14,332,248	\$57,332,144	\$262,830,222
Gross State Product	\$262,405,407	\$25,701,441	\$107,990,585	\$396,097,433
<i>Employee Compensation</i>	\$181,859,226	\$11,902,711	\$49,934,930	\$243,696,867
<i>Proprietor Income</i>	\$9,306,604	\$2,429,537	\$7,397,214	\$19,133,355
<i>Other Property Income</i>	\$62,761,476	\$9,144,607	\$41,076,704	\$112,982,787
<i>Tax on Production</i>	\$8,478,102	\$2,224,585	\$9,581,737	\$20,284,424
<b>Operations (Personnel)</b>				
Employment	864	-	435	1,298
Output	\$83,232,750	\$0	\$53,387,909	\$136,620,659
Labor Income	\$58,972,868	\$0	\$16,412,127	\$75,384,995
Gross State Product	\$83,232,750	\$0	\$30,921,879	\$114,154,630
<i>Employee Compensation</i>	\$58,972,868	\$0	\$14,293,039	\$73,265,907
<i>Proprietor Income</i>	\$0	\$0	\$2,119,088	\$2,119,088
<i>Other Property Income</i>	\$24,259,882	\$0	\$11,765,485	\$36,025,367
<i>Tax on Production</i>	\$0	\$0	\$2,744,267	\$2,744,267
<b>Procurement Impacts</b>				
Employment	77	19	24	119
Output	\$8,486,603	\$2,693,025	\$2,897,724	\$14,077,352
Labor Income	\$2,367,275	\$826,000	\$891,591	\$4,084,866
Gross State Product	\$3,661,766	\$1,427,219	\$1,678,897	\$6,767,882
<i>Employee Compensation</i>	\$1,897,632	\$709,043	\$776,628	\$3,383,303
<i>Proprietor Income</i>	\$469,643	\$116,957	\$114,963	\$701,563
<i>Other Property Income</i>	\$1,033,221	\$483,456	\$638,295	\$2,154,973
<i>Tax on Production</i>	\$261,270	\$117,763	\$149,011	\$528,043
<b>Transfers Impacts</b>				
Employment	2,584	352	1,060	3,996
Output	\$239,968,534	\$46,206,549	\$130,128,127	\$416,303,209
Labor Income	\$129,825,687	\$13,506,249	\$40,028,425	\$183,360,361
Gross State Product	\$175,510,891	\$24,274,222	\$75,389,808	\$275,174,921
<i>Employee Compensation</i>	\$120,988,726	\$11,193,668	\$34,865,263	\$167,047,656
<i>Proprietor Income</i>	\$8,836,961	\$2,312,581	\$5,163,163	\$16,312,704
<i>Other Property Income</i>	\$37,468,372	\$8,661,151	\$28,672,924	\$74,802,447
<i>Tax on Production</i>	\$8,216,832	\$2,106,823	\$6,688,459	\$17,012,114

## Arkansas Military Installations Impact Analysis

<b>Fiscal Impacts Associated with the Defense Economy</b> <b>West Central Arkansas Planning Development District</b> Counties: Johnson, Pope, Conway, Yell, Perry, Montgomery, Garland, Hot Spring, and Clark Model: IMPLAN County-Level, Arkansas Version 3.1.1001.12				
<b>Tax Type</b>	<b>Operations</b>	<b>Procurement</b>	<b>Transfer Payments</b>	<b>Total</b>
State Pension: Employee Contribution	\$62,940	\$2,906	\$143,503	\$209,349
State Pension: Employer Contribution	\$122,929	\$5,677	\$280,280	\$408,886
Commercial: Sales Tax	\$1,694,353	\$326,022	\$10,503,540	\$12,523,914
Commercial: Property Tax	\$596,482	\$114,773	\$3,697,677	\$4,408,931
Commercial: Motor Vehicle License	\$19,698	\$3,790	\$122,111	\$145,600
Commercial: Severance Tax	\$23,255	\$4,475	\$144,164	\$171,894
Commercial: Other Taxes	\$78,884	\$15,179	\$489,016	\$583,079
Commercial: S/L Non-Taxes	\$8,427	\$1,621	\$52,239	\$62,287
Personal Tax: Income Tax	\$2,516,967	\$149,223	\$6,067,263	\$8,733,453
Personal Tax: Non-Taxes (Fines- Fees)	\$515,913	\$30,587	\$1,243,632	\$1,790,132
Personal Tax: Motor Vehicle License	\$107,115	\$6,351	\$258,206	\$371,672
Personal Tax: Property Taxes	\$31,365	\$1,860	\$75,606	\$108,831
Personal Tax: Other Tax (Fish/Hunt)	\$81,720	\$4,845	\$196,991	\$283,556
<b>Total Tax Revenue Generated</b>	<b>\$5,860,048</b>	<b>\$667,309</b>	<b>\$23,274,227</b>	<b>\$29,801,583</b>

<b>The Defense Economy</b> <b>Southwest Arkansas Planning Development District</b> Counties: Union, Calhoun, Dallas, Ouachita, Nevada, Columbia, Lafayette, Miller, and Hempstead Model: IMPLAN County-Level, Arkansas Version 3.1.1001.12				
Economic Measure	Direct Effect	Indirect Effect	Induced Effect	Total Impact
<b><i>The Defense Economy</i></b>				
Employment	2,995	747	1,317	5,060
Output	\$408,672,132	\$125,785,488	\$161,626,485	\$696,084,105
Labor Income	\$144,081,069	\$34,657,912	\$49,699,024	\$228,438,006
Gross State Product	\$203,903,067	\$63,064,869	\$93,616,775	\$360,584,711
<i>Employee Compensation</i>	\$125,477,422	\$29,423,731	\$43,284,233	\$198,185,387
<i>Proprietor Income</i>	\$18,603,647	\$5,234,181	\$6,414,791	\$30,252,619
<i>Other Property Income</i>	\$54,401,785	\$22,912,852	\$35,604,313	\$112,918,951
<i>Tax on Production</i>	\$5,420,213	\$5,494,104	\$8,313,438	\$19,227,755
<b><i>Operations (Personnel)</i></b>				
Employment	397	-	145	542
Output	\$29,741,000	\$0	\$17,844,582	\$47,585,582
Labor Income	\$19,703,241	\$0	\$5,485,960	\$25,189,201
Gross State Product	\$29,741,001	\$0	\$10,335,747	\$40,076,748
<i>Employee Compensation</i>	\$19,703,241	\$0	\$4,777,695	\$24,480,935
<i>Proprietor Income</i>	\$0	\$0	\$708,266	\$708,266
<i>Other Property Income</i>	\$10,037,760	\$0	\$3,932,580	\$13,970,340
<i>Tax on Production</i>	\$0	\$0	\$917,207	\$917,207
<b><i>Procurement Impacts</i></b>				
Employment	1,332	583	642	2,557
Output	\$260,183,130	\$104,214,257	\$78,759,182	\$443,156,568
Labor Income	\$59,063,931	\$28,342,560	\$24,212,142	\$111,618,633
Gross State Product	\$85,944,481	\$51,673,057	\$45,610,534	\$183,228,072
<i>Employee Compensation</i>	\$44,673,691	\$24,195,396	\$21,085,601	\$89,954,688
<i>Proprietor Income</i>	\$14,390,240	\$4,147,164	\$3,126,542	\$21,663,946
<i>Other Property Income</i>	\$25,391,666	\$18,835,204	\$17,344,270	\$61,571,139
<i>Tax on Production</i>	\$1,488,885	\$4,495,293	\$4,054,122	\$10,038,299
<b><i>Transfers Impacts</i></b>				
Employment	1,267	164	530	1,961
Output	\$118,748,003	\$21,571,231	\$65,022,721	\$205,341,955
Labor Income	\$65,313,897	\$6,315,352	\$20,000,922	\$91,630,171
Gross State Product	\$88,217,585	\$11,391,812	\$37,670,494	\$137,279,891
<i>Employee Compensation</i>	\$61,100,490	\$5,228,335	\$17,420,938	\$83,749,763
<i>Proprietor Income</i>	\$4,213,407	\$1,087,017	\$2,579,984	\$7,880,408
<i>Other Property Income</i>	\$18,972,359	\$4,077,648	\$14,327,464	\$37,377,471
<i>Tax on Production</i>	\$3,931,328	\$998,811	\$3,342,109	\$8,272,249

## Arkansas Military Installations Impact Analysis

Fiscal Impacts Associated with the Defense Economy Southwest Arkansas Planning Development District Counties: Union, Calhoun, Dallas, Ouachita, Nevada, Columbia, Lafayette, Miller, and Hempstead Model: IMPLAN County-Level, Arkansas Version 3.1.1001.12				
Tax Type	Operations	Procurement	Transfer Payments	Total
State Pension: Employee Contribution	\$21,031	\$77,276	\$71,946	\$170,252
State Pension: Employer Contribution	\$41,075	\$150,930	\$140,519	\$332,524
Commercial: Sales Tax	\$566,298	\$6,197,800	\$5,107,413	\$11,871,510
Commercial: Property Tax	\$199,360	\$2,181,880	\$1,798,019	\$4,179,258
Commercial: Motor Vehicle License	\$6,584	\$72,054	\$59,377	\$138,015
Commercial: Severance Tax	\$7,773	\$85,066	\$70,101	\$162,940
Commercial: Other Taxes	\$26,365	\$288,552	\$237,787	\$552,705
Commercial: S/L Non-Taxes	\$2,816	\$30,824	\$25,401	\$59,042
Personal Tax: Income Tax	\$883,642	\$4,039,950	\$3,026,850	\$7,950,442
Personal Tax: Non-Taxes (Fines- Fees)	\$181,124	\$828,085	\$620,426	\$1,629,635
Personal Tax: Motor Vehicle License	\$37,605	\$171,929	\$128,814	\$338,349
Personal Tax: Property Taxes	\$11,011	\$50,343	\$37,719	\$99,073
Personal Tax: Other Tax (Fish/Hunt)	\$28,690	\$131,168	\$98,275	\$258,133
<b>Total Tax Revenue Generated</b>	<b>\$2,013,374</b>	<b>\$14,305,858</b>	<b>\$11,422,647</b>	<b>\$27,741,879</b>

<b>The Defense Economy</b> <b>Southeast Arkansas Economic Development District</b> Counties: Grant, Jefferson, Arkansas, Desha, Chicot, Ashely, Drew, Bradley, Cleveland, and Lincoln Model: IMPLAN County-Level, Arkansas Version 3.1.1001.12				
Economic Measure	Direct Effect	Indirect Effect	Induced Effect	Total Impact
<b><i>The Defense Economy</i></b>				
Employment	2,788	311	1,347	4,446
Output	\$290,746,301	\$40,062,507	\$165,360,504	\$496,169,312
Labor Income	\$170,212,551	\$12,263,156	\$50,848,845	\$233,324,551
Gross State Product	\$231,355,615	\$21,538,362	\$95,786,750	\$348,680,727
<i>Employee Compensation</i>	\$163,070,975	\$10,361,191	\$44,286,375	\$217,718,541
<i>Proprietor Income</i>	\$7,141,576	\$1,901,965	\$6,562,469	\$15,606,010
<i>Other Property Income</i>	\$55,816,172	\$7,548,625	\$36,437,456	\$99,802,252
<i>Tax on Production</i>	\$5,326,893	\$1,726,581	\$8,500,450	\$15,553,923
<b><i>Operations (Personnel)</i></b>				
Employment	935	-	548	1,483
Output	\$102,127,000	\$0	\$67,252,201	\$169,379,201
Labor Income	\$74,298,960	\$0	\$20,673,753	\$94,972,713
Gross State Product	\$102,126,999	\$0	\$38,951,552	\$141,078,551
<i>Employee Compensation</i>	\$74,298,960	\$0	\$18,004,322	\$92,303,282
<i>Proprietor Income</i>	\$-	\$0	\$2,669,431	\$2,669,431
<i>Other Property Income</i>	\$27,828,039	\$0	\$14,820,806	\$42,648,845
<i>Tax on Production</i>	\$-	\$0	\$3,456,993	\$3,456,993
<b><i>Procurement Impacts</i></b>				
Employment	354	122	155	631
Output	\$46,054,096	\$15,266,686	\$19,019,467	\$80,340,249
Labor Income	\$16,020,124	\$5,011,668	\$5,848,583	\$26,880,374
Gross State Product	\$21,510,651	\$8,473,215	\$11,016,544	\$41,000,410
<i>Employee Compensation</i>	\$13,673,615	\$4,354,424	\$5,093,734	\$23,121,774
<i>Proprietor Income</i>	\$2,346,508	\$657,244	\$754,849	\$3,758,601
<i>Other Property Income</i>	\$4,612,247	\$2,873,152	\$4,189,647	\$11,675,046
<i>Tax on Production</i>	\$878,280	\$588,395	\$978,314	\$2,444,989
<b><i>Transfers Impacts</i></b>				
Employment	1,500	189	644	2,333
Output	\$142,565,205	\$24,795,821	\$79,088,837	\$246,449,863
Labor Income	\$79,893,468	\$7,251,488	\$24,326,509	\$111,471,464
Gross State Product	\$107,717,966	\$13,065,147	\$45,818,654	\$166,601,766
<i>Employee Compensation</i>	\$75,098,399	\$6,006,767	\$21,188,319	\$102,293,485
<i>Proprietor Income</i>	\$4,795,068	\$1,244,721	\$3,138,190	\$9,177,979
<i>Other Property Income</i>	\$23,375,885	\$4,675,474	\$17,427,002	\$45,478,361
<i>Tax on Production</i>	\$4,448,613	\$1,138,186	\$4,065,143	\$9,651,941

## Arkansas Military Installations Impact Analysis

Fiscal Impacts Associated with the Defense Economy Southeast Arkansas Economic Development District Counties: Grant, Jefferson, Arkansas, Desha, Chicot, Ashely, Drew, Bradley, Cleveland, and Lincoln Model: IMPLAN County-Level, Arkansas Version 3.1.1001.12				
Tax Type	Operations	Procurement	Transfer Payments	Total
State Pension: Employee Contribution	\$79,294	\$19,863	\$87,876	\$187,033
State Pension: Employer Contribution	\$154,871	\$38,795	\$171,633	\$365,298
Commercial: Sales Tax	\$2,134,400	\$1,509,574	\$5,959,256	\$9,603,230
Commercial: Property Tax	\$751,396	\$531,432	\$2,097,903	\$3,380,731
Commercial: Motor Vehicle License	\$24,814	\$17,550	\$69,281	\$111,644
Commercial: Severance Tax	\$29,295	\$20,719	\$81,792	\$131,807
Commercial: Other Taxes	\$99,372	\$70,282	\$277,446	\$447,100
Commercial: S/L Non-Taxes	\$10,615	\$7,508	\$29,638	\$47,761
Personal Tax: Income Tax	\$3,110,606	\$904,008	\$3,673,360	\$7,687,974
Personal Tax: Non-Taxes (Fines- Fees)	\$637,594	\$185,298	\$752,944	\$1,575,836
Personal Tax: Motor Vehicle License	\$132,379	\$38,472	\$156,328	\$327,179
Personal Tax: Property Taxes	\$38,762	\$11,265	\$45,775	\$95,803
Personal Tax: Other Tax (Fish/Hunt)	\$100,994	\$29,351	\$119,266	\$249,611
<b>Total Tax Revenue Generated</b>	<b>\$7,304,392</b>	<b>\$3,384,116</b>	<b>\$13,522,498</b>	<b>\$24,211,007</b>

<b>The Defense Economy</b> <b>Western Arkansas Planning Development District</b> Counties: Crawford, Franklin, Logan, Sebastian, Scott, and Polk Model: IMPLAN County-Level, Arkansas Version 3.1.1001.12				
Economic Measure	Direct Effect	Indirect Effect	Induced Effect	Total Impact
<b><i>The Defense Economy</i></b>				
Employment	2,872	323	1,162	4,357
Output	\$260,859,618	\$42,732,120	\$142,557,743	\$446,149,480
Labor Income	\$144,508,686	\$12,584,944	\$43,847,698	\$200,941,329
Gross State Product	\$199,526,455	\$22,619,555	\$82,587,427	\$304,733,437
<i>Employee Compensation</i>	\$135,960,331	\$10,463,698	\$38,191,036	\$184,615,064
<i>Proprietor Income</i>	\$8,548,356	\$2,121,247	\$5,656,662	\$16,326,264
<i>Other Property Income</i>	\$47,361,336	\$8,084,987	\$31,412,237	\$86,858,560
<i>Tax on Production</i>	\$7,656,433	\$1,949,624	\$7,327,491	\$16,933,548
<b><i>Operations (Personnel)</i></b>				
Employment	660	-	298	957
Output	\$58,208,000	\$0	\$36,554,600	\$94,762,600
Labor Income	\$40,373,485	\$0	\$11,237,547	\$51,611,033
Gross State Product	\$58,208,001	\$0	\$21,172,341	\$79,380,342
<i>Employee Compensation</i>	\$40,373,485	\$0	\$9,786,629	\$50,160,114
<i>Proprietor Income</i>	\$-	\$0	\$1,450,919	\$1,450,919
<i>Other Property Income</i>	\$17,834,516	\$0	\$8,055,830	\$25,890,345
<i>Tax on Production</i>	\$-	\$0	\$1,878,964	\$1,878,964
<b><i>Procurement Impacts</i></b>				
Employment	117	29	44	191
Output	\$13,410,527	\$4,140,746	\$5,433,979	\$22,985,252
Labor Income	\$4,692,425	\$1,290,394	\$1,672,149	\$7,654,967
Gross State Product	\$6,703,031	\$2,236,491	\$3,148,514	\$12,088,036
<i>Employee Compensation</i>	\$3,682,647	\$1,112,371	\$1,456,577	\$6,251,595
<i>Proprietor Income</i>	\$1,009,778	\$178,023	\$215,572	\$1,403,372
<i>Other Property Income</i>	\$1,359,241	\$781,260	\$1,196,934	\$3,337,435
<i>Tax on Production</i>	\$651,365	\$164,837	\$279,431	\$1,095,633
<b><i>Transfers Impacts</i></b>				
Employment	2,095	294	820	3,209
Output	\$189,241,091	\$38,591,374	\$100,569,164	\$328,401,629
Labor Income	\$99,442,776	\$11,294,550	\$30,938,002	\$141,675,329
Gross State Product	\$134,615,423	\$20,383,064	\$58,266,572	\$213,265,059
<i>Employee Compensation</i>	\$91,904,199	\$9,351,326	\$26,947,830	\$128,203,356
<i>Proprietor Income</i>	\$7,538,578	\$1,943,224	\$3,990,172	\$13,471,973
<i>Other Property Income</i>	\$28,167,579	\$7,303,726	\$22,159,473	\$57,630,779
<i>Tax on Production</i>	\$7,005,067	\$1,784,788	\$5,169,096	\$13,958,951

Fiscal Impacts Associated with the Defense Economy Western Arkansas Planning Development District Counties: Crawford, Franklin, Logan, Sebastian, Scott, and Polk Model: IMPLAN County-Level, Arkansas Version 3.1.1001.12				
Tax Type	Operations	Procurement	Transfer Payments	Total
State Pension: Employee Contribution	\$43,090	\$5,370	\$110,134	\$158,595
State Pension: Employer Contribution	\$84,161	\$10,489	\$215,105	\$309,755
Commercial: Sales Tax	\$1,160,101	\$676,461	\$8,618,470	\$10,455,032
Commercial: Property Tax	\$408,403	\$238,142	\$3,034,055	\$3,680,600
Commercial: Motor Vehicle License	\$13,487	\$7,864	\$100,196	\$121,547
Commercial: Severance Tax	\$15,923	\$9,285	\$118,291	\$143,498
Commercial: Other Taxes	\$54,011	\$31,494	\$401,252	\$486,757
Commercial: S/L Non-Taxes	\$5,770	\$3,364	\$42,863	\$51,997
Personal Tax: Income Tax	\$1,750,237	\$266,526	\$4,702,228	\$6,718,991
Personal Tax: Non-Taxes (Fines- Fees)	\$358,753	\$54,631	\$963,835	\$1,377,219
Personal Tax: Motor Vehicle License	\$74,485	\$11,343	\$200,114	\$285,942
Personal Tax: Property Taxes	\$21,810	\$3,321	\$58,596	\$83,728
Personal Tax: Other Tax (Fish/Hunt)	\$56,826	\$8,654	\$152,671	\$218,151
<b>Total Tax Revenue Generated</b>	<b>\$4,047,059</b>	<b>\$1,326,944</b>	<b>\$18,717,810</b>	<b>\$24,091,813</b>

<b>The Defense Economy</b> <b>East Arkansas Planning Development District</b> Counties: Randolph, Clay, Greene, Craighead, Poinsett, Cross, St. Francis, Lee, Phillips, and Mississippi Model: IMPLAN County-Level, Arkansas Version 3.1.1001.12				
Economic Measure	Direct Effect	Indirect Effect	Induced Effect	Total Impact
<b><i>The Defense Economy</i></b>				
Employment	2,860	308	1,143	4,311
Output	\$258,526,771	\$40,972,480	\$140,209,878	\$439,709,129
Labor Income	\$142,503,861	\$12,010,052	\$43,124,502	\$197,638,416
Gross State Product	\$197,801,212	\$21,611,247	\$81,226,563	\$300,639,022
<i>Employee Compensation</i>	\$134,932,762	\$9,987,656	\$37,560,935	\$182,481,354
<i>Proprietor Income</i>	\$7,571,099	\$2,022,395	\$5,563,567	\$15,157,062
<i>Other Property Income</i>	\$48,357,113	\$7,705,951	\$30,895,369	\$86,958,434
<i>Tax on Production</i>	\$6,940,238	\$1,895,244	\$7,206,691	\$16,042,173
<b><i>Operations (Personnel)</i></b>				
Employment	648	-	238	885
Output	\$48,595,000	\$0	\$29,156,971	\$77,751,971
Labor Income	\$32,193,907	\$0	\$8,963,728	\$41,157,635
Gross State Product	\$48,595,002	\$0	\$16,887,988	\$65,482,990
<i>Employee Compensation</i>	\$32,193,907	\$0	\$7,806,465	\$40,000,372
<i>Proprietor Income</i>	\$-	\$0	\$1,157,263	\$1,157,263
<i>Other Property Income</i>	\$16,401,095	\$0	\$6,425,598	\$22,826,693
<i>Tax on Production</i>	\$-	\$0	\$1,498,661	\$1,498,661
<b><i>Procurement Impacts</i></b>				
Employment	23	15	14	52
Output	\$8,421,529	\$2,513,299	\$1,747,997	\$12,682,825
Labor Income	\$1,154,940	\$764,905	\$537,867	\$2,457,711
Gross State Product	\$1,887,576	\$1,317,975	\$1,012,853	\$4,218,404
<i>Employee Compensation</i>	\$1,052,847	\$674,027	\$468,524	\$2,195,397
<i>Proprietor Income</i>	\$102,093	\$90,878	\$69,343	\$262,314
<i>Other Property Income</i>	\$683,249	\$424,917	\$385,154	\$1,493,320
<i>Tax on Production</i>	\$49,387	\$128,154	\$89,832	\$267,373
<b><i>Transfers Impacts</i></b>				
Employment	2,189	293	891	3,373
Output	\$201,510,242	\$38,459,181	\$109,304,910	\$349,274,333
Labor Income	\$109,155,015	\$11,245,147	\$33,622,908	\$154,023,069
Gross State Product	\$147,318,634	\$20,293,272	\$63,325,722	\$230,937,629
<i>Employee Compensation</i>	\$101,686,008	\$9,313,630	\$29,285,946	\$140,285,585
<i>Proprietor Income</i>	\$7,469,006	\$1,931,517	\$4,336,961	\$13,737,485
<i>Other Property Income</i>	\$31,272,769	\$7,281,035	\$24,084,617	\$62,638,420
<i>Tax on Production</i>	\$6,890,851	\$1,767,090	\$5,618,198	\$14,276,139

## Arkansas Military Installations Impact Analysis

<b>Fiscal Impacts Associated with the Defense Economy</b> <b>East Arkansas Planning Development District</b> Counties: Randolph, Clay, Greene, Craighead, Poinsett, Cross, St. Francis, Lee, Phillips, and Mississippi Model: IMPLAN County-Level, Arkansas Version 3.1.1001.12				
<b>Tax Type</b>	<b>Operations</b>	<b>Procurement</b>	<b>Transfer Payments</b>	<b>Total</b>
State Pension: Employee Contribution	\$34,363	\$1,886	\$120,513	\$156,762
State Pension: Employer Contribution	\$67,114	\$3,684	\$235,377	\$306,175
Commercial: Sales Tax	\$925,296	\$165,080	\$8,814,307	\$9,904,683
Commercial: Property Tax	\$325,742	\$58,115	\$3,102,997	\$3,486,855
Commercial: Motor Vehicle License	\$10,757	\$1,919	\$102,473	\$115,149
Commercial: Severance Tax	\$12,700	\$2,266	\$120,979	\$135,944
Commercial: Other Taxes	\$43,079	\$7,686	\$410,370	\$461,135
Commercial: S/L Non-Taxes	\$4,602	\$821	\$43,837	\$49,260
Personal Tax: Income Tax	\$1,443,818	\$93,011	\$5,091,886	\$6,628,714
Personal Tax: Non-Taxes (Fines- Fees)	\$295,945	\$19,065	\$1,043,705	\$1,358,715
Personal Tax: Motor Vehicle License	\$61,445	\$3,958	\$216,697	\$282,100
Personal Tax: Property Taxes	\$17,992	\$1,159	\$63,452	\$82,603
Personal Tax: Other Tax (Fish/Hunt)	\$46,878	\$3,020	\$165,322	\$215,220
<b>Total Tax Revenue Generated</b>	<b>\$3,289,732</b>	<b>\$361,669</b>	<b>\$19,531,915</b>	<b>\$23,183,315</b>

The Defense Economy White River Planning Development District Model: IMPLAN County-Level, Arkansas Version 3.1.1001.12 Counties: Fulton, Izard, Stone, Van Buren, Cleburne, Sharp, Independence, White, Lawrence, Jackson, and Crittenden				
Economic Measure	Direct Effect	Indirect Effect	Induced Effect	Total Impact
<b>The Defense Economy</b>				
Employment	2,778	319	1,105	4,202
Output	\$248,516,292	\$41,941,319	\$135,587,920	\$426,045,531
Labor Income	\$137,078,126	\$12,297,152	\$41,705,625	\$191,080,903
Gross State Product	\$188,996,867	\$22,141,290	\$78,551,210	\$289,689,367
<i>Employee Compensation</i>	\$128,878,517	\$10,186,180	\$36,325,666	\$175,390,363
<i>Proprietor Income</i>	\$8,199,610	\$2,110,972	\$5,379,958	\$15,690,540
<i>Other Property Income</i>	\$44,246,033	\$7,899,495	\$29,876,554	\$82,022,082
<i>Tax on Production</i>	\$7,672,708	\$1,944,643	\$6,969,031	\$16,586,382
<b>Operations (Personnel)</b>				
Employment	439	-	161	600
Output	\$32,904,000	\$0	\$19,742,380	\$52,646,380
Labor Income	\$21,798,710	\$0	\$6,069,401	\$27,868,110
Gross State Product	\$32,904,001	\$0	\$11,434,969	\$44,338,971
<i>Employee Compensation</i>	\$21,798,710	\$0	\$5,285,810	\$27,084,520
<i>Proprietor Income</i>	\$-	\$0	\$783,591	\$783,591
<i>Other Property Income</i>	\$11,105,291	\$0	\$4,350,816	\$15,456,107
<i>Tax on Production</i>	\$-	\$0	\$1,014,753	\$1,014,753
<b>Procurement Impacts</b>				
Employment	27	4	6	37
Output	\$1,832,256	\$551,767	\$793,413	\$3,177,436
Labor Income	\$702,282	\$172,435	\$244,098	\$1,118,816
Gross State Product	\$874,672	\$299,126	\$459,673	\$1,633,471
<i>Employee Compensation</i>	\$579,030	\$148,953	\$212,619	\$940,602
<i>Proprietor Income</i>	\$123,252	\$23,482	\$31,479	\$178,214
<i>Other Property Income</i>	\$95,218	\$102,409	\$174,775	\$372,403
<i>Tax on Production</i>	\$77,171	\$24,282	\$40,799	\$142,252
<b>Transfers Impacts</b>				
Employment	2,313	315	938	3,566
Output	\$213,780,036	\$41,389,553	\$115,052,126	\$370,221,715
Labor Income	\$114,577,134	\$12,124,717	\$35,392,126	\$162,093,977
Gross State Product	\$155,218,194	\$21,842,164	\$66,656,568	\$243,716,925
<i>Employee Compensation</i>	\$106,500,776	\$10,037,227	\$30,827,238	\$147,365,241
<i>Proprietor Income</i>	\$8,076,357	\$2,087,490	\$4,564,888	\$14,728,736
<i>Other Property Income</i>	\$33,045,523	\$7,797,085	\$25,350,964	\$66,193,572
<i>Tax on Production</i>	\$7,595,537	\$1,920,361	\$5,913,478	\$15,429,377

<b>Fiscal Impacts Associated with Defense Spending</b> <b>White River Planning Development District</b> Model: IMPLAN County-Level, Arkansas Version 3.1.1001.12 Counties: Fulton, Izard, Stone, Van Buren, Cleburne, Sharp, Independence, White, Lawrence, Jackson, and Crittenden				
<b>Tax Type</b>	<b>Operations</b>	<b>Procurement</b>	<b>Transfer Payments</b>	<b>Total</b>
State Pension: Employee Contribution	\$23,267	\$808	\$126,595	<b>\$150,670</b>
State Pension: Employer Contribution	\$45,444	\$1,578	\$247,256	<b>\$294,278</b>
Commercial: Sales Tax	\$626,524	\$87,829	\$9,526,334	<b>\$10,240,686</b>
Commercial: Property Tax	\$220,562	\$30,919	\$3,353,660	<b>\$3,605,141</b>
Commercial: Motor Vehicle License	\$7,284	\$1,021	\$110,750	<b>\$119,055</b>
Commercial: Severance Tax	\$8,599	\$1,205	\$130,751	<b>\$140,556</b>
Commercial: Other Taxes	\$29,169	\$4,089	\$443,520	<b>\$476,778</b>
Commercial: S/L Non-Taxes	\$3,116	\$437	\$47,379	<b>\$50,931</b>
Personal Tax: Income Tax	\$977,619	\$36,016	\$5,373,653	<b>\$6,387,288</b>
Personal Tax: Non-Taxes (Fines- Fees)	\$200,387	\$7,382	\$1,101,460	<b>\$1,309,229</b>
Personal Tax: Motor Vehicle License	\$41,605	\$1,533	\$228,688	<b>\$271,826</b>
Personal Tax: Property Taxes	\$12,182	\$449	\$66,963	<b>\$79,594</b>
Personal Tax: Other Tax (Fish/Hunt)	\$31,741	\$1,169	\$174,471	<b>\$207,381</b>
<b>Total Tax Revenue Generated</b>	<b>\$2,227,499</b>	<b>\$174,436</b>	<b>\$20,931,480</b>	<b>\$23,333,415</b>

## Appendix D: Glossary of Economic and Fiscal Terms

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### Economic Impacts Terms

**Employee Compensation** – Employee Compensation is the total payroll cost of the employee paid by the employer. This includes wage and salary, all benefits (e.g., health, retirement) and payroll taxes (both sides of Social Security, unemployment taxes, etc.).

**Employment** – The total number of full and part-time jobs supported by a spending flow; inclusive of direct, indirect, and induced effects.

**Gross State Product (Value Added)** – The difference between an industry's or an establishment's total output and the cost of its intermediate inputs. It equals gross output (sales or receipts and other operating income, plus inventory change) minus intermediate inputs (consumption of goods and services purchased from other industries or imported). Value added consists of compensation of employees, taxes on production and imports less subsidies, and gross operating surplus.

**Labor Income** – All forms of employment income, including Employee Compensation (wages and benefits) and Proprietor Income.

**Other Property Income** – Other Property Income includes corporate profits, capital consumption allowance, payments for rent, dividends, royalties and interest income.

**Output** – The value of all industry production, inclusive of inter-industry sales.

**Proprietor Income** – Proprietor Income consists of payments received by self-employed individuals and unincorporated business owners. This income also includes the capital consumption allowance and is recorded on Federal Tax form 1040C.

**Tax on Production** – Tax on Production includes sales and excise taxes, customs duties, property taxes, motor vehicle licenses, severance taxes, other taxes, and special assessments. It excludes most nontax payments, and as the name indicates, subsidies are netted out.

### Fiscal Impact Terms

**Commercial: Motor Vehicle License** – Motor vehicle license taxes paid by firms to state and local governments.

**Commercial: Other Taxes** – Other taxes paid to state and local governments include business licenses, documentary and stamp taxes

**Commercial: Property Tax** -- Real Estate based property taxes paid by firms to state and local governments.

**Commercial: Sales Tax** – Sales taxes paid to state and local government.

**Commercial: Severance Tax** – Taxes imposed by a state on the extraction of natural resources.

**Commercial: S/L Non-Taxes** – State and local non-tax payments include fines (such as parking and speeding tickets), fees (State and County park passes or day fees) and donated funds.

**Personal Tax: Estate and Gift Tax** – Household personal nontax payments to state and local governments include fines, donations, passport and immigration fees, and migratory bird-hunting stamps.

**Personal Tax: Income Tax** – Income taxes paid by individuals to state and local government through withholding, declarations and final settlement, less refunds.

**Personal Tax: Motor Vehicle License** – Household personal motor vehicle fee payments to state and local governments.

**Personal Tax: Non-Taxes (Fines- Fees)** – Household personal nontax payments to state and local governments include fines, donations, passport and immigration fees, and migratory bird-hunting stamps.

**Personal Tax: Other Tax (Fish/Hunt)** – Other taxes consist of miscellaneous fees and licenses (such as hunting and fishing licenses, marriage licenses, registration of pleasure boats, and licenses for pets) to state and local governments.

**Personal Tax: Property Taxes** - Household personal property tax payments to state and local governments. Dividend, interest, and rental income of persons with capital consumption adjustment are sometimes referred to as property income.

**State Pension: Employee Contribution** – The social insurance contributions paid by state employee towards state sponsored pensions, in lieu of Social Security.

**State Pension: Employer Contribution** – The social insurance contributions paid by the state toward state sponsored pensions, in lieu of Social Security.



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