

# THE ECONOMIC IMPACT OF THE FORT KNOX KY **BRAC** ON THE 9-COUNTY IMPACT AREA

Produced for the  
Lincoln Trail Area Development District

18 Dec 07

# What is this?

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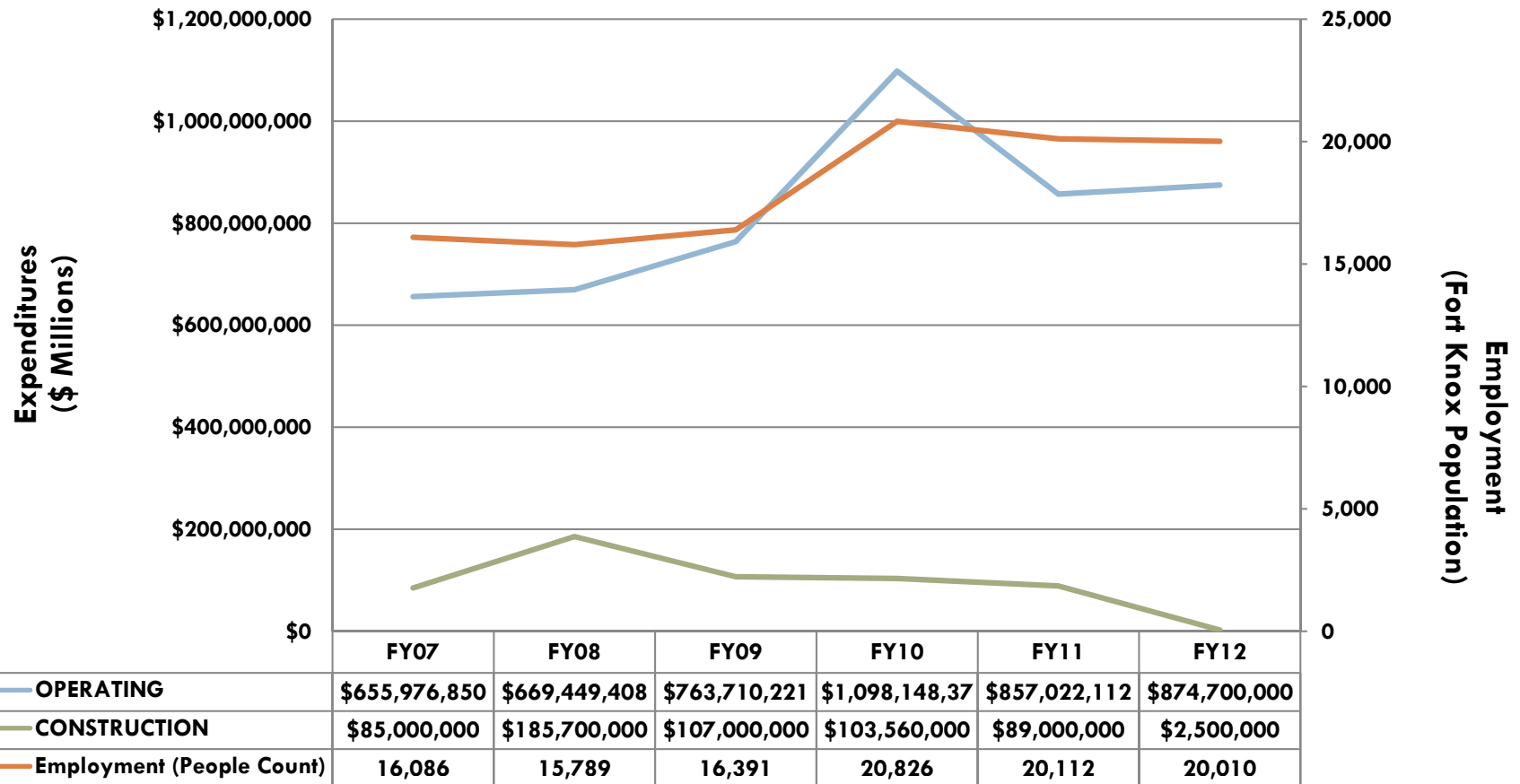
- Preliminary results of a study of the economic impact of the 2005 Base Realignment and Closure (BRAC) actions on the nine-county area most affected by these changes.
- These results were produced by Workforce Associates, Inc. with Thomas P. Miller and Associates using the IMPLAN<sup>®</sup> Model.

# Input data

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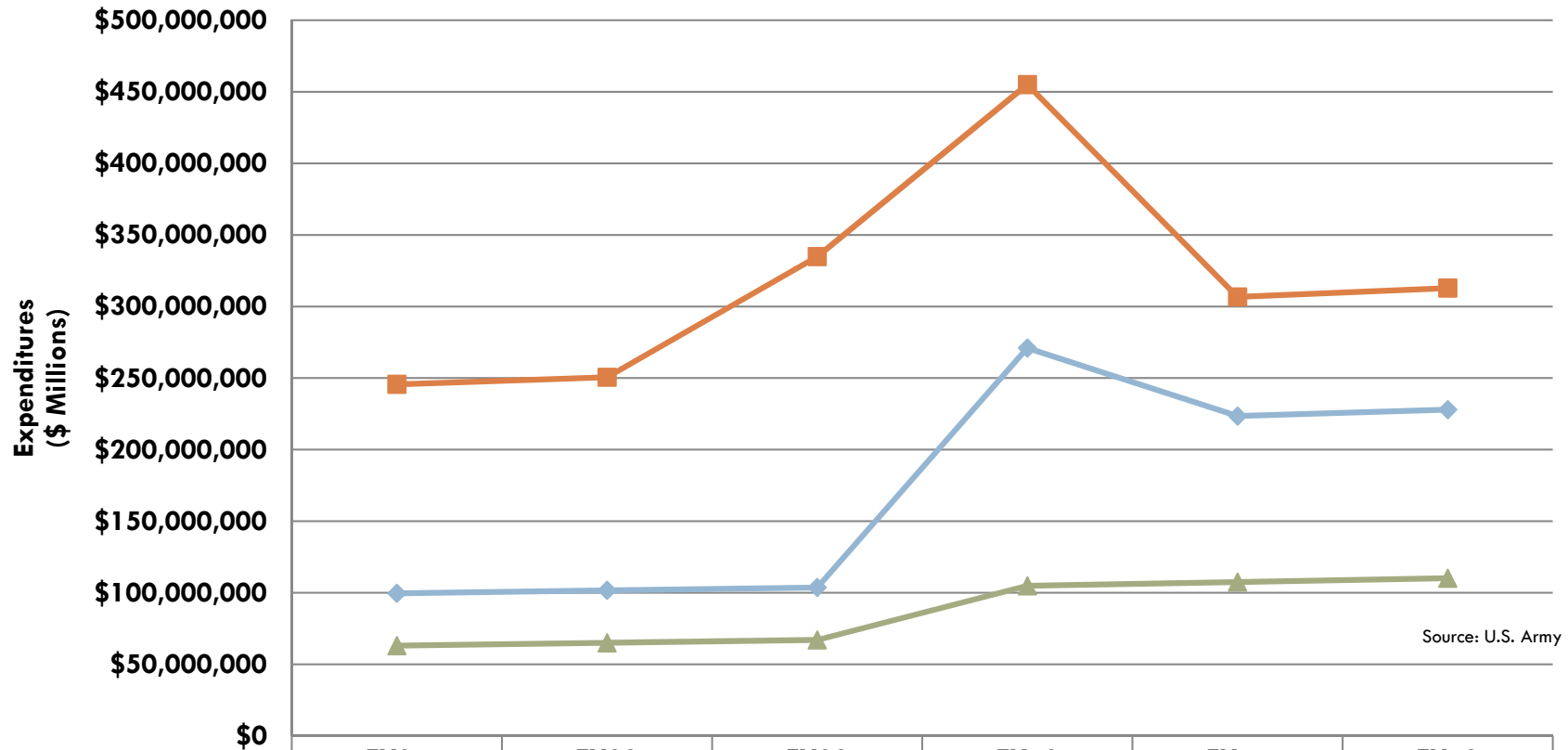
- The next two slides display data received from U.S. Army sources that were used as “drivers” of the calculations made by the IMPLAN model.
- These data include estimates of employment and of the direct operating and construction expenditures at Fort Knox from FY07 to FY12.

# Direct Expenditures & Employment at Fort Knox KY, FY07 to FY12 (estimated)



# Direct Operating Expenditures at Fort Knox KY, FY07 to FY12 (estimated)

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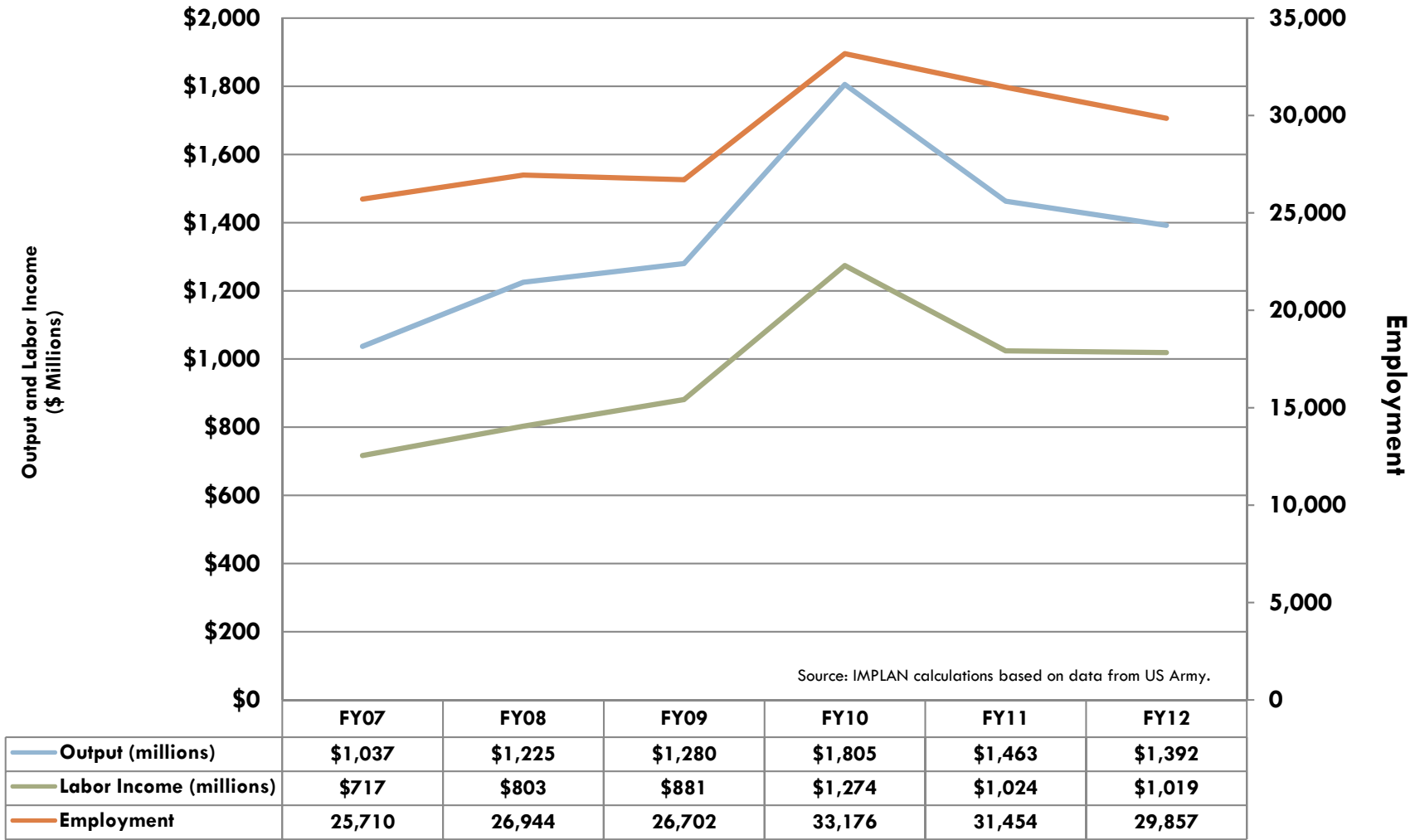


	FY07	FY08	FY09	FY10	FY11	FY12
◆ Payroll Civilian	\$99,665,864	\$101,719,100	\$103,749,601	\$270,999,239	\$223,493,035	\$227,962,896
■ Payroll Military	\$245,629,186	\$250,589,852	\$334,848,053	\$455,045,572	\$306,721,850	\$312,856,287
▲ Contractors Total	\$63,073,000	\$65,036,480	\$67,067,310	\$104,867,310	\$107,488,993	\$110,176,218

# Total Economic Impact of Fort Knox BRAC on Regional Output, Labor Income & Jobs, FY09 to FY12

(calculated by IMPLAN)

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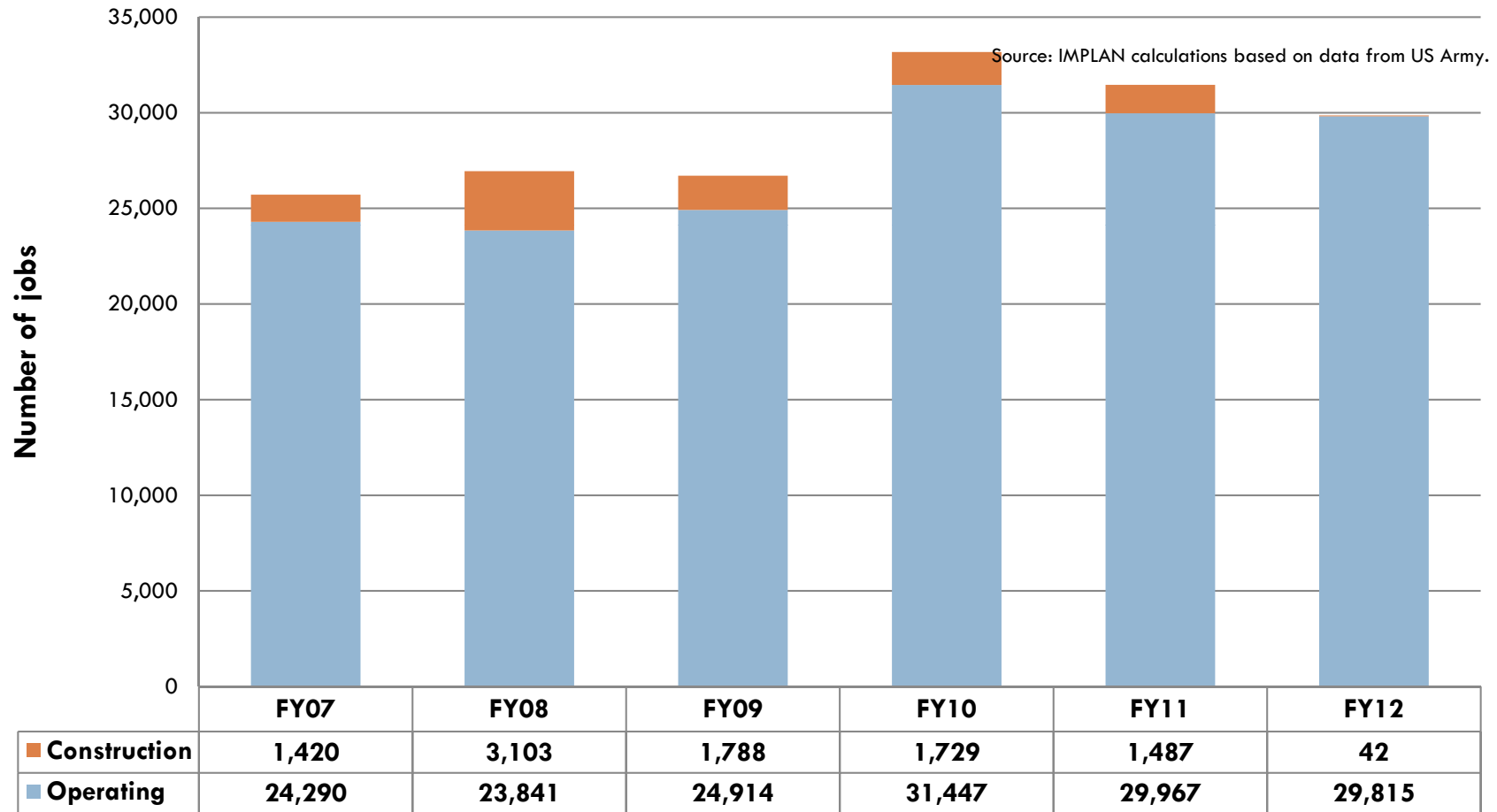


# Total employment impacts

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- The next slide shows the total number of full-time & part-time jobs created, directly and indirectly, by Fort Knox operations.
- The total jobs generated by both Operations and Construction are displayed.
- Note the very significant jump in employment anticipated for FY10.
  - ▣ That is the year in which the bulk of the Army's Human Resource headquarters personnel will relocate to Fort Knox

# Total Jobs (full-time & part-time) Impact of Fort Knox on the BRAC Impact Region, FY07 to FY12

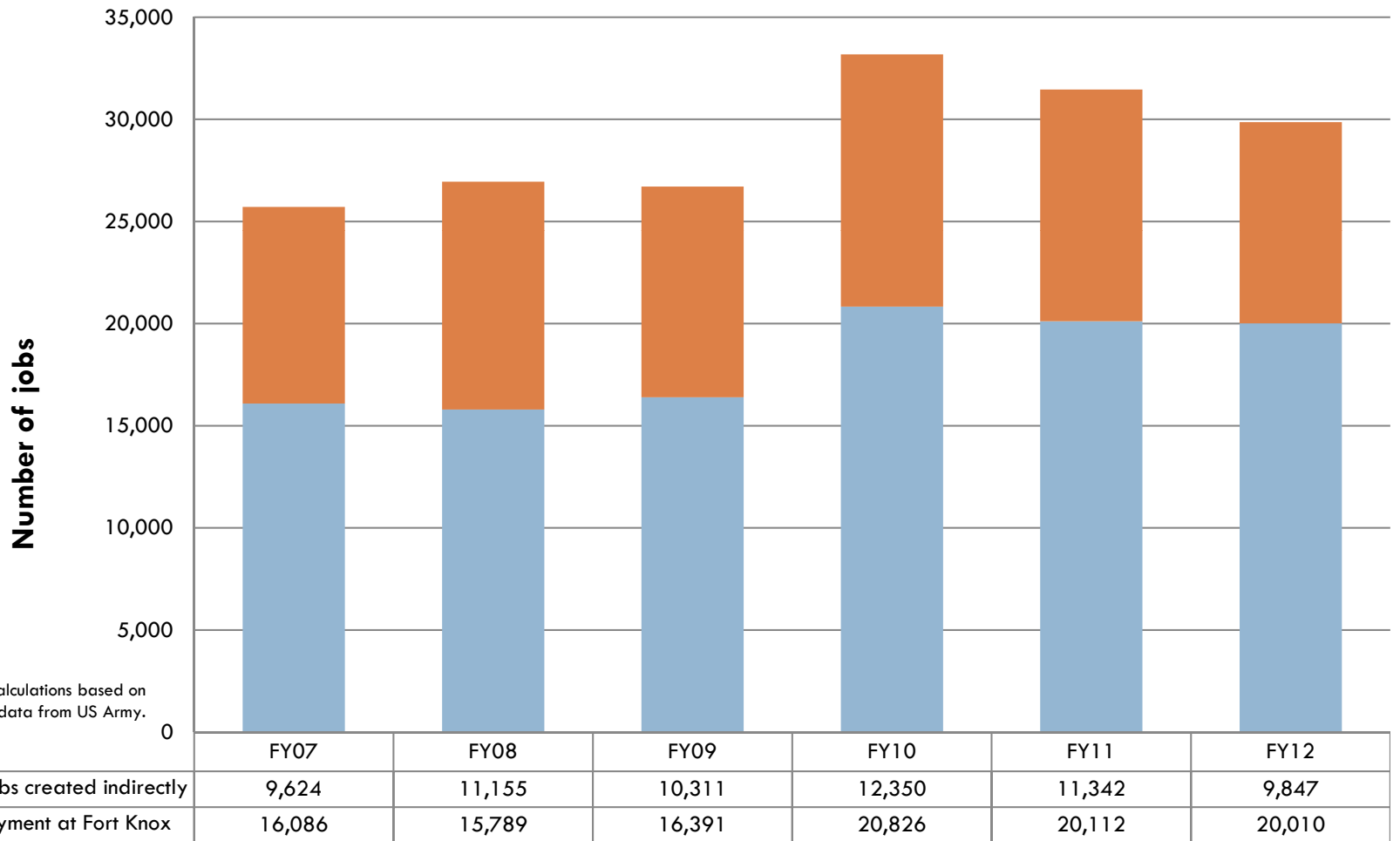


# Employment impact broken down into direct and indirect components

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- **Directly** generated jobs include military and civilian employment at Fort Knox itself.
- But expenditures by the Army at Fort Knox and by its employees generates demand for additional jobs in the civilian economy of the nine-county area.
- Those are the **indirectly**-created jobs resulting from Fort Knox operations.
- The next slides breaks the total employment impact into these direct and indirect components.

# Direct & Indirect Employment Impact of Fort Knox on the BRAC Impact Region, FY07 to FY12



# IMPLAN multipliers

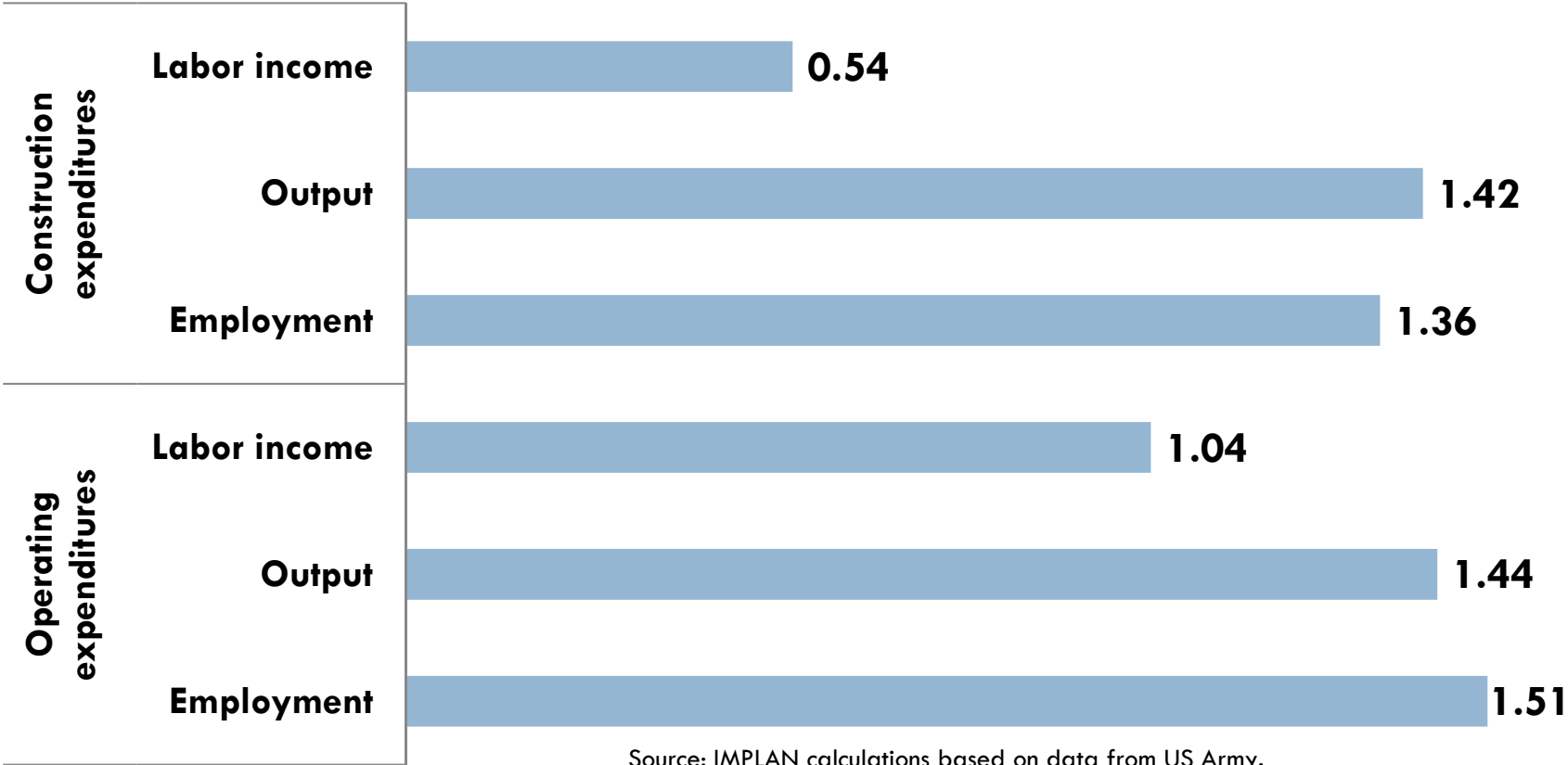
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- Direct Fort Knox expenditures “**ripple**” through the local and state economies as companies and consumers spend the revenues that they receive. That process is repeated over and over again.
- That makes the **total impact** of Fort Knox operating and construction expenditures much larger than the initial expenditures.
- The total effect is expressed as a **multiplier effect**, that is, the sum of all the direct and indirect effects.
- For example, in FY08, each dollar of operating expenditures at Fort Knox will generate about \$1.42 in additional output and an additional \$1.04 in **additional labor income** in the nine-county BRAC impact region.
- The next slide shows the multipliers for both operating and construction expenditures as calculated by the IMPLAN model

# Multipliers of Fort Knox Expenditures (FY08)



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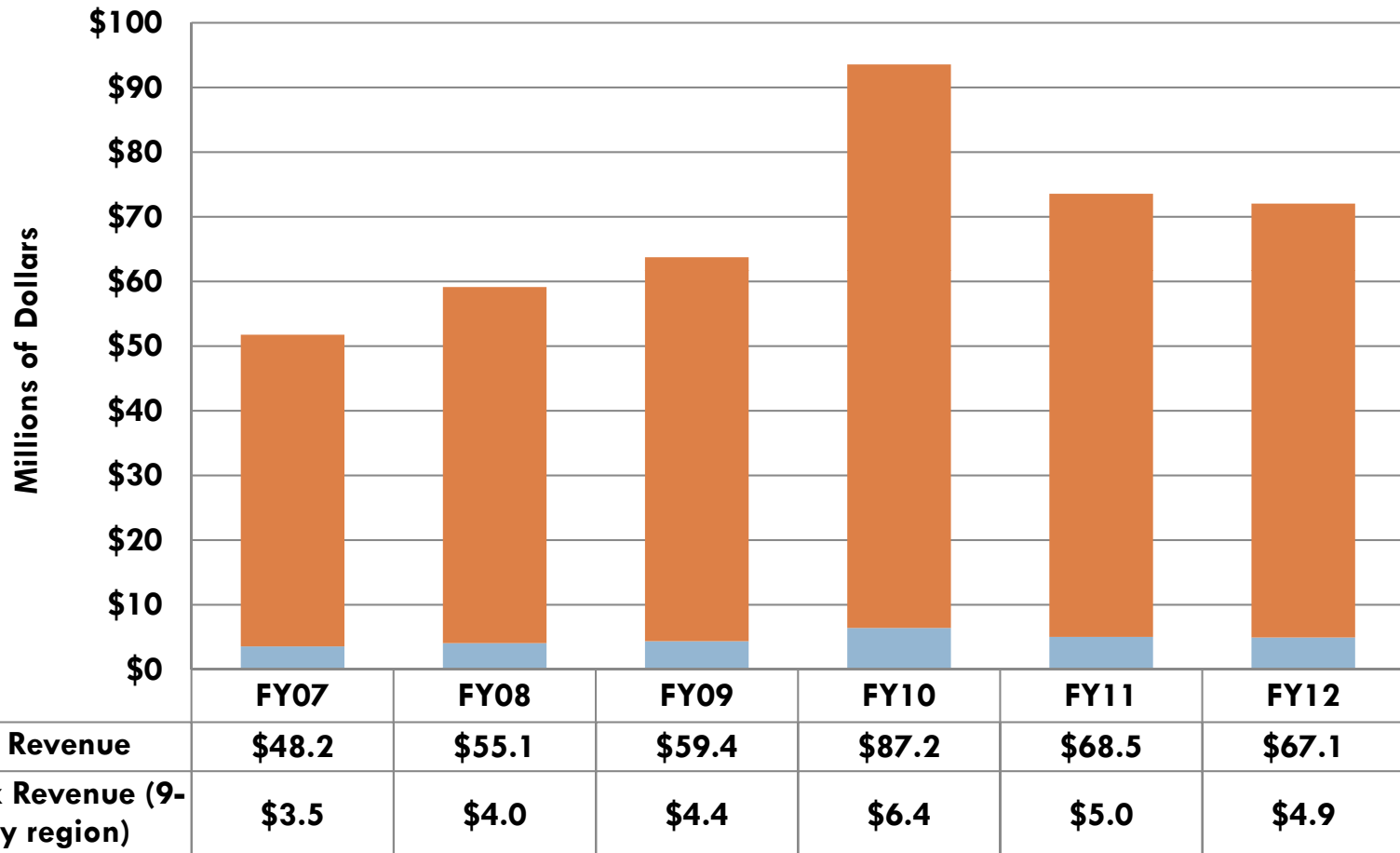


# Fiscal impact of Fort Knox and the BRAC

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- Fort Knox operations generate very large **tax receipts** for the Kentucky state governments as well as for local governments in the nine-county area.
- BRAC will increase Kentucky state tax receipts (attributable to Fort Knox) from \$48 million in FY07 to a peak of \$87 million in FY10 and then plateau at just below \$70 million in following years which represents a sustained 40% increase.
- County and other local tax receipts in the 9-county region will expand in a similar fashion from \$3.5 million in 2007, to a peak of \$6.4 million in 2010 (83%), stabilizing at \$4.9 million in 2012 (a sustained 40% increase).

# Total State & Local Tax Revenue Generated by Fort Knox Operating & Construction Expenditures, FY07 to FY12



Source: IMPLAN calculations based on data from US Army.

# Industry impacts

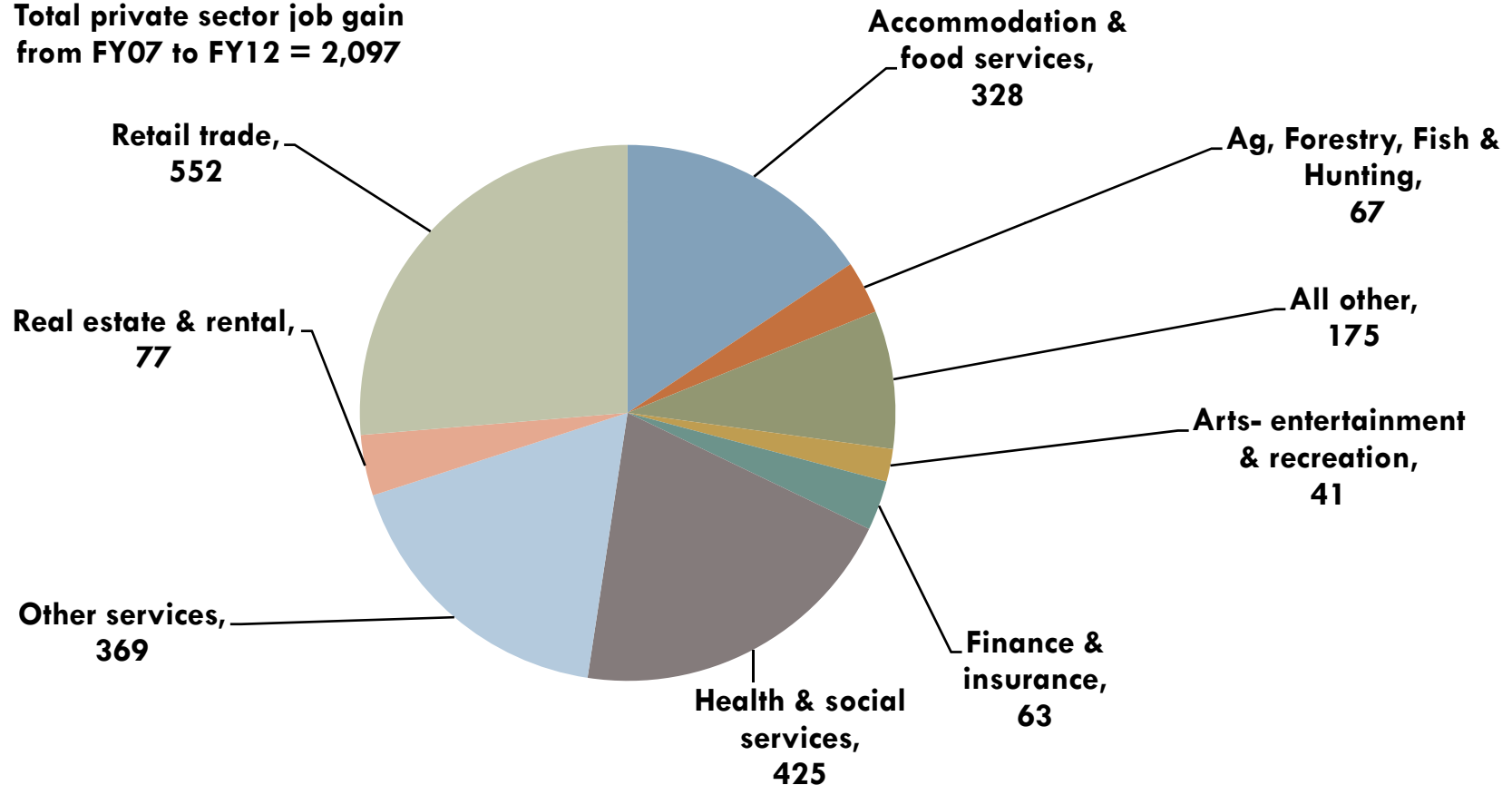
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- BRAC's economic impact will reverberate throughout the regional economy.
- Virtually all industries will see increased demand for their goods and services.
- The result will be more jobs and output in most industries.
- Some industries will see much bigger impacts than others. Among the most significantly affected will be:
  - ▣ Retail trade
  - ▣ Health & social services
  - ▣ Hospitality services
  - ▣ Construction

# BRAC will bring many new private sector jobs to the 9-county BRAC Impact Area

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**Total private sector job gain  
from FY07 to FY12 = 2,097**



Source: IMPLAN calculations based on data from US Army. Note: Government & Construction are excluded.

Workforce Associates, Inc. with Thomas P. Miller and Associates

# Private sector job gains stemming from BRAC (in the nine-county BRAC Impact Area)

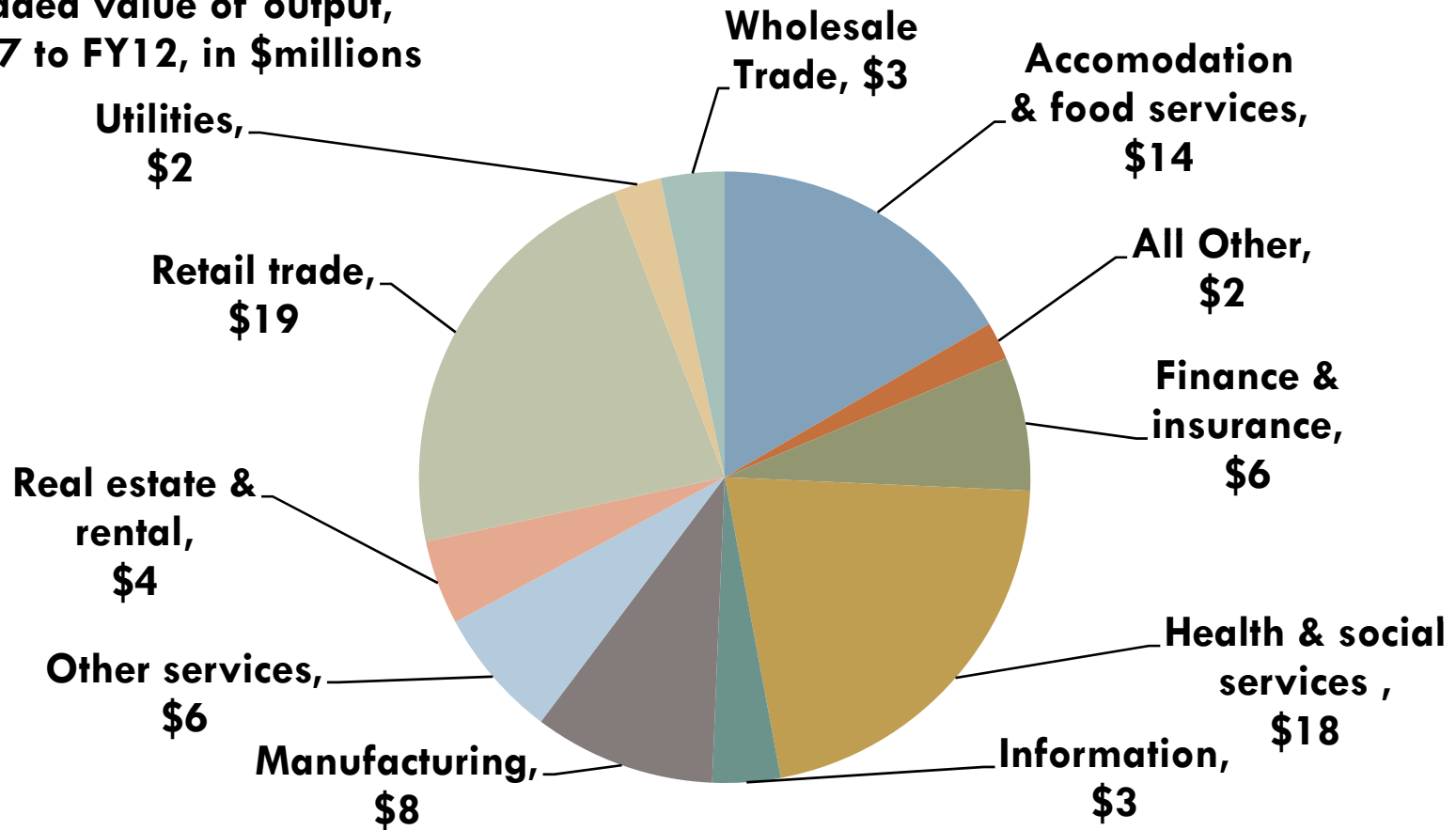
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Retail trade	552	Finance & insurance	63	Transportation & Warehousing	24
Health & social services	425	Arts- entertainment & recreation	41	Information	22
Other services	369	All other	175	Administrative & waste services	16
Accommodation & food services	328	Educational services	40	Utilities	11
Real estate & rental	77	Wholesale Trade	34	Management of companies	4
Ag, Forestry, Fish & Hunting	67	Manufacturing	25		

# BRAC will spur increases in the output (total value of goods & services produced) of many industries

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**Added value of output,  
FY07 to FY12, in \$millions**



# Increase in value of output, by industry, due to BRAC, FY07 to FY12

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<b>Accommodation &amp; food services</b>	<b>\$13,979,638</b>	<b>Manufacturing</b>	<b>\$8,063,824</b>
<b>Administrative &amp; waste services</b>	<b>\$1,022,495</b>	<b>Mining</b>	<b>\$72,403</b>
<b>Ag, Forestry, Fish &amp; Hunting</b>	<b>\$819,657</b>	<b>Other services</b>	<b>\$5,778,615</b>
<b>Arts- entertainment &amp; recreation</b>	<b>\$869,508</b>	<b>Professional-scientific &amp; tech services</b>	<b>\$997,459</b>
<b>Educational services</b>	<b>\$962,301</b>	<b>Real estate &amp; rental</b>	<b>\$3,751,779</b>
<b>Finance &amp; insurance</b>	<b>\$5,944,576</b>	<b>Retail trade</b>	<b>\$18,901,566</b>
<b>Health &amp; social services</b>	<b>\$17,936,516</b>	<b>Transportation &amp; Warehousing</b>	<b>\$1,662,873</b>
<b>Information</b>	<b>\$3,018,592</b>	<b>Utilities</b>	<b>\$2,108,999</b>
<b>Management of companies</b>	<b>\$425,517</b>	<b>Wholesale Trade</b>	<b>\$2,826,586</b>

# A brief summary of main findings

- The Fort Knox BRAC will provide a **huge** economic boost to the nine-county impact area and to the entire State of Kentucky.
  - Every new job at Fort Knox will support an additional 0.5 **new jobs off base** in the nine-county area.
  - Every dollar of operating expenditures at Fort Knox supports over **\$1.40 of additional output** in the region and more than **\$1.00 of labor income**.
  - Tax revenues collected annually (excluding the short-term surge in construction) by the State of Kentucky and local governments that are attributed to Fort Knox will increase by over \$20 million as a result of BRAC.
  - From 2007 to 2012 alone, the state will collect new tax revenue of \$96.2 million from within the 9 counties, and local governments an additional \$7.1 million.
  - Many regional private sector industries will see major **job and output growth** as a result of BRAC at Fort Knox.

# And these are conservative calculations

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- The Army was unable to tell us how some budget items would be spent after BRAC occurs.
- In particular, we were unable to learn how the Army's Human Resources Command (one of the largest incoming units) will be spending and estimated \$300 million in annual "Operations and Maintenance" funding.
- To be conservative, and to enhance the credibility of our calculations, our calculations assume that none (i.e., 0%) of that \$300 million will be spent in the nine-county Fort Knox BRAC Impact Area.
- Some studies done elsewhere suggest that as much as 30% of O&M money is spent locally.
- If only 10% of this \$300 million were spent locally it would support some \$30 million in income, \$42 million in output and \$2.2 million in State and Local taxes (over \$2 million state and less than \$0.2 million local). A more realistic 20% would double this impact.

THANKS VERY MUCH!