



## MEMO

August 29, 2005

*This memo is preliminary in nature and subject to revision and review. Any views expressed are not necessarily those of the Federal Reserve Bank of Boston or the Federal Reserve System.*

To: Internal Request, Federal Reserve Bank of Boston  
From: Antoniya Owens, Research Assistant  
Re: **Results from the BRAC Commission Deliberations\***

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The independent commission in charge of evaluating the Pentagon's base closure recommendations reconvened last week in Arlington, Virginia, for four days of public deliberations. In deciding the fate of each base slated for restructuring, the panel took into consideration whether the Defense Department had abided by its own selection criteria, which included first and foremost military value, potential costs and savings, economic impact on the existing communities, and environmental impact. Substantial deviation from the major criteria was sufficient basis for rejecting a recommendation.

The results of the BRAC commission deliberations were awaited with considerable trepidation in New England. The most affected states in the region were Connecticut, Maine, Massachusetts, and Rhode Island. The reactions to the commission's decisions on different local bases included both delight and disappointment. Overall, however, should the President and Congress approve the panel's version of the base realignment plan, the economic and job impact on New England would be a lot less negative than it would have been under the Pentagon's original recommendations.

The commission must submit its final report to the President by September 8, 2005. He must approve or reject it in its entirety by September 23. If he rejects it, the commission must submit revised recommendations by October 20. If the President accepts the revised plan, he must certify it by November 7. Congress must either accept or reject the recommendations, again in their entirety. Unless Congress enacts a joint resolution of disapproval, the recommendations become binding 45 legislative days after Presidential transmission or adjournment. In this year's base closing round, however, neither the President nor Congress is expected to overturn the BRAC panel's decisions.

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\*Note: Job loss figures were updated in December 2005 to reflect the most recent estimates from the BRAC Commission Final Report.



## Connecticut

In the most anxiously awaited decision for Connecticut, the BRAC commission voted 7 to 1, with one abstention, to keep open the Naval Submarine Base New London in Groton. Major factors in keeping the Groton base open were the potential weakening of national defense, the overly costly environmental cleanup, and the adverse economic impact on the local community in the event of closure. According to estimates, the direct loss of almost 8,500 jobs would have been accompanied with the indirect loss of 22,000 additional jobs, as well as the loss of billions of dollars worth of business between the base and over 2000 local companies. Through minor realignments, the base now stands to lose 159 jobs.

Although the major Connecticut base at stake was spared, the other local bases on the Pentagon's list were not as fortunate. The commission unanimously approved the closure of three small bases – the Sgt. Libby U.S. Army Reserve Center in New Haven, Turner U.S. Army Reserve Center in Fairfield, and the U.S. Army Reserve Center Area Maintenance Support Facility in Middletown. These closures would result in the combined loss of 56 jobs.

Finally, the realignment plan for the Air National Guard base at Bradley International Airport also received the unanimous approval of the BRAC panel. The Defense Department's plan for the base is to transfer nine of its 17 A-10 Thunderbolts elsewhere and to retire the rest. At the same time, Bradley will gain a centralized immediate repair facility, which will fix A-10 plane engines. It is not clear at this point how many of the originally estimated 70 jobs will be lost in the realignment.

The overall job loss impact on Connecticut is significantly better under the revised base realignment plans – around 366 jobs are expected to be lost in the process instead of the previously planned 8,586.

## Maine

In Maine, the most anticipated decisions involved the fate of the Portsmouth Naval Shipyard in Kittery and the Naval Air Station in Brunswick. Voting 7-1 with one abstention, the commission rejected the Pentagon's recommendation to close the Portsmouth Naval Shipyard. The decision to keep the shipyard open was the product of several factors: it is the most efficient ship repair facility in the nation as well as the fastest in returning ships to the fleet; it saves the Navy an estimated \$53 million per year; and it is one of only four public shipyards licensed to repair nuclear submarines. Supporters of the shipyard had also argued that the actual environmental cleanup costs would top \$200 million, as much as four times the original estimate from the Pentagon. Earlier in the process, BRAC commissioners had actually considered adding the Pearl Harbor Shipyard in Hawaii to the closure list in place of the Portsmouth facility, because of the greater efficiency and military value of the latter. Ultimately, both shipyards remained off the final closing recommendations.

The Naval Air Station in Brunswick, originally scheduled for realignment, is now recommended for complete closure by the panel's 7-2 vote. Rather than stripping it of its aircraft and downgrading it to "naval air facility" with the capability of an active-duty airfield, the commission decided to completely close the facility so that state and local officials can redevelop it. The closure will result in the loss of 3,275 directly related jobs, but is expected to save almost \$800 million over 20 years. Civilian layoffs and



military personnel reassignment are scheduled to begin in 2009, and all aircraft will be transferred to the Jacksonville Naval Air Station in Florida. Several ideas for the redevelopment of the 3,200-acre base have already been mentioned, including the creation of public gardens, medical research facilities, motor home parks, and a commercial airport.

After the commission's vote 7-0 (with two abstentions), the Defense Finance and Accounting Service in Limestone, a Maine base originally scheduled for closure, will not only remain open but will also increase its staff from 350 to 600 workers.

As in the case of Connecticut, under the reformed recommendations Maine will be less adversely affected in terms of net job losses. The state will lose approximately 3000 military and civilian positions, which is less than a half of the originally planned 6,938 job losses.

## Massachusetts

For the affected bases in Massachusetts, the BRAC commission deliberations resulted in somewhat unfavorable outcomes. Hopes for the future expansion of the Hanscom Air Force Base were dashed, as the panel rejected the recommendation for a \$131 million and 1,104-job expansion. Hanscom was supposed to take over the work of three other bases that also carry out high technology research. However, the specific type of their research was found to be completely unrelated to the work at Hanscom and merging them would not have helped achieve the Pentagon's goal of streamlining Air and Space research. The high cost of living in New England was also mentioned as a factor in the rejection.

The commission also voted to realign the Otis Air Guard Base on Cape Cod, and unexpectedly overruled the Pentagon's plan to transfer its aircraft to Florida and New Jersey. It was originally reported that the commission voted to close the base but it was later clarified that it would be realigned instead. Otis' fighter jets would be moved to Barnes Air National Guard base in western Massachusetts for the purpose of maintaining a defensive fighter jet presence in the Northeast. The combat communications group and the communications squadron will remain in place at Otis. This base realignment would result in the loss of 505 jobs. Advocates of Otis argue that the Defense Department relied on inaccurate cost saving estimates in targeting the base. Local legislators had also argued that the shutdown would have actually cost \$163 million over the next 20 years, rather than save the originally projected \$300 million.

The realignment of the Otis base and the rejected expansion of Hanscom, combined with the realignments of several smaller bases, may now cost the state as many as 766 jobs. This is a harsh outcome considering the fact that in the original Pentagon plan Massachusetts stood to gain nearly 500 military and civilian positions.

## Rhode Island

The BRAC Commission approved all Pentagon recommendations for Rhode Island bases. The expansion of Naval Station Newport and the Quanset State Airport Air Guard Station and the closure of two smaller facilities in Providence and Bristol would result in a net statewide gain of 815 jobs.



## Other Major U.S. Bases

In other major decisions, the BRAC commission voted to keep open the Ellsworth Air Force Base in South Dakota, whose closure would have cost nearly 4,000 jobs. The panel approved the closure of Walter Reed Army Medical Center in Washington, DC. Its hospital staff and services will be transferred to the National Naval Medical Center in Bethesda, MD. Other major bases whose closure was approved include Fort Monmouth, NJ (5,272 lost jobs); Fort McPherson, GA (4,141); Fort Monroe, VA (3,564); Naval Station Ingleside, TX (2,037); Brooks City-Base, TX (2,932); and almost 400 Army Reserve and Army National Guard facilities.

The changes made by the BRAC commission could lower the estimated total savings from \$50 to \$37 billion over the next two decades. The panel members have questioned the Pentagon's savings estimates as well as the accounting method applied in their calculation. According to a recent GAO report, the Pentagon estimated that 47 percent of the net annual recurring savings would be realized by eliminating military personnel. In actuality, rather than eliminated, most of these positions are expected to be reassigned to other military facilities. Reassignments, unlike job elimination or compensation reduction, do not result in net dollar savings and could "create a false sense of savings available for use in other areas," according to the report. Excluding this type of savings from the calculations reduces the savings estimates to as low as \$14 billion.

## Summary of Major Bases

| Base  | Status                | Net Job Impact<br>(Direct Jobs)                       | Original Net Savings<br>over 20 years           |
|---|-----------------------|---|---|
| Naval Submarine Base New London in Groton, CT | Keep                  | 159 (lost);<br>(8,460 originally<br>estimated losses) | \$1.6 billion<br>(in the event of closure)      |
| Portsmouth Naval Shipyard in Kittery, ME      | Keep                  | None;<br>(4,510 originally<br>estimated losses)       | \$1.3 billion<br>(in the event of closure)      |
| Naval Air Station in Brunswick, ME            | Close                 | 3,275 (lost)  | \$800 million                                   |
| Otis Air Guard Base, MA                       | Close                 | 505 (lost)  | \$336 million                                   |
| Hanscom Air Force Base, MA                    | Expansion<br>Rejected | 305 (lost):<br>(1,104 originally<br>estimated gains)  | \$238 million<br>(in the event of<br>expansion) |
| Naval Station Newport, RI                     | Expand                | 863 (gained)  | \$2 million                                     |

Sources: BRAC Commission Final Report to the President (job estimates); U.S. Department of Defense 2005 Base Closure and Realignment Report (savings estimates)



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