

August 2008 PNA Snapshot

Department of Defense, Office of Economic Adjustment (OEA)

Growth Project Needs Assessment (PNA) August 2008 Snapshot: *Identifying a Federal Funding Gap for Local Economic Adjustment Projects*

I. Introduction

OEA, on behalf of the Department of Defense, assists communities, regions, and states adversely impacted by significant defense program changes, including special impact assistance in expanding public service facilities, for meeting requirements generated by major base expansions. As a result of base closure and realignment (BRAC) recommendations which became law in 2005, Army transformation initiatives, the Global Defense Posture Review, Grow the Army, and Grow the Force initiatives, OEA is working with nearly two dozen communities across the nation as they respond to an unprecedented level of growth. For many, OEA has been supporting their local responses since May 2005.

During a December 2007 OEA Town Hall Meeting, twenty-two defense growth-impacted communities expressed concern that local and state public resources, as well as private sources, were too limited to allow them to carry out economic adjustment projects to respond to the announced military-growth. For most, their projections were premised upon growth management plans that have been underway for several months. This Project Needs Assessment (PNA) effort was initiated to collect information from growth communities about their economic adjustment funding needs.

Findings presented in this report represent an aggregated snapshot of seventeen growth communities' funding needs for mission growth related projects capable of being undertaken immediately. It is intended that this information be used to assist appropriate Federal and local entities as they craft their programs of assistance, and as they develop their respective policies for affording priority consideration of defense adjustment assistance requests.

II. Findings – As of August 1, 2008

- Despite significant challenges associated with planning and undertaking community responses to military installation mission growth, communities are already mobilizing available local and state resources and expending local political capital to give priority consideration to a variety of outside-the-fence projects critical to the success of the military missions.
- Communities face an immediate \$1.6 billion funding gap associated with 58 critical mission growth related projects worth \$2.1 billion that are otherwise ready-to-move; that is, key community projects with sufficiently advanced

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planning, engineering design and cost estimates to seek Federal grant implementation funds, if such were available.

- Communities identified another 303 mission growth related projects worth \$6.8 billion that are in various stages of design/development, many fast-approaching the ready-to-move phase, and for which funding is uncertain. Consequently, the funding gap is expected to grow.
- Transportation projects account for over 85% of identified and projected funding needs.
- Although communities are tapping into Federal funding wherever possible, existing Federal programs and resources cannot accommodate either the level of need or the urgency of military mission growth.
- Exhaustion of local and state resource capacity for critical mission growth projects is exacerbated by the national economic decline, further diminishing the ability of communities to carry out mission growth projects without outside assistance.
- ***Communities that have . . .***
 - The ability to set / influence project priorities (e.g. transportation, regional infrastructure projects) through effective state and regional coordination
 - Access to a mix of public revenue sources (e.g. impact fees, public /private partnerships, tax revenue capture)
 - A good (and transparent) relationship between the community and the growing installation***. . . demonstrate an ability to execute mission-growth related projects in an expedited manner.***

III. Explanation of Findings

Twenty-one growth communities (and one state, Maryland) initially identified local economic adjustment projects that, but for additional Federal assistance, cannot be undertaken through existing non-Federal resources to respond to mission growth (see Appendix 1).

To assess the community needs estimates and better inform cognizant Federal agencies as well as appropriate policy makers, OEA formed a PNA team with staff experience with the Economic Development Administration (EDA), local economic development corporations, fiscal and market feasibility analyses, and public policy research. As of August 1, 2008, the PNA team conducted sixteen site visits (see Appendix 2) and

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analyzed and documented the local economic adjustment project estimates against four criteria:

1. Projects proposed are clearly and substantially related and responsive to military growth.
2. Cost estimates and funding sources for the project are specific and can be validated.
3. There is a demonstrated gap in funding and Federal funding is required to carry out the proposed project.
4. The effort represents a “drop dead” project for the community without which the community cannot absorb the military growth.

Site Visits

Each PNA site visit included a meeting with community and—where possible—state officials and installation representatives and focused on how the proposed projects comported with the four PNA criteria. The PNA team also obtained other/new project information that might have a bearing on the overall picture of project funding needs as well as any supplemental information (such as descriptions of local funding sources) that would assist OEA in developing this snapshot (and help distinguish military growth-related project activity from general community growth impacts).

For the purposes of this “order-of-magnitude” needs assessment, OEA did not look beyond the project cost estimates that were provided in many cases by the community’s project engineers and/or public works staff. The team relied on project cost estimates used by state transportation improvement plans (TIP or STIP) where transportation projects had been nominated or included in the TIP/STIP. Determining the relationship of a project to mission growth relied, in large part, on the judgment of the OEA team as influenced by the team members’ collective economic development experience, a tour of the installation and surrounding community, and the presentation by community officials. To determine the funding gap, the OEA team accepted and relied upon information provided by the community regarding local, state, Federal, or private funding that had been obtained or pursued. The “drop dead” project factor reflected the installation’s perspective on pressing need, where possible, and/or other obviously predictable adverse consequence on mission success if the project was not pursued. In all cases, OEA site visit conclusions were shared back with growth management organizations and local and state officials for review and comment.

Project Classification

The PNA team placed projects into one or more of five groups described in Table 1. Projects that were ultimately assigned as “Ready” form the basis of this report.

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Table 1

Group	Description
Monitor	Project may be related to military growth but more information is necessary, or more information is forthcoming at a later time yet to be determined
Follow-Up	Project may be related to military growth but require additional information to make an immediate assessment; cost and timing information is available but requires more detail
Ready	Project is related to military growth; cost and timing detail is specific; and there is justification for additional Federal funding. The project is otherwise ready-to-move; that is, a key community project with sufficiently advanced planning, engineering design and cost estimate to seek Federal grant implementation funds, if such were available. Transportation projects nominated for or included in a TIP/STIP were considered “ready”
Unrelated	Project is unrelated to military growth
Fully-Funded	Project is already fully funded

For the purposes of this report, the types of projects identified by communities were categorized as follows:

- **Communications** – Telecommunication, emergency communications, or IT infrastructure.
- **Education** – School construction, staffing for education programs, or other education responses.
- **Energy & Utilities** – Power generation.
- **Planning & Zoning** – Land use planning.
- **Social** –Healthcare, mental health, daycare child services and emergency services.
- **Transport** – Roads, bridges, light rail, and other multimodal transportation projects were included in this category.
- **Water & Sewer** –Water source, supply, treatment, storage and distribution—as well as wastewater collection and treatment.
- **Workforce** –Workforce development (e.g. facilities) and programs for workforce development.

The universe of 361 projects depicted in Table 2 conveys the magnitude of impact communities are beginning to identify. Projects deemed “unrelated” to the mission growth are not included. Fully-funded projects account for \$596 million of the over \$9 billion in projects identified by impacted communities.

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Table 2

Category	Projects Identified	Total Cost of Projects
Communications	3	\$85,425,000
Education	72	\$1,005,135,732
Energy & Utilities	6	\$9,752,000
Planning & Zoning	4	\$745,000
Social	13	\$22,315,700
Transport	214	\$7,562,966,331
Water & Sewer	48	\$357,036,900
Workforce	1	\$8,000,000
TOTALS	361	\$9,051,376,663

Calculating a Funding Gap

Table 3 depicts the subset of the above 361 projects that fully comported with all four PNA criteria and that OEA believes are “Ready” for immediate funding. The 58 projects are all required to meet short-term mission growth adjustment needs. If funds were made available, communities could compete for funding for final design and construction immediately. No projects that are already fully-funded by communities have been included in Table 3’s funding gap total.

Table 3

Category	Ready Projects	Cost of Projects	Funding Available	Funding Gap
Transportation	46	\$1,981,949,340	\$486,695,000	\$1,495,254,340
Education	7	\$95,832,842	\$3,500,000	\$92,332,842
Water & Sewer	4	\$46,351,000	\$0	\$46,351,000
Workforce	1	\$8,000,000	\$0	\$8,000,000
TOTALS	58	\$2,132,133,182	\$490,195,000	\$1,641,938,182

Note that: (1) as more of the Table 2 “Projects Identified” become “Ready;” and (2) as the universe of “Projects Identified” expands, when additional communities are visited by the PNA team, the above Funding Gap can be expected to grow significantly.

IV. Additional Challenges

Timing Challenges

- Perhaps the most significant major challenge associated with military growth is the tight timeline associated with this growth. Unlike the 10 – 15 year timeframe during which most growth occurs, military growth occurs over much shorter time

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- periods. This timeframe challenges the mechanisms that communities have in place to adjust to growth.
- Communities are at different stages in their respective growth management planning programs. Depending on the status of that growth management planning, input for this initiative varied but is anticipated to become more defined across the board as community efforts progress.

“Elusive Footprint” Challenges

Closely related to the issue of timing, communities also highlighted the challenge of managing a growth planning process heavily dependent on dynamic Defense Department mission growth projections. Several recurring challenges were:

- Evolving or changing mission bed-down locations on the installation and the associated impacts for planning outside the fence line (such as community transportation planning for efficient installation access)
- Deployment schedules—which can affect migration plans for families and impact school aged children figures—that need to be accommodated by local educational authorities (LEAs)
- Speculative prediction of new residential patterns complicates infrastructure planning. Since incoming populations have a number of choices where to locate themselves and their dependants, local efforts to estimate increased intersection traffic, gate access issues, LEA capacity issues, etc., may vary until sufficient individual decisions are made to support planning predictions

Financing Challenges

Public finance mechanisms that growth communities would typically mobilize to finance adjustment activities for growth conflict with two primary characteristics of military growth:

1. Incoming mission growth-related populations will not arrive in growth locations until their respective missions move. This means that those incoming populations are neither available as a tax base nor as a voting base for referenda to raise money to pay for growth adjustment projects.
2. Communities do not have the advantage of long lead times, as may be typical for other large growth adjustment projects, such as a new highway bypass or the construction of a new school. For example, states and communities prioritize many transportation projects through highly competitive TIPs or STIPs, commonly a 6-year cycle to receive Federal DOT funding through the state. Defense mission growth occurs over a much shorter period of time, meaning that communities do not have multiple years to plan for, scale, design, finance, and build mission growth adjustment projects. Consequently, communities must consider reprioritizing (i.e. putting aside) other—often long-planned—initiatives in lieu of military growth projects. For transportation projects, this often means suggesting politically charged changes to previously agreed and hard-fought project priorities. Also, whereas communities can control the pace of community growth by denying or delaying permits and plans of developers and builders until

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infrastructure is in place, public infrastructure to support military growth must be ready by the time those incoming populations arrive.

Examples of how these military growth characteristics challenge traditional local growth mechanisms are observed in the failure of several school construction bond levies during the first half of 2008. Even with priority consideration for Federal help, communities expressed concern that resources will still not be sufficient to address all the requirements from mission growth in a timely manner.

There are visible examples of the need for Federal resources to address mission growth-related projects that, but for the mission growth, would either not be necessary or would not be required in such a short period of time. A \$38.5 million bond referendum that failed, by a close margin, to pass in Lawton, OK is such an example. \$33.5 million of those funds would have gone to construct a new locally built and operated elementary school on Fort Sill itself in response to the 5,000 additional service members and personnel relocating to Fort Sill due to BRAC.

Broader Economic Climate Challenges

Several recently published reports have described the evolving challenges of state and local governments to cover even basic budgetary outlays projected into the next fiscal year. These fiscal challenges—particularly those emanating from the state level—will have significant impacts on communities trying to fund mission growth adjustment projects.

A November 2008 Center on Budget and Policy Priorities (CBPP)¹ report suggests that at least forty-one states face budget shortfalls for this and/or next year. Punctuating the severity of this issue, the CBPP report lists thirty-one states that face mid-year budget shortfalls that already affect day-to-day operations in those states. Of the thirty-one states listed, twelve states (of the fourteen states reviewed where mission growth impacts occur) host military mission growth installations reviewed for this PNA effort (see Appendix 3).

A June 2008 National Conference of State Legislatures (NCSL)² report predicts that many state governments will experience budget shortfalls in FY09. NCSL suggests that states will seek to address these budget shortfalls in the near term through cuts to program areas such as K-12 education (K-12), higher education (H Ed), Medicaid (Medi.), temporary assistance to needy families (TANF), corrections (Jail), and assistance to local governments (L GV). Many of these areas proposed for budget cuts, displayed in Appendix 4, are those same areas where mission growth-impacted communities could benefit from priority consideration for additional Federal assistance.

¹ Center on Budget and Policy Priorities (CBPP) *State Budget Troubles Worsen*, Updated November 12, 2008

² National Conference of State Legislatures (NCSL) *State Budget Update: June 2008* (released in July 2008)

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Weakening state and local budgets are effects of broader issues associated with the weakening of the U.S. economy that may significantly impact the ability of state and local communities to fund economic adjustment projects. The impacts appear to vary by location, and OEA will be attempting to gauge the impacts of the current economic situation on these projections over the next several months. At a minimum, it appears that many of the proposed projects would appear to fit within the current economic stimulus options.

V. Effective Strategies for Growth

States, regions, and communities successfully addressing mission growth challenges display some common characteristics. Generally, these entities have demonstrated an effective process of planning, prioritizing, and executing (mission growth-related projects). The team found that communities that have:

- The ability to set / influence project priorities (e.g. transportation, regional infrastructure projects) through effective state and regional coordination;
- Access to a mix of public revenue sources (e.g. impact fees, public /private partnerships, tax revenue capture); and
- A good (and transparent) relationship between the community and the growing installation

... demonstrate an ability to execute mission-growth related projects in an expedited manner.

Some communities have already begun construction of critical military growth impact projects. Table 4 depicts those projects that already have received full funding as of August 1st, 2008.

Table 4

Category	Fully-Funded Projects	Cost of Projects
Transportation	27	\$491,509,205
Water & Sewer	15	\$95,095,000
Education	3	\$9,525,000
TOTALS	45	\$596,129,205

Federal funding accounts for some of the funding included in Table 4's cost of projects figure. State and local funding sources, such as those based on tax revenue, account for the majority of the funding that has been made available.

Very few cases were found where private funding was used to pay for military growth impact projects. In one, responding to the projected growth of more than 21,000 additional service members scheduled to arrive at Fort Bliss by 2011, El Paso, TX, began planning ways to mitigate traffic congestion that would result from growth on Fort Bliss.

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Local planning began with a comprehensive transportation planning study, the Transborder Mobility Plan, and progressed in close coordination with the Army. With the Army's input, the Texas Department of Transportation (TXDOT – El Paso District) identified the 601 Spur project as the most critical in response to the growth on Fort Bliss. Designed as a design/bid/build project, prior to releasing a RFP for the project, TXDOT received an unsolicited bid to do the project as a public/private partnership (P3). The project developer would collect revenue on the spur through an innovative “pass-thru toll” system. Through this method of project delivery, El Paso has been able to fund a critical, BRAC-related impact project without Federal assistance.

VI. Ongoing PNA Activities

This snapshot represents activity assessing project funding readiness through August 1st, 2008. The process of scheduling additional PNA site visits continues, both to new military growth installations and follow-up visits to those already included in this snapshot. As site visits continue, findings will be updated and future snapshots will be issued inclusive of the new overall impact and project funding readiness information.

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VII. Backup Documentation & Appendices

Appendix 1: Growth Locations & Initial Projects Identified

	Growth Installation	State	Projects Proposed
1	Aberdeen Proving Ground	MD	10
2	Bethesda NNMC	MD	9
3	Lejune-MCAS New River-MCAS Cherry Point	NC	0 ³
4	Cannon AFB	NM	0 ³
5	Eglin AFB	FL	12
6	Fort Belvoir	VA	38
7	Fort Benning	GA	24
8	Fort Bliss	TX	0 ⁴
9	Fort Bragg-Pope AFB	NC	17
10	Fort Carson	CO	17
11	Fort Drum	NY	0 ³
12	Fort Knox	KY	25
13	Fort Lee	VA	16
14	Fort Lewis-McChord AFB	WA	4
15	Fort Meade	MD	9
16	Fort Riley	KS	54
17	Fort Sam Houston-Lackland AFB	TX	5
18	Fort Sill	OK	25
19	Fort Stewart	GA	4
20	Quantico MCB	VA	13
21	Redstone Arsenal	AL	79
22	State of Maryland	MD	0 ⁵

³ The community is still in the process of determining impacts due to mission growth. Data will be incorporated in future updates of this “snapshot” report.

⁴ The community indicated that it would submit project information at a later date.

⁵ Impact projects proposed by the State of Maryland have been disaggregated by installation and are represented in the APG, Bethesda NNMC, and Fort Meade numbers.

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Appendix 2: PNA Site Visits

	Growth Installation	State	Date of Site Visit
1	Aberdeen Proving Ground (APG)	MD	20 May 2008
2	Eglin AFB	FL	07 May 2008
3	Fort Belvoir	VA	21 April 2008
4	Fort Benning	GA	12 May 2008
5	Fort Bragg-Pope AFB	NC	22 July 2008
6	Fort Carson	CO	15 May 2008
7	Fort Knox	KY	29 May 2008
8	Fort Lee	VA	22 April 2008
9	Fort Lewis-McChord AFB	WA	28 April 2008
10	Fort Riley	KS	19 May 2008
11	Fort Sam Houston-Lackland AFB	TX	15 April 2008
12	Fort Sill	OK	13 May 2008
13	Fort Stewart	GA	01 July 2008
14	Redstone Arsenal	AL	08 May 2008
15	State of Maryland (included APG, Bethesda NNMC, and Fort Meade)	MD	19 May 2008
16	Quantico MCB	VA	21 April 2008

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Appendix 3: CBPP Report Table

	Gap Prior to Budget Adoption	Additional Mid- Year Gap	Total	Total Gap as a % of FY09 General Fund
AL	\$784M	\$458M	\$1.2B	15.0%
CO	-	\$99M	\$99M	1.3%
FL	\$1.3B	\$1.7B	\$5.1B	19.9%
GA	\$245M	\$1.6B	\$1.8B	8.7%
KS	-	\$137M	\$137M	2.1%
KY	\$266M	\$294M	\$560M	6.0%
MD	\$808M	\$248M	\$1.1B	7.0%
NM	-	\$253M	\$253M	4.2%
NY	\$4.9B	\$1.5B	\$6.4B	11.4%
NC	-	\$800M	\$800M	3.7%
OK	\$114M	-	\$114M	1.7%
VA	\$1.2B	\$974M	\$2.2B	12.8%

Source: Center on Budget Policy & Priorities (CBPP) *State Budget Troubles Worsen* (updated on November 12, 2008)

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Appendix 4: NSCL Report Table

State	Growth Actions	Est. % of Gen. Fund Budget	Targeted Program Cuts					
			K-12	H Ed	Medi.	TANF	Jail	L GV
AL	1	12.6%	√	√				
CO	1	-						
FL	1	6.3%	√	√	√	√	√	√
GA	2	1.2%						
KS	1	6.4%						
KY	1	5%	√	√	√	√	√	
MD	3	12%	√	√	√		√	√
NM	1	-						
NY	1	9.2%		√	√			√
NC	2	-						
OK	1	-						
TX	2	-						
VA	3	3%	√	√	√	√	√	√
WA	1	-						

Source: National Conference of State Legislatures (NCSL) *State Budget Update: June 2008* (released in July 2008)