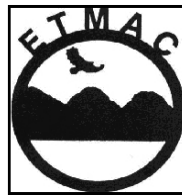


***Military Economic Impact Analysis
for
East Tennessee***

April 2003

Prepared by

The East Tennessee Military Affairs Council



***In Cooperation with
The Knoxville Area Chamber Partnership
and
The Blount Partnership***

EAST TENNESSEE MILITARY AFFAIRS COUNCIL (ETMAC)

ETMAC is a non-profit organization that was founded in 1990 to recognize, encourage, support and advocate military activities in East Tennessee. In cooperation with the Knoxville Area Chamber Partnership (KACP) and the Blount Partnership, ETMAC:

- Informs community, business, education, and government leaders about East Tennessee military units, their missions, and their contribution to the local economy.
- Serves as a liaison between civic and military activities.
- Helps the community avoid “loss by default” of military offices, detachments, and installations.
- Helps military people and their families understand that East Tennessee values them as members of the community.
- Promotes and supports military events and functions.
- Supports area military recruiters.
- Promotes the Employer Support of the Guard and Reserve (ESGR) Program.
- Supports charitable, scientific, and educational programs and events.

ETMAC sponsors several military-related activities including:

- Annual Knoxville Veteran’s Day Luncheon
- Colonel Jack K. Westbrook (USAF, Ret.) Army and Air Force ROTC Scholarships, University of Tennessee
- Pearl Harbor Day Remembrance Ceremony

ETMAC membership is open to any individual, business, or organization. Visit the ETMAC website at www.ETMAC.org or contact the KACP at (865) 637-4550

EXECUTIVE SUMMARY

This Military Economic Impact Analysis is an update of the first ETMAC analysis completed in early 2000. Its purpose is to provide business and civic leaders, and the public at large, a complete picture of the very significant contribution that the military and defense programs make to the economy of East Tennessee.

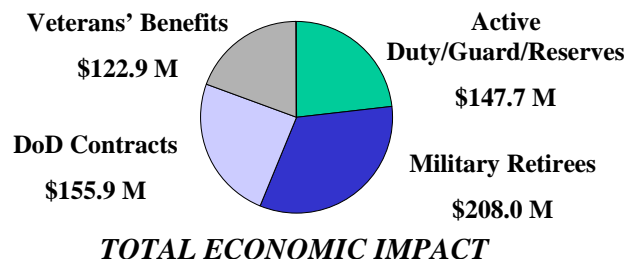
Methodology: The analysis follows standard Department of Defense methodology for determining the cumulative economic impact within fifty miles of Knoxville. The following factors are included:

- Annual payroll of active duty, guard and reserve, and civilian personnel.
- Expenditure for construction, supplies, services, contracts, and materials.
- Indirect jobs resulting from the personnel and their salaries.
- Military contracts to area businesses.
- Other military expenditures including pay to military retirees, veterans' benefits, etc.

We included active duty, national guard, and reserve components of the Air Force, Army, Navy, Marine Corps, and Coast Guard. The Department of Energy facility at Oak Ridge was not included as its impact is well publicized.

Economic Impact *The total impact of the military activity in East Tennessee is estimated to be \$634.5 Million for 2002.* For several reasons, this represents a significant increase from the amount reported in the last analysis. First, additional factors were considered this year including military contracts and veterans' benefits. Second, the DoD economic impact model has been updated to better reflect the indirect jobs created by military and civilian personnel in the area. The average salary for the Knoxville area has risen resulting in a larger dollar value of indirect jobs. Finally, there has been a slight increase in the number of personnel, payrolls, and funding for contracts, supplies, etc. The major components are shown in the following figure:

East Tennessee Military Economic Impact -- 2002



TOTAL ECONOMIC IMPACT

\$634.5 Million

Clearly, the military is one of the major drivers of the economic activity in our area. As such, business and civic leaders must consider policies and actions that attract and retain this valuable resource to East Tennessee.

TABLE OF CONTENTS

The East Tennessee Military Affairs Council	i
Executive Summary	ii
Purpose of the Analysis	1
Methodology and Scope of the Analysis	2
Results and Conclusions	5
Appendix 1	8
DOD Economic Impact Analysis Model	
Appendix 2	9
Data Tables	
Appendix 3	28
Acronyms	

PURPOSE OF THE ANALYSIS

This Military Economic Impact Analysis is an update of the first ETMAC analysis completed in early 2000. Its purpose is to estimate the economic effect the military bases, installations, and activities have on the local area. It can provide business and civic leaders, and the public at large, a complete picture of the very significant contribution that the military and defense programs make to the economy of East Tennessee.

Unlike some areas that have a very large active duty military installation, the military presence in East Tennessee is characterized by a number of small - to medium-sized military units. The largest units are part of the guard or reserve components of their respective services. As such, the scope of their activities and number of personnel assigned may not be apparent on a daily basis since many of the personnel serve "part time." There are relatively few active duty military personnel in the area. In addition, there is no large-scale defense contractor in the area. (The Department of Energy facility at Oak Ridge does support the Department of Defense).

Given the unique situation described above, one of ETMAC's goals is to collect the various military and military-related economic data into a single document and then explain to the public at large the cumulative effect. It is hoped that this analysis will raise the awareness of the importance of the military units to the economy of East Tennessee and also increase the appreciation of the public at large of the critical national defense missions these units perform.

METHODOLOGY AND SCOPE

This economic analysis uses the standard methodology and parameters of the DOD Economic Impact Analysis (EIA) Model and the “*Projected Economic Impact of McGhee Tyson ANG Base*” report of March 12, 2003. The total economic impact is computed by summing the payroll of all personnel, annual base/installation/activity expenditures for services, supplies, construction, maintenance, etc., and the estimated annual dollar value of indirect jobs created. As in the DOD model, the impact area is assumed to be within fifty miles of Knoxville. Appendix 1 contains additional details on the DOD EIA model.

We included active duty, national guard, and reserve components of the Air Force, Army, Navy, Marine Corps, and Coast Guard as applicable, plus DOD contracts, veterans’ benefits, and military retiree pay. Data sheets for each unit included in the analysis can be found in Appendix 2. The Department of Energy activity at Oak Ridge was not included as the magnitude of that activity would dwarf others by comparison, and its impact is well publicized. The units and organizations in Table 1 were included in the analysis:

Table 1
Units and Organizations Included

Service	Unit	Location	Mission
US Army			
Active Duty	Army ROTC – Rocky Top Battalion	University of Tennessee - Knoxville	Officer training and commissioning
	US Army Recruiters	Throughout the Area	Recruit officer & enlisted members for the Army
National Guard	278 Armored Cavalry Regiment	Knoxville – Sutherland Ave	Reconnaissance, surveillance, and security
Reserves	489 th Civil Affairs Battalion	Army Reserve Center – Middlebrook Pike	Assist other military units – Create, restore, and maintain public order
	844 th Engineer Combat Battalion	Army Reserve Center – Middlebrook Pike	Heavy construction
	1 st Battalion, 100 th Regiment, 3 rd Brigade, 100 th Division	Army Reserve Center – Middlebrook Pike	Engineer training
	AMSA 148	Army Reserve Center – Middlebrook Pike	Heavy vehicle maintenance
US Navy			
Active Duty	USN Recruiters	Throughout the Area	Recruit officer & enlisted members for the Navy
Reserves	Naval and Marine Corps Reserve Center	Alcoa Highway – Reserve Center	Training, logistical, & administrative support to the fleet
US Marine Corps			
Active Duty	USMC Recruiters	Throughout the Area	Recruit officer & enlisted members for the Marine Corps
Reserves	Company D, 4 th Combat Engineer Battalion (includes some A/D)	Alcoa Highway – Reserve Center	Combat engineer support
	Detachment, Surgical Company A, 4 th FSSG	Alcoa Highway – Reserve Center	Medical support

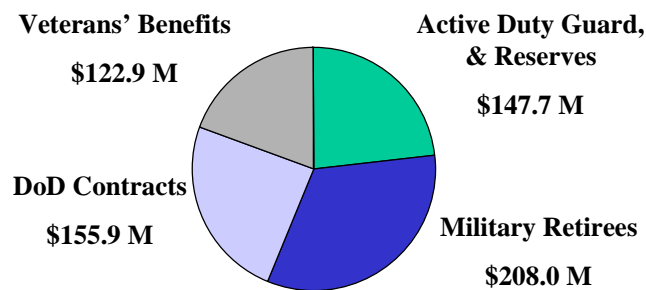
Units and Organizations Included (con't)

Service	Unit	Location	Mission
US Air Force			
Active Duty	AFROTC Detachment 800	University of Tennessee	Officer training and commissioning
	USAF Recruiters	Throughout the Area	Recruit officer & enlisted members for the USAF
National Guard	134 th Air Refueling Wing	McGhee Tyson ANGB	Aerial refueling
	119 th Command and Control Squadron	McGhee Tyson ANGB	Support to US Space Command – satellite imagery, warning systems, communications
	228 th Combat Communication Squadron	McGhee Tyson ANGB	Provide command and control communications for tactical air forces
	I.G. Brown ANG Training and Education Center	McGhee Tyson ANGB	Officer training – ANG & AF Reserve; NCO Academy; & Chaplain's Academy
	572 nd Air Force Band	McGhee Tyson ANGB	Support for USAF; public relations and recruiting
US Coast Guard			
Active Duty	USCG Recruiters	Knoxville	Recruit officer & enlisted members for the Coast Guard
Other DoD			
Active Duty	Military Entrance Processing Station	Knoxville – Parkside Drive	Process and enlist members into all branches of the service
Defense Contracts	Various	Counties within 50 miles of Knoxville	Manufacturing and services for DoD in 2002
Other Military			
Department of Veterans Affairs	VA Medical Center – Outpatient Clinic	Knoxville – Cross Park Drive	Primary care, specialty care, extended care and related services for veterans
	Veteran's Affairs – Advisor	University of Tennessee – Knoxville	Montgomery GI Bill support
	Other Benefits	Knoxville Area	Veterans' rehabilitation, disability benefits, etc.
Retirees	Retired Military Personnel	Within 50 miles of Knoxville	Retired pay

RESULTS AND CONCLUSIONS

The total economic impact for 2002 of the military activities is estimated at \$634.5 Million as shown below.

East Tennessee Military Economic Impact -- 2002



TOTAL ECONOMIC IMPACT

\$634.5 Million

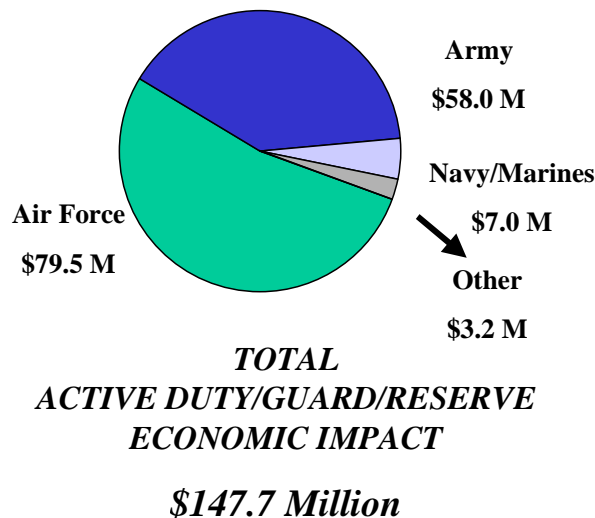
This is a significantly larger impact than shown by the analysis of 2000 for several reasons. First, some additional elements were included in this analysis that were not factored into the previous study, including defense contracts, some veterans' benefits, and the Coast Guard recruiters. The military contracts and veterans' benefits represent about half of the economic impact. Many of the military units have grown in size and corresponding number of personnel. Payrolls have increased along with expenditures for supplies and maintenance. Finally, the indirect jobs multipliers have been updated in the DoD model, and the average salary for the Knoxville area has risen resulting in a larger dollar value of indirect jobs.

When considered in its entirety, the military economic impact in East Tennessee clearly ranks among the largest in the area, including the Department of Energy – Oak Ridge Complex, the University of Tennessee, and the Tennessee Valley Authority.

The military retiree population is a major contributor to economic activity. More than 6,000 military retirees live within a 50 mile radius of Knoxville and their retirement pay accounts for almost one third of the total economic impact.

The U.S. Air Force is the largest service from an economic standpoint, and the combined units at McGhee Tyson Air National Guard Base contribute about \$77 million of the USAF total. The 278th Armored Cavalry Regiment is the largest Army contributor with just under \$50 million. The Naval/Marine Corps Reserve Center represents the bulk of the Navy/Marine economic impact. The “Other” category includes the DOD Military Entrance Processing Station and the U.S. Coast Guard recruiters. All told, this represents about 7,000 uniformed personnel.

Economic Impact By Service-- 2002



In addition to the purely economic factor, the military presence pays big dividends to the community in other ways. Military personnel know the value of “service to others.” Listed below are examples of the civic activities the active duty, guard, and reserve personnel are supporting on a daily basis:

- President’s Reading Program – children in schools
- Youth sports
- Boys and Girls Clubs
- Boy and Girl Scouts
- Charity runs/walks
- Church leadership roles
- Civic events/color guards
- Combined Federal Campaign/United Way
- Military funerals
- Habitat for Humanity
- High School Career Counseling
- High School Junior ROTC

- Homeless Veterans Stand Down Volunteers
- Job fairs
- Keep Knoxville Beautiful Clean-up Program
- Red Cross Armed Forces Emergency Services Committee
- Veterans Day Parade
- Youth mentoring

Military veterans and retirees are skilled, reliable, hard working, and well educated, and quickly become active in the local economy. In most cases, the government will pay the relocation costs of a veteran moving into our area.

Clearly, the military is one of the major drivers of the economic activity in our area. As such, business and civic leaders must consider policies and actions that attract and retain this invaluable resource to East Tennessee

Appendix 1

DOD ECONOMIC IMPACT ANALYSIS MODEL

PAYROLL

_____ # ACTIVE DUTY PERSONNEL TOTAL ANNUAL SALARY _____
_____ # GUARD/RESERVE PERSONNEL TOTAL ANNUAL SALARY _____
_____ # CIVILIAN PERSONNEL TOTAL ANNUAL SALARY _____

TOTAL PAYROLL \$ _____

OTHER EXPENDITURES

CONSTRUCTION _____
SERVICES _____
MATERIALS _____
CONTRACTS _____
UTILITIES _____
RENT _____
SUPPLIES _____
ENVIRONMENTAL _____
OTHER _____

_____ **\$ TOTAL OTHER EXPENDITURES**

INDIRECT JOBS

#ACTIVE DUTY x 0.41 = _____ **INDIRECT JOBS CREATED**
#GUARD/RESERVE x 0.16 = _____ **INDIRECT JOBS CREATED**
#CIVILIANS x 0.55 = _____ **INDIRECT JOBS CREATED**

JOBS CREATED x \$30,539 * = _____ **\$ IMPACT OF JOBS
CREATED**

TOTAL ECONOMIC IMPACT = PAYROLL + EXPENDITURES + INDIRECT JOBS

Notes

1. Indirect jobs multipliers were obtained from the DOD EIA model and are based on the size of the employment base for each region. (AFMAN 65-506 Economic Impact Analysis).
2. The annual salary estimates for the indirect jobs are from the Bureau of Labor Statistics (BLS) files for Knoxville 2002. (Bureau of Labor Statistics, Bulletin 3115-17, May 2002, Compensation Survey, Knoxville, TN – <http://stats.bls.gov/ncs/ocs/sp/ncbl0466.txd>).

Appendix 2

Data Tables

Appendix 3

Acronyms

ACR	Armored Cavalry Regiment
A/D	Active Duty (personnel)
AFIT	Air Force Institute of Technology
AFROTC	Air Force Reserve Officer Training Corps
AMSA	Area Maintenance Support Activity
ANG	Air National Guard
ANGB	Air National Guard Base
ARW	Air Refueling Wing
BLS	Bureau of Labor Statistics
DOD	Department of Defense
DOE	Department of Energy
EIA	Economic Impact Analysis
ETMAC	East Tennessee Military Affairs Council
FSSG	Force Service Support Group
JROTC	Junior Reserve Officer Training Corps (High School)
KACP	Knoxville Area Chamber Partnership
MEPS	Military Entrance Processing Station
MILCON	Military Construction
MGIB	Montgomery GI Bill
NCO	Non-commissioned Officer
ROTC	Reserve Officer Training Corps
RPM	Real Property Maintenance
TEC	Training and Education Center
USAF	United States Air Force

USCG	United States Coast Guard
USMC	United States Marine Corps
USN	United States Navy
UT	University of Tennessee
VA	(Department of) Veteran's Affairs