

Hill Air Force Base Impact

Overview

The upcoming round of Defense Base Closures and Realignments (BRAC) is threatening the existence of Hill Air Force Base (Hill AFB). The Department of Defense is aggressively approaching this round of BRAC in its attempt to eliminate 20% to 25% of its current capacity. This chapter is a summary of a much larger study that used the REMI model to assess the economic, demographic and fiscal impacts of closing Hill AFB on the state of Utah and the Davis/Weber region.¹

Background

Hill AFB has been the largest component of Utah's defense sector, and one of the largest employers in the state for decades. Long established as an engine of economic growth, Hill AFB directly pumps more than \$1.0 billion into Utah's economy each year. The direct operations include a Utah payroll of \$962.2 million, direct employment of about 20,000 workers and local purchases totaling \$152.9 million. Clearly, Hill's economic contributions are substantial and an important source of economic activity in the state of Utah.

Hill has had a presence in Utah since 1920 when the War Department established the Ogden Arsenal Army Reserve Depot in the area now occupied by the northwestern portion of Hill AFB. Over time, Hill AFB's missions have changed and expanded. Today, the missions of Hill AFB encompass supply and repair of aircraft and missile parts, including munitions storage and handling. The base is one of three air logistics centers in the USAF Materiel Command, serving as home to the Ogden Air Logistics Center which provides worldwide engineering and logistics management for the F-16, A-10, Minuteman III and Peacekeeper Intercontinental Ballistic Missiles. In addition, Hill AFB is host to the 388th Fighter Wing, the 419th Fighter Wing and the Air Force Reserve F-16 wing. Other units include the 84th Radar Evaluation Squadron and Defense Enterprise Computing Center Ogden.

Employment

In FY 2003, the workforce at Hill AFB included 5,178 military personnel and 13,491 civilians, all working in Davis County. The military payroll was \$156.5 million and the federal civilian payroll was \$677.4 million. Another 1,409 Air Force reserves (reservists) visited the base during the course of the year for training. Of these, 1,290 were Utah residents and 119 lived in other states. Also located on base are employees of private business that provided services to Hill's employees, and civilian contractors that provided services specific to Hill's missions. About 4,300 people who were not directly employed by Hill or by the U.S. Air Force worked on base in 2003. In total, more than 24,000 people traveled to and worked at Hill AFB during the course of a given year. Base employees reside throughout the Wasatch Front; however, more than 91%, or 17,895 employees of the base lived in either Davis or Weber County.

Components of Hill AFB Base Spending

Hill AFB's direct spending in Utah totals over \$1.0 billion each year and includes payroll and contract spending. Indirectly, the U.S. Air Force provides money to Utah companies through the Prime Contracting process to support the missions at Hill. Approximately 86.3% of Hill's

direct spending in Utah is payroll-related. In FY 2003, Hill's payroll totaled \$962.2 million and included \$950.7 million paid to military and civilian employees and \$11.5 million paid to reservists living in Utah. In 2002, Hill AFB purchased \$152.9 million in goods and services from Utah businesses. Of this, \$67.0 million was spent locally through procurement arrangements for goods and services needed to operate the base. Another \$47.9 million was spent on services for Hill employees (health care, education, etc.) and for goods sold at the base commissary and base exchange. New construction totaled \$38.0 million. In FY 2002, Prime Contracts with Utah companies through central procurement at Hill totaled \$790.0 million. Based on interviews with Utah's largest prime contractors, about \$425.0 million of all contracts awarded to Utah companies remained in the state. The largest prime contractor in Utah is Northrop Grumman with prime contracts totaling \$966.5 million. When the direct operations of Hill AFB are combined with the estimated value of Prime Contract Awards performed in Utah, total spending tied to the base is about \$1.5 billion.

The Role of Hill Air Force Base in the Davis/Weber Region

Hill's impact is felt throughout the state of Utah; however, the two counties most directly affected by Hill's operations are Davis County and Weber County (Davis/Weber region). With about 20,000 employees Hill AFB is the largest employer in the region. If treated as a separate industry, only services and retail trade employ more people. For many years, Davis County's economy has been driven by Hill AFB. While the county's economic base has become more diversified, Hill is still the largest employer and still plays a major role in the economic vitality and stability of the area. Weber is impacted by Hill AFB because of the large number of civilians who work at the base and live in the county. The importance of federal workers to the region's economic base is underscored by the share of earnings they provide compared to the share of employment they represent. Federal government jobs account for about 10% of total employment and 20% of total earnings. This disparity occurs because the average earnings of federal civilian employees are much higher than the average earnings of all workers in the region.

Statewide Impact of Closing Hill Air Force Base

As one of Utah's largest employers, Hill AFB makes a significant contribution to the state and has an even greater impact on the communities in close proximity to the base. The loss of Hill would translate to lost jobs and income for Utah workers, reduce the number of households that can be supported, and permanently change the structure and size of the Utah economy. The economic, demographic and fiscal impacts on the state are presented in two window years--2009 and 2020 (financial projections are in constant 2001 dollars).

Short-Term Impacts. In 2009, the impact of closing Hill AFB would be a loss of 47,400 jobs, a decline of \$2.4 billion in earnings and \$2.3 billion in personal income. Hill AFB's closure shrinks the state's economy by \$3.6 billion. The annual loss of state tax revenue would be \$192.4 million. The population impact of closing Hill AFB would be 31,000 fewer people living in the state than if Hill AFB remained in operation. This population impact includes about 7,600 school age children, or about 1.3% from the projected school age population baseline of 578,000. The impact on school age population would moderate, but not eliminate the upcoming boom expected to begin in 2005. Closing Hill would also lower per capita personal income by \$542 in 2009.

¹Jan E. Crispin-Little and Pamela S. Perlich (2004). Economic, Demographic and Fiscal Impacts of Closing Hill Air Force Base: A Statewide and Regional Analysis. Bureau of Economic and Business Research, University of Utah. (Research sponsored by the Utah Defense Alliance).

Long-Term Impacts. The long-term, statewide impact of closing Hill AFB would be a permanent loss of 41,700 jobs, an annual decline of \$2.5 billion in earnings and \$2.7 billion in personal income. The economy would be \$3.4 billion smaller (a decline of 1.7% from the baseline projection). The annual loss of tax revenue would be \$199 million. The resident population in Utah would be 50,500 less than if Hill remained in operation. This impact includes 15,400 school age children—a change of 2.1% of the baseline projection of 743,000. The permanent employment impact represents a change of 2.1% on a projected baseline of 3.3 million. The population impacts represent a change of 1.6% in a projected baseline of 3.3 million.

How Long to Recovery?

The speed at which the state would begin its new growth path would be dependent on job growth. To offset the short-term employment impact of closing Hill AFB, the state would need to create almost 48,000 new jobs. In robust economic times, this is equivalent to losing one to three years of economic growth. In recent historical experience, job growth in this range has not occurred on an annual basis since the economic boom of the mid-1990s.

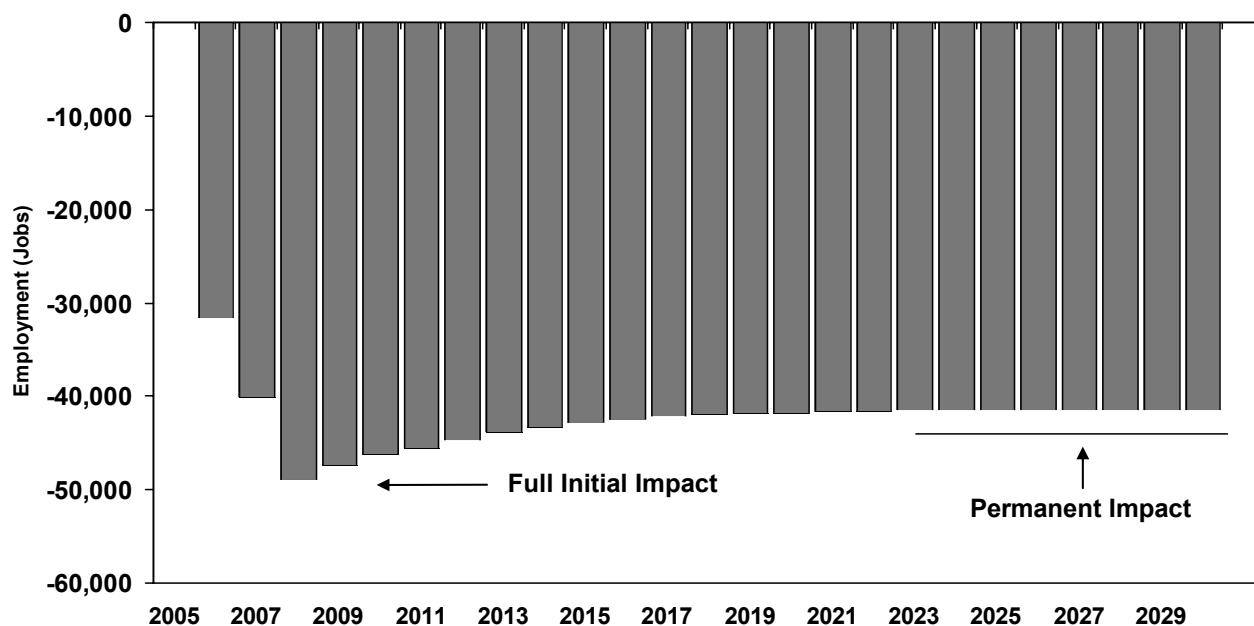
Offsetting the impact on earnings would be even more difficult. The federal civilian jobs at Hill AFB are not "average" jobs. They are some of the best jobs in Utah. As high-paying, stable jobs with benefits they would be hard to replace. Since the earnings of most civilians working at Hill AFB are almost double the state average it would take almost 68,000 new jobs to offset the loss of \$2.4 billion in earnings.

In a sense, Utah would never really "recover" from the closing of Hill AFB; the economy would always be permanently smaller than if the base remained in operation. However, Utah's economy has demonstrated it can survive dramatic economic events (closure of Geneva Steel, employment losses at Kennecott, the energy bust of the 1980s and dramatic declines in defense spending in the 1990s). The question is not whether the Utah economy would begin to expand but when. The closure of Hill AFB would be the equivalent of losing a few years of economic growth. Eventually the economy would stabilize on a new growth path. Statewide, this could happen within two to three years of base closure.

Regional Impact of Closing Hill Air Force Base

Closing Hill AFB would have economic repercussions on the Davis/Weber region unparalleled since the Great Depression. The departure of such a large employer would have enduring impacts on the size, structure and composition of the regional economic base, leading to a decrease in jobs, population, earnings and income, and a much smaller regional economy. The impacts of closing Hill AFB would disproportionately affect Davis County. Since WWII, Hill AFB has been one of the dominant influences on Davis County's economy, and has been the defining factor in establishing Davis as one of Utah's most prosperous counties. The closure of Hill AFB represents the loss of an industry that has been the foundation of Davis County's economy for the past 60 years. These economic losses from the closure of Hill AFB would be so large that employment in Davis County would not return to the 2005 pre-base closure level until 2014. The regional impacts of closing Hill AFB would be large-scale and enduring. The speed at which the region moved to its new growth path would be dependent on job growth. To offset the short-term employment impact, the region would need almost 35,000 jobs. In robust economic times, this is the equivalent of losing five to seven years of growth.

Figure 67
Statewide Annual Employment Impact: 2006-2030



Source: Bureau of Economic and Business Research, University of Utah

Table 85
Hill Air Force Base Utah Personnel Statistics: FY 2003 (Current \$)

Personnel Classification	Employed/ on Base	Share of Total ⁴	Payroll	Share of Total ⁴
Active Duty Military ¹	5,178	25.8%	\$156,549,143	16.3%
Federal Civilians ²	11,290	56.2%	\$677,400,000	70.4%
Non-Appropriated Fund Civilians	360	1.8%	\$6,329,257	0.6%
Tenants ³	1,841	9.2%	\$110,460,000	11.4%
Reserves				
Utah residents: 1,290				
Non-Utah residents: 119	1,409	6.4%	\$12,554,000	1.3%
Contractors	4,344		na	--
Total	24,422	100.0%	\$962,232,300	100.0%

Note: "Share of Total" column only includes groups for which payroll information was available.

¹ The payroll for Active Duty Military includes a housing allowance for personnel living off-base.

² Includes civilian employees serviced by Hill AFB Human Resources.

³ Includes civilians not serviced by Hill AFB Human Resources, but employed by the U.S. Air Force.

⁴This includes only the military portion that are Utah residents

Source: Hill Air Force Base Economic, Plans and Programs Directorate. Estimates of housing allowance made by BEBR based on discussion with Hill AFB staff.

Table 86
Summary of Hill Air Force Base Activity in Utah Payroll: FY 2003; Non-Payroll: FY 2002 (Current \$)

Employment	
Military Personnel	5,178
Civilian Personnel	13,491
Reserves	1,290
Total Employment	19,959
Payroll	
Military Personnel	\$156,549,143
Civilian Personnel	\$794,189,257
Utah Reservists	\$11,783,000
Total Payroll	\$962,521,400
Procurements and Contracts	\$152,945,665
Prime Contract Awards	\$425,000,000
Total Spending	\$1,540,467,065

Note: The total presented for Prime Contract Awards includes the estimated amount spent in Utah only.

Source: Hill Air Force Base

Table 87
Hill Air Force Base Closure Analysis Statewide Economic, Demographic and Fiscal Impact Summary (2001 \$)

Variable	Change From		Change From	
	2009	Baseline	2020	Baseline
Employment	-47,430	-2.9%	-41,730	-2.1%
Earnings (Bil.)	-\$2.35	-4.1%	-\$2.50	-3.0%
Personal Income (Bil.)	-\$2.29	-3.7%	-\$2.65	-2.4%
Gross State Product (Bil.)	-\$3.58	-2.6%	-\$3.43	-1.7%
Population	-31,000	-1.2%	-50,480	-1.6%
School Age Population	-7,555	-1.3%	-15,405	-2.1%
State Tax Revenue(Mil.)				
Individual Income Tax	-\$69.8		-\$73.8	
General Sales Tax	-\$88.8		-\$94.0	
Motor Fuel Sales Tax	-\$14.8		-\$11.2	
Other Taxes	-\$19.0		-\$20.1	
Total	-\$192.4	na	-\$199.1	na

Note: The financial losses shown in 2020 are permanent, annual losses in the economy.

Source: Bureau of Economic and Business Research, University of Utah.