



Corpus Christi and Coastal Bend Economic Pulse

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BRAC V: The Aftermath

By Jim Lee

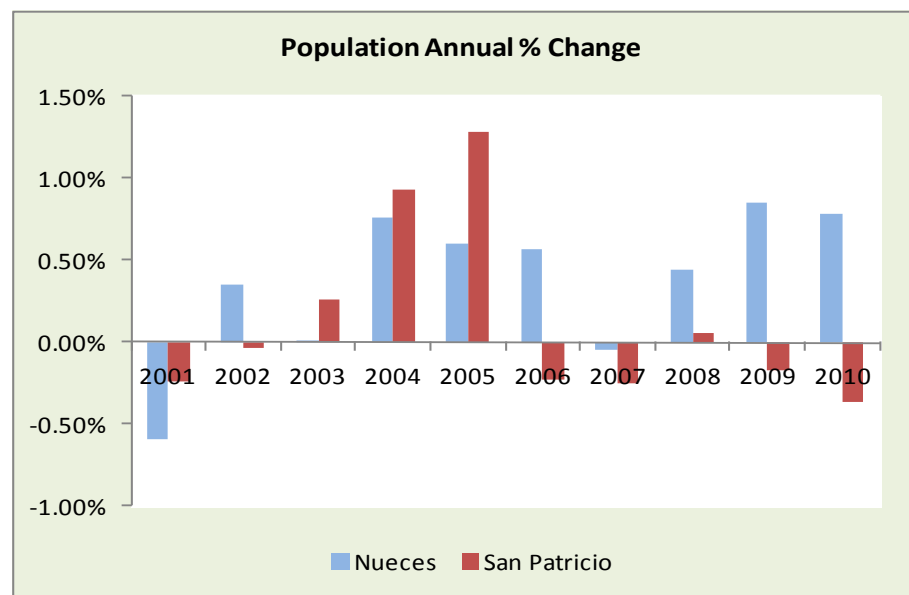
In this article, we look at the local experience during the last round of BRAC. Historical data depict a vivid picture of the impact of the closure of Naval Station Ingleside on San Patricio County, which witnessed a loss of over 3,000 residents during that process. In addition to those jobs eliminated directly by the federal government, the county lost more than 850 jobs, or about 3 percent of its workforce. While the actual impact seemed more tenuous than most forecasts, the economic pain felt by local residents and business owners far exceeded their gains in tax savings from BRAC.

Naval Station Ingleside was closed in April 2010 as an outcome of the fifth round of the Defense Department's Base Realignment and Closure (BRAC) decision announced in 2005. The closing of this military base and the consolidation of the other two military installations in Corpus Christi were part of the federal government's efforts to reduce the overall costs in operating the nation's military infrastructure.

BRAC Impact by the Number

In the long run, the current and future generations of taxpayers pay for all government expenditures. According to the U.S. Department of Defense, the 2005 round of BRAC would result in a total saving of \$49 million in the following 20 years. This translates into a combined saving of \$3.2 million each year in tax dollars for residents in the Corpus Christi metro area. The combined annual tax saving for the existing residents in San Patricio County, where former Naval Station Ingleside is located, would be about \$534,000.

In addition to the government's final BRAC report, a few studies were conducted locally to make forecasts for the *potential* impact of the closure and realignment of local military bases on the South Texas economy and its workforce. Those studies aimed at helping local community leaders and workforce development officials to make planning decisions prior to the official closure and realignment of the military bases in Corpus Christi. It is, nonetheless, also helpful to look at the extent that BRAC has *actually* affected the South Texas economy since 2005. Now this insight seems timely as another round of BRAC has appeared to be all but imminent.



An assessment of the *actual* impact of a military base closure on the local economy is difficult. Because of the dynamic nature of the local economy that is also subject to the effects of developments outside the regional community over time, it is difficult to single out the effects of a single event like military base closing from the effects of all other concurrent events. For instance, the global financial crisis in 2008 and the global recession of 2007-09 might have also taken a toll on local businesses while scores of local military personnel were reassigned over time to other installations across the U.S. Nonetheless, before Naval Station Ingleside was officially closed in 2010, no major economic development projects had occurred in its surrounding communities. For this reason, it is possible to capture the effect of the base closure on those surrounding communities.

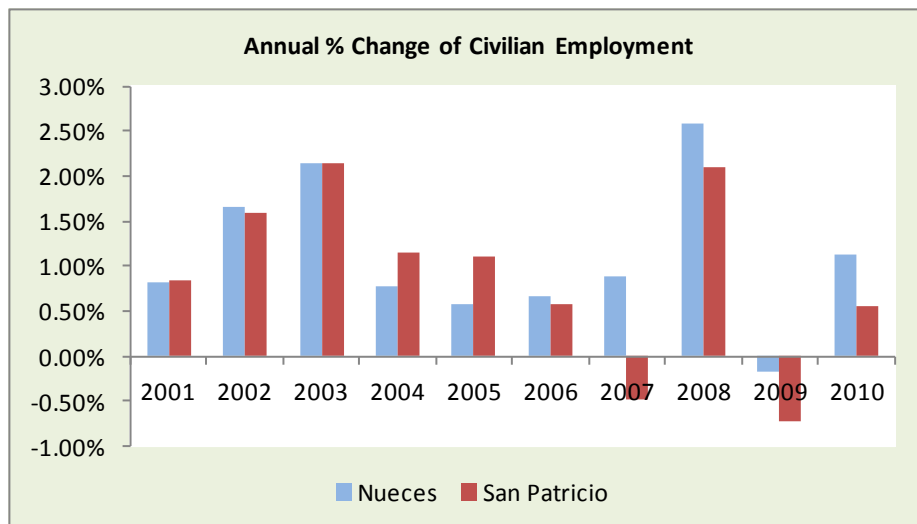
According to the Defense Department’s BRAC 2005 report, former Naval Station Ingleside was staffed by 1,726 military personnel, 254 civilians, and 57 contractors. As a result of its closure, the loss of those 2,037 direct jobs would cause a ripple, or “indirect,” effect on the regional economy, eventually causing a loss of another 2,558 jobs in the Corpus Christi metro area. Similar forecasts were reported by the local studies commissioned by Workforce Solutions of the Coastal Bend.

Out-Migration

The most apparent effect of closing Naval Station Ingleside is the change in the population of its local community. The chart above shows the yearly changes of the population in San Patricio and Nueces counties from 2001 to 2010. Beginning 2006, San Patricio County experienced a population growth pattern that is drastically different from its historical past or its neighboring Nueces County. Over the five-year period between 2006 and 2010, a cumulated total of 3,509 more people migrated out of San Patricio County than people migrated into that area. This amount of out-migration was substantially higher than the total of 235 in the earlier five-year period between 2001 and 2005. This sharp contrast implies that perhaps 3,274 residents--the difference between the two out-migration figures--left San Patricio county during the BRAC process. This is consistent with the military personnel data, which indicate that, on average, each military person comes to one of the local military installations with 1.6 to 1.8 family members.

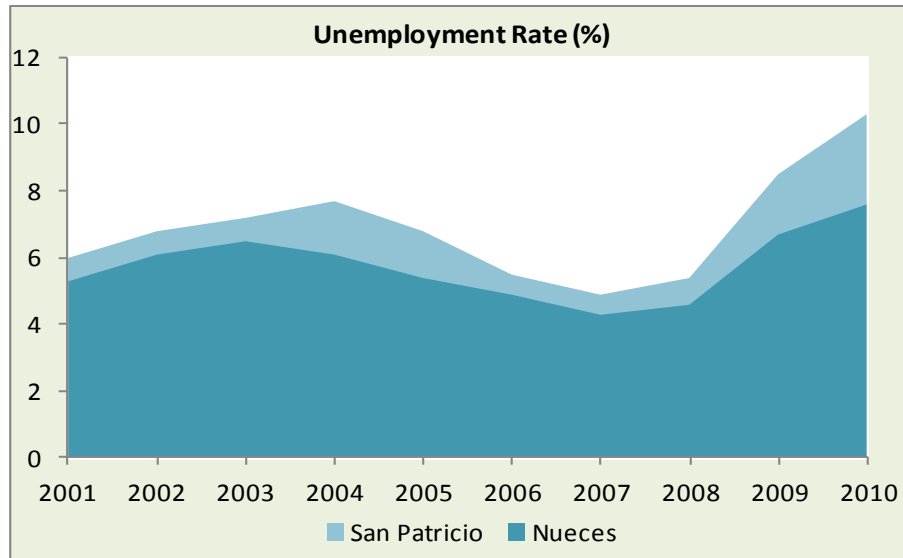
Job Losses

As for the local population, local job losses in association with the fifth round of BRAC were discernible in the following chart, which compares the non-military employment patterns between San Patricio and Nueces counties. Before 2006, changes in the employment growth rates were similar across the two counties. Beginning 2006, employment growth in San Patricio County was at least half of one percentage point below that in Nueces County. Note that military personnel are not typically included in the labor force or employment statistics, which involve only civilians. For this reason, the changes in employment levels for both counties do not reflect changes in the amount of military personnel within the region.



Using the back-of-envelope calculation with the comparative data displayed in the chart, the local “indirect” employment impact in association with the run-up to the official closure of Naval Station Ingleside in 2010 is 851 full-time-equivalent job positions, or 3 percent of employment in San Patricio County.

Similarly, the chart below shows that the unemployment rate of San Patricio County deviated more widely from the unemployment rate of its neighboring county after 2006. The average unemployment rate during the five-year run-up to the base closure in 2010 was 1.3 percentage points higher in San Patricio County than in Nueces County. Historically, their unemployment rates moved in lockstep, with San Patricio County experiencing about a one-percentage point higher unemployment than that for Nueces County.



Less Pain, Little Gain

The “actual” amount of local job losses appears remarkably smaller than the “indirect” effect of 2,558 jobs as forecast by the Defense Department and other local studies. This discrepancy is attributable to the fact that much of the economic impact was probably absorbed by areas outside San Patricio County. Also, most forecasts were made under the assumption that no government actions would have been taken to mitigate the impact of the base closure. Hence, the less painful experience, particularly for the Corpus Christi metro area as a whole, reflects in part the effectiveness of strategic actions taken by local governments and workforce agencies in recent years.

Using a methodology similar to that used by the BRAC committee, a loss of 851 jobs in San Patricio County would result in a loss of \$3.5 million in local tax revenues. This alone far exceeds the \$0.5 million in tax savings as promised by the Defense Department for the county residents collectively in that round of BRAC.

A look at the local economy with a rear-view mirror has provided us with some insight into the impact of BRAC beyond the forecasts reported in previous studies. While the benefits of restructuring the nation’s military infrastructure were spread among millions of U.S. taxpayers, the brunt of its adverse impact was born by a much smaller number of local residents and business owners in small military communities, like those in San Patricio County.

Resuscitating the Local Economy

Fortunately for the San Patricio community, the local economy began to pick up speed in 2011. Two factors have helped contribute to its economic resurgence. First, a Chinese investment group, TPCO, began to build a \$1 billion steel plant in the city of Gregory. Second, the burgeoning oil and gas industry in the Eagle Ford Shale region has increasingly spurred economic and business activity across South Texas. Such developments seem to have overshadowed the effect of BRAC on the economy of the Coastal Bend.

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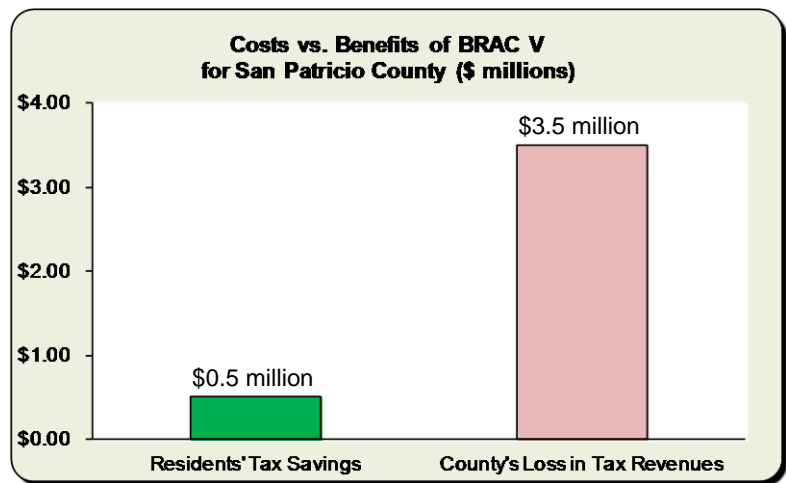
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(cont'd)



Related Reading

U.S. Department of Defense, *BRAC Final Report, 2005*, accessible at <http://www.brac.gov/finalreport.html>.

Jim Lee and ImpactData Source, "A Report of the Impact of the 2005 Base Realignment and Closure Committee Actions for Naval Station Ingleside, Naval Station Corpus Christi, and Corpus Christi Army Depot," commissioned by Workforce Solutions of the Coastal Bend, 2005 (updated report in 2008).