

Communities May Lose Military Retirees Along with Their Bases

Survey results from the Fort McClellan, AL, area suggest that military retirees contribute significantly to the economic, fiscal, and social fabric of the community, but many may leave when the military base closes. Communities facing base closures should consider their options for stemming the loss of military retirees and their options for minimizing problems caused by retiree outmigration.

IN their RDP article, “Economic Development After Military Bases Close,” Stenberg, Rowley, and Isserman wrote about the challenges facing rural communities in military base conversions (Vol. 9, No. 3, June 1994, pp. 16-23). The main economic development challenge in military base conversion involves finding alternative uses for base real estate and facilities. Local communities usually focus their base redevelopment efforts on business development to replace the lost jobs and wages of military and civilian employees who worked on the base.

Closing a base, however, may also lead to relocation of military retirees who want to stay close to an active military base to maintain access to medical, dental, and other base-related fringe benefits. How important are these military retirees to local communities, how likely are they to move away if the base closes, and how might communities minimize difficulties associated with this aspect of military base closures?

A recent survey of military retirees living near Fort McClellan, an Alabama military base currently in the process of closing down, suggests that military retirees add significantly to local income and wealth, add to the local tax base without demanding much in public services, and have generally positive social links to the community. Over half of the military retirees may move away in the event of a military base shutdown. The survey’s findings suggest that communities consider trying to

Mark Fagan is a professor of sociology and social work at Jacksonville State University, Jacksonville, AL, and Richard Reeder is an economist in the Finance and Development Branch of the Rural Economy Division, ERS.

Phone 202/219-0551 • Fax 202/219-0202 • E-mail rreeder@econ.ag.gov

retain military retirees by offering more of what these retirees want most in a community, such as discount shopping, better and lower cost health services, and recreation facilities. Alternatively, communities might consider advertising to attract retirees to replace outgoing military retirees. Each community’s situation is unique in some respects, so it is advisable for communities facing base closures to survey their military retirees to better gauge their needs and potential policy responses.

Economic Development Implications of Military Retirees Versus Other Retirees

Military retirees share some characteristics with rural retirees in general. For example, studies of rural retirees have identified both positive and negative effects for communities (Reeder, Schneider, and Green). Their positive effects may include (1) contributing to the local economy with their relatively high and stable incomes; (2) spending a high percentage of their incomes locally; (3) adding more to local tax base than they require in local government expenditures; and (4) frequently volunteering to help the community. Their negative effects may include (1) increasing congestion and environmental difficulties; (2) creating mainly low-wage jobs; (3) driving up housing costs; (4) increasing health care costs for State and local governments (assuming health costs continue to rise and/or Federal Medicare and Medicaid benefits fall); and (5) conflicting with the priorities of other residents, possibly preferring government to provide specialized elderly services rather than education, for example. Military retirees have some of these same effects on communities.

However, military retirees differ from other rural retirees in some important respects. On the positive side, military retirees tend to be younger than other retirees. Both offi-

cers and enlisted personnel retire much earlier than non-military retirees: officers typically retire at age 46, enlisted at age 42. The normal retirement age for nonmilitary workers is 60. Military retirees have ample time to start a second career or a new business which produces additional income and assets. A second career also allows them to add Social Security and private pension benefits that supplement their military retirement income in old age. Thus military retirees may often add more income and wealth to the community than the typical retiree, resulting in a greater local economic stimulus.

Military retirees may also contribute more in nonmonetary ways to the community than do other retirees. Because they retire while they are still relatively young, many may still have children in local schools, hence they are likely to be supportive of local schools and libraries. The relatively young spouses of many military retirees often contribute to the community through volunteering. Military retirees also are believed to be healthier and better educated than the typical retiree, which may make them less of a strain on local health and social services. Many military retirees remain in the community where they were stationed, continuing their relationship with the community. Compared with retirees moving in from other localities, these military retirees may be less likely to have divergent interests from other long-term local residents over such things as taxes, public services, and land use.

On the negative side, military retirees may buy many of their goods at the base exchange and receive medical, dental, and some other services at the base, reducing their stimulus to the local economy. Unlike the more typical older retiree, the military retiree may compete with other local residents for existing jobs, at least until the military retiree gives up his or her second career to retire completely. Thus, the local unemployment situation might worsen, at least in the short run, when military personnel first retire and look for new jobs.

Another potential negative aspect of military retirees is the possibility of their moving if the local economy sours or if the military base closes. Military retirees prefer places with employment opportunities so they can start a second career. Thus, if the local economy deteriorates, military retirees seem more likely than other retirees to move. Military retirees also prefer places within a reasonable driving distance of a military base where they have access to subsidized services (such as military hospitals and tax-free shopping). New rules require residence within 50 miles of a base for military retirees to have full access to base medical and dental facilities, reinforcing the tendency to live close by. If a military base closes, local communities may have good reason to fear that on top of losing base personnel, many military retirees may move

away to maintain access to base privileges. Consequently, communities may have to make a greater effort to keep military retirees happy than for some other retirees. This may require providing more of what young military retirees like in community services, such as job retraining and recreation services.

Another factor to consider in gauging potential economic impacts is the substantial difference in officer and enlisted pensions. Department of Defense (DoD) data show officers' military retirement pay (excluding the disabled and reservists) averaged over \$28,000 per year in 1993, while the typical enlisted retiree received only about \$13,000. This may result in marked differences in local development effects depending on the officer-enlisted mix of personnel retiring in the area. For example, if a community is mainly attracting enlisted retirees, the net economic effect may depend on the ability of the retirees to find jobs to supplement their relatively low military retirement income. Without supplemental income, enlisted retirees could become a drain on the local tax base, adding less to taxes than they require in public services.

Findings from a Survey of Fort McClellan Area Military Retirees

We tested the conventional wisdom on military retirees by examining Fagan's survey of military retirees in Calhoun County, AL, the location of Fort McClellan (see "About the Survey," p. 22, for more details). The survey produced a wealth of information about military retiree household characteristics, education, housing, income, assets, and attitudes. Although any such place-specific survey is likely to produce some findings that relate only to the place examined, our findings concur with many of the previously discussed economic, fiscal, and community impacts of military retirees.

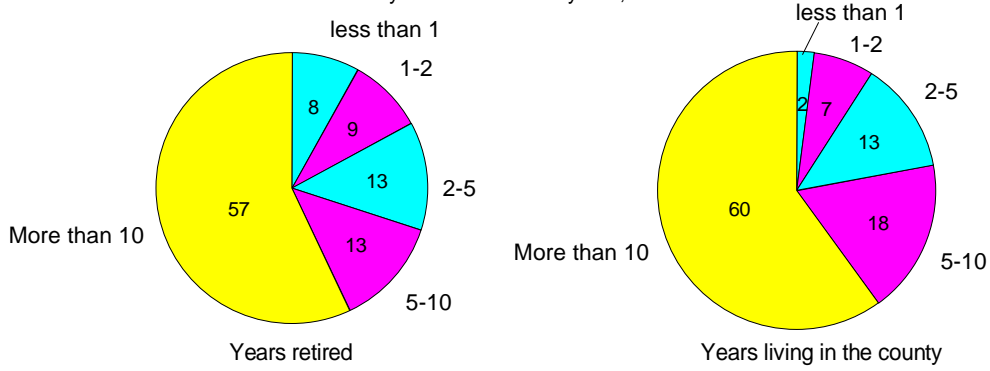
A key finding of the survey was that the county might lose over half of its military retirees when its base closes. Fifty-four percent of the respondents reported that they would move from the county if Fort McClellan were to close, and 63 percent of these said that they would relocate outside the State. The economic significance that such an exodus might have on the local community is suggested by the characteristics of respondents.

For example, the majority of respondents were retired from the military for over 10 years; most had also lived in Calhoun County over 10 years (fig. 1). Such long-term residents might be expected to support community investments critical to sustainable development. Most respondent households had one or two family members, but 40 percent had three or more, which could add to community attachment. In addition, about a fourth of the respondents were below the normal retirement age of 60 and might still be very active in the community.

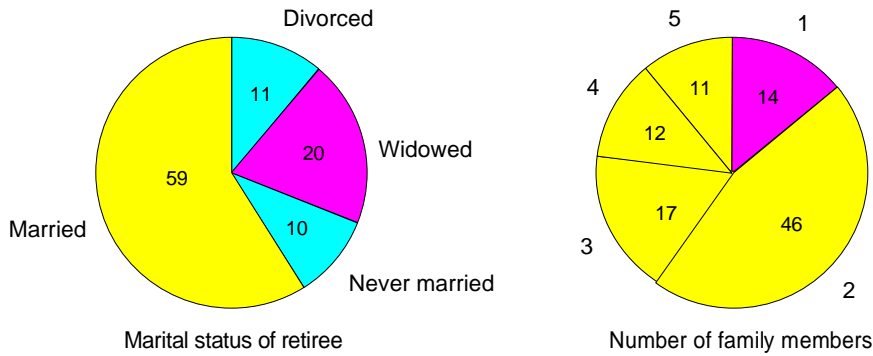
Figure 1

Distributions of Fort McClellan area military retiree households by social characteristics, 1994

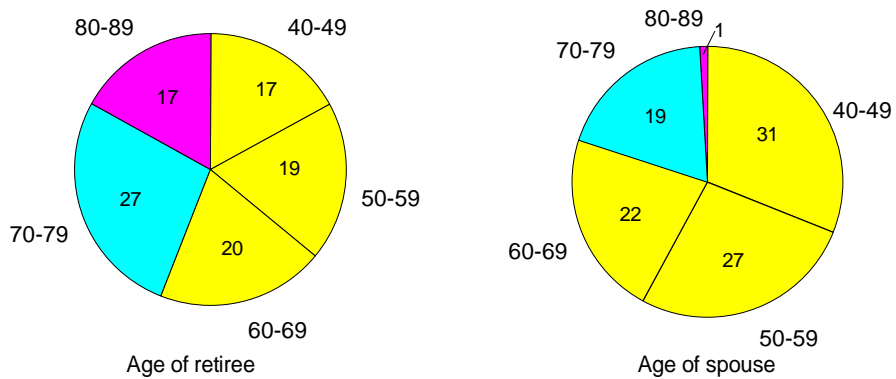
Most retirees have been retired and residents of the county for more than 10 years,



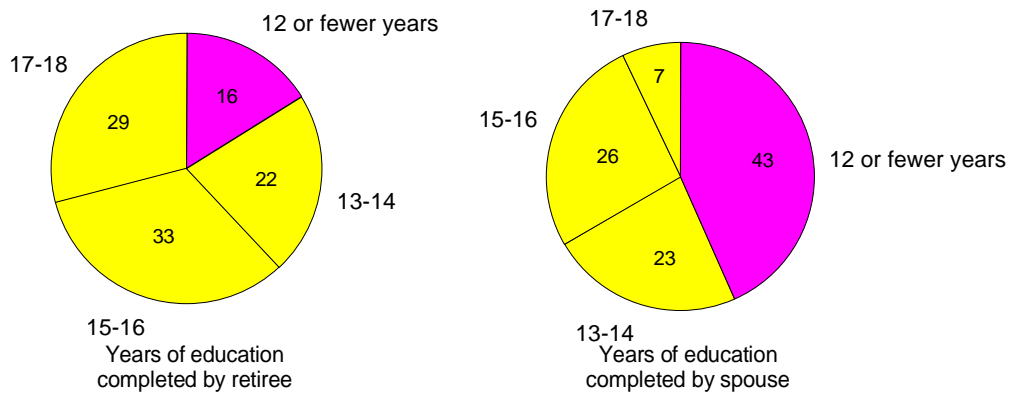
most are married, most live with other family members,



both the retirees and their spouses are relatively young,



and both the retirees and their spouses are well educated



Source: Author's survey of Fort McClellan area military retirees.

A much larger proportion, 44 percent, were age 70 and over. While these older retirees might be a burden on local social services, most were married and their spouses tended to be younger, possibly providing needed social support. Moreover, of all 404 respondents, only 12 were covered by Medicaid. The vast majority had one or more forms of medical insurance: 152 had Medicare, 142 had CHAMPUS (a health insurance alternative for military personnel and families), 131 had Medicare supplemental insurance, and 125 had private insurance. Thus, military retiree health problems did not appear to be a fiscal drain on State or local medical assistance programs.

Educational levels varied but were generally high. Only 16 percent had 12 years or less of education; over half had 16 years or more. This high level of education may explain the generally positive attitudes these retirees had toward local schools—three-fourths reported that they would vote in favor of a moderate increase in taxes for schools.

Two-thirds of the respondents lived in single-family dwellings; one-third in mobile homes or apartments. Three-fourths owned their own homes, and only about half of these still paid on a mortgage. Their housing values were substantial: 83 percent were valued in excess of \$60,000; 21 percent in excess of \$120,000 (fig. 2). All owned automobiles; 53 percent owned two, 29 percent owned three.

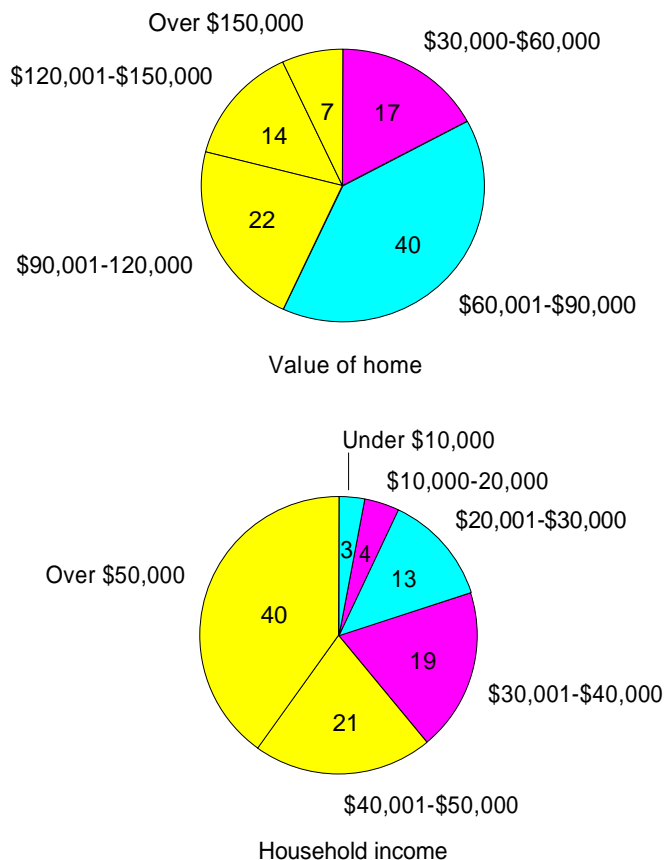
Responding retirees had relatively high household incomes: 61 percent had incomes over \$40,000, while only 7 percent had incomes under \$20,000. Many had multiple sources of income. In addition to receiving military pensions, 73 percent received payments from Social Security, and substantial percentages received income from civil service or private pensions and from various real estate and financial investments (fig. 3). In addition, 40 percent were employed full time; 19 percent were employed part time.

The survey did not ask what percentage of their income was spent at the base, but it did ask about the amount of spending within the county. Half of the respondents indicated they spent over \$20,000 annually in Calhoun County; only a tenth spent less than \$10,000 in the county (fig. 4).

Respondents were asked to rank the factors affecting their retirement location decision. The results, listed in declining order of importance, were safety, cost-of-living, proximity to military base, climate, housing, recreational opportunities, friendliness of people, scenery, friends, cultural attractions, relatives, and birthplace. With regard to recreation and cultural activities, these military retirees' chief activities were, ranked in declining order of importance, walking, volunteering, swimming, arts and crafts,

Figure 2
Housing value and household income of Fort McClellan area military retirees, 1994

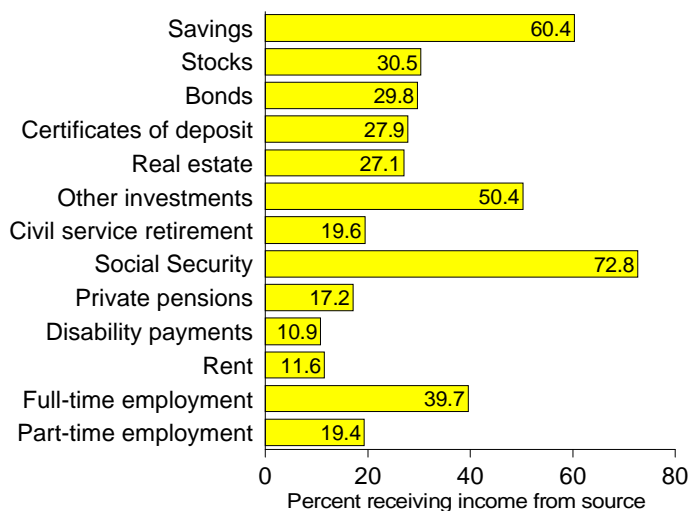
Many have high housing values and household incomes



Source: Author's survey of Fort McClellan area military retirees.

Figure 3
Share of Fort McClellan area military retirees receiving income by source, 1994

Retiree households received income from many sources

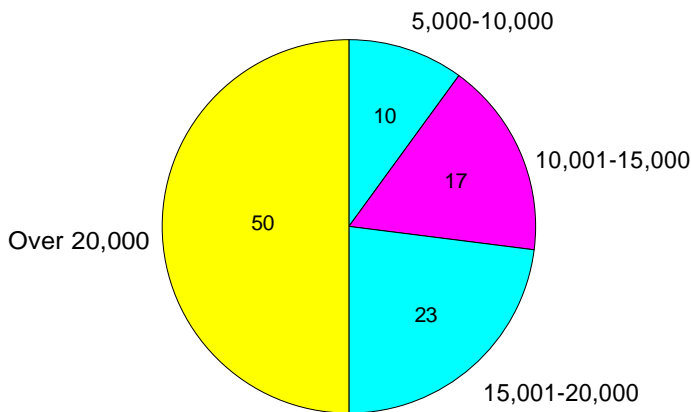


Note: Many households received income from multiple sources, so the percentages do not add to 100.
Source: Author's survey of Fort McClellan area military retirees.

Figure 4

Local spending by Fort McClellan area military retiree households, 1994

Half of the retiree households spent more than \$20,000 in the local area



Source: Author's survey of Fort McClellan area military retirees.

golf, and hunting/fishing. Their spouses' activities were ranked: volunteering, walking, arts and crafts, swimming, hunting/fishing, and golf.

Overall, the survey responses suggest that military retirees can have substantial economic, fiscal, and social effects in local communities. We found little evidence that retirees posed any problems for the community. At least in the case of this military base, military retirees appear to have contributed positively to local development. The survey did, however, point to a potentially troubling aspect of military retirees: the prediction that half or more would leave the county if the base closes. Were this many retirees to leave, the local economy would face potentially large declines in home values, employment, income, taxes, volunteering, and public services.

Policy Implications

What can communities do about their military retirees in the event of a military base closure? From the point of view of maintaining community continuity, the best solution would be to try to keep military retirees from leaving the area when the base closes. For example, some military retirees might be willing to stay if a discount retail establishment could be brought into the community to replace the base exchange as a provider of low-cost goods. Military retirees might also want better quality, lower cost health care at the local hospital, safer streets, better recreational facilities, or other services that communities can try to provide.

If the community cannot avoid losing a significant number of retirees, it might devise strategies to handle the

expected vacant housing, declining retail and service income and employment, withdrawals of assets from local banks and businesses, and decreases in local government revenues and public services. For example, the community might try to attract tourists to rent the retirees' housing during parts of the year. Re-use of the military base facilities could be aimed at bringing in jobs to replace not only the lost base-related jobs but also those jobs lost when military retirees move away. The community might seek Federal and State business assistance or start a campaign to increase local savings and investments to attract more capital for local banks and businesses. New taxes or user charges might replace lost local government revenues and maintain public services. None of these tasks is easy, and designing a set of policies to address all of these issues simultaneously would challenge even the most sophisticated local planning agency.

A less complicated approach, but one which still would require significant effort on the part of the local community, might be to attract other retirees into the community. Efforts to accomplish this have included advertising bargain housing prices and local amenities in nearby metro newspapers and campaigns to attract discontented retirees from nearby, higher priced retirement havens. North Dakota has developed a telephone and mail "back-home" campaign that tries to attract previous residents who might consider returning to their home communities if those communities could provide reasonably priced housing, employment opportunities, help in starting a new business, or some other incentive.

Before determining the best strategies for their own circumstances, however, communities facing military base closings and the potential loss of military retirees will first want to survey their military retirees to determine their characteristics and local contributions. Such a survey has two purposes: (1) to determine the base closure's effects so that policies can be designed to lessen community problems and (2) to determine why military retirees might leave and what the community might do to keep them from leaving.

For Additional Reading

F. Day and C. Jackson, "How to Reach Military Retirees," *American Demographics*, April 1991, pp. 41-44.

J. H. Eblen and S.R. Stokey (with TVA's Valley Resource Center in Knoxville), "Retirement Communities in the Tennessee Valley: The Role of Military Retirees," unpublished paper presented at the 31st Annual Meeting of the Southern Regional Science Association, Charleston, SC, April 3-5, 1992.

M. Fagan, "The Economic Impact of Military Retirees Including the Losses from their Relocation from a Closed Military Base," unpublished paper, Sociology Department, Jacksonville State University, Jacksonville, AL, 1994.

R. Reeder, R. Hopper, and C. Thompson, "Rural Retiree Attraction: Recent Trends and Strategies," *Proceedings of the Eleventh (1994) Conference on the Small City and Regional Community*, University of Wisconsin-Stevens Point Foundation Press, Stevens Point, WI, 1995, pp. 145-152.

R. Reeder, M. Schneider, and B. Green, "Attracting Retirees as a Development Strategy," in D. Barkley, Ed., *Economic Adaptation: Alternatives for Nonmetropolitan Areas*, Westview Press, Boulder, CO, 1993, pp. 127-144.

P. Stenberg, T. Rowley, and A. Isserman, "Economic Development After Military Bases Close," *RDP*, Vol. 9, No. 3, June 1994.

U.S. Department of Defense, Office of the Actuary, *DoD Statistical Report on the Military Retirement System*, March 1993.

About the Survey

The survey was conducted in March 1994 by author Mark Fagan as part of a study of the potential economic implications of the closure of Fort McClellan, AL. The study was recommended by the Calhoun County Economic Adjustment Authority in response to the Federal Base Realignment and Closure Process.

Surveys went to all military retirees and survivors' households in the county; 404 surveys were returned, representing about 15 percent of the approximately 2,678 local households receiving retirement pay from the U.S. Department of Defense. This response rate was considered to be adequate for this kind of survey, and we know of no reason for any significant bias in the results associated with those who responded or failed to respond to the survey. The survey findings were first reported in an unpublished paper by Mark Fagan in March 1994. Since then, Fort McClellan has closed.

The following Fort McClellan organizations assisted in collecting the data: Personnel and Community Activities, The Non-Commissioned Officers Association, The Retired Officers Association, and the Woman's Army Corps Veterans' Association.