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**APPENDIX D: SOCIOECONOMICS**

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### 1.1 SOCIOECONOMIC IMPACT ASSESSMENT

Socioeconomic impacts are linked through cause-and-effect relationships. Military payrolls and local procurement contribute to the economic base for the region of influence (ROI). In this regard, changes at NNMC, per the proposed action, would have a multiplier effect on the local and regional economy. With the proposed action, direct jobs would be created, generating new income and increasing personal spending. This spending generally creates secondary jobs, increases business volume, and increases revenues for schools and other social services.

### 1.2 THE ECONOMIC IMPACT FORECAST SYSTEM

The U.S. Army, with the assistance of many academic and professional economists and regional scientists, developed the Economic Impact Forecast System (EIFS) to address the economic impacts of NEPA-requiring actions and to measure their significance. The entire system is designed for the scrutiny of a populace affected by the actions being studied. The algorithms in EIFS are simple and easy to understand, but still have firm, defensible bases in regional economic theory.

EIFS is developed under a joint project of the U.S Army Corps of Engineers (USACE), the U.S. Army Environmental Policy Institute (AEPI), and the Computer and Information Science Department of Clark Atlanta University, Georgia. EIFS is an on-line system, and the EIFS Web application is hosted by the USACE, Mobile District. The system is available to anyone with an approved user-id and password. University staff and the staff of USACE, Mobile District are available to assist with the use of EIFS.

The databases in EIFS are national in scope and cover the approximately 3,700 counties, parishes, and independent cities that are recognized as reporting units by federal agencies. EIFS allows the user to define an economic ROI by identifying the counties, parishes, or cities to be analyzed. Once the ROI is defined, the system aggregates the data, calculates multipliers and other variables used in the various models in EIFS, and prompts the user for forecast input data.

### 1.3 THE EIFS MODEL

The basis of the EIFS analytical capabilities is the calculation of multipliers that are used to estimate the impacts resulting from military-related changes in local expenditures or employment. In calculating the multipliers, EIFS uses the economic base model approach, which relies on the ratio of total economic activity to

basic economic activity. Basic, in this context, is defined as the production or employment engaged to supply goods and services outside the ROI or by federal activities (such as military installations and their employees). According to economic base theory, the ratio of total income to basic income is measurable (as the multiplier) and sufficiently stable so that future changes in economic activity can be forecast. This technique is especially appropriate for estimating aggregate impacts and makes the economic base model ideal for the EA and EIS process.

The multiplier is interpreted as the total impact on the economy of the region resulting from a unit change in its base sector; for example, a dollar increase in local expenditures due to an expansion of its military installation. EIFS estimates its multipliers using a location quotient approach based on the concentration of industries within the region relative to the industrial concentrations for the nation.

The user inputs into the model the data elements that describe the military action: the change in expenditures, or dollar volume of the construction project(s); change in civilian or military employment; average annual income of affected civilian or military employees; the percent of civilians expected to relocate due to the military's action; and the percent of military living on-base. Once these are entered into the EIFS model, a projection of changes in the local economy is provided. These are projected changes in sales volume, income, employment, and population. These four indicator variables are used to measure and evaluate socioeconomic impacts. Sales volume is the direct and indirect change in local business activity and sales (total retail and wholesale trade sales, total selected service receipts, and value-added by manufacturing). Employment is the total change in local employment due to the proposed action, including not only the direct and secondary changes in local employment, but also those personnel who are initially affected by the military action. Income is the total change in local wages and salaries due to the proposed action, which includes the sum of the direct and indirect wages and salaries, plus the income of the civilian and military personnel affected by the proposed action. Population is the increase or decrease in the local population as a result of the proposed action.

#### **1.4 THE SIGNIFICANCE OF SOCIOECONOMIC IMPACTS**

Once model projections are obtained, the Rational Threshold Value (RTV) profile allows the user to evaluate the significance of the impacts. This analytical tool reviews the historical trends for the defined region and develops measures of local historical fluctuations in sales volume, income, employment, and population. These evaluations identify the positive and negative changes within which a project can affect the local economy without creating a significant impact. The greatest historical changes define the boundaries that provide a basis for comparing an action's impact on the historical fluctuation in a

particular area. Specifically, EIFS sets the boundaries by multiplying the maximum historical deviation of the variables by the percentages shown in Table D-1.

Therefore, if the change in a given variable resulting from the proposed action, such as sales volume, income, employment, or population is more than the maximum positive historical deviation, i.e., more than 100 percent of the maximum positive historical deviation, it is considered a significant positive impact. However, if the change in a given variable caused by the proposed action is more than 75 percent of the maximum negative historical deviation of sales, it will be considered a significant negative impact. The percentage of deviation for negative impacts for other variables is listed in Table D-1.

**Table D-1: Historical Variance Variables**

Category		Increase	Decrease
Sales Volume	X	100%	75%
Income	X	100%	67%
Employment	X	100%	67%
Population	X	100%	50%

These boundaries determine the amount of change that will affect an area. The percentage allowances are arbitrary, but sensible. The maximum positive historical fluctuation is allowed with expansion because economic growth is beneficial. While cases of damaging economic growth have been cited, and although the zero-growth concept is being accepted by many local planning groups, military base reductions and closures generally are more injurious to local economics than are expansion.

The major strengths of the RTV are its specificity to the region under analysis and its basis on actual historical data for the region. The EIFS impact model, in combination with the RTV, has proven successful in addressing perceived socioeconomic impacts. The EIFS model and the RTV technique for measuring the intensity of impacts have been reviewed by economic experts and have been deemed theoretically sound.

The following are the EIFS inputs and output data and the RTV values for the ROI. These data form the basis for the socioeconomic impact analysis presented in Section 4.10 of the EIS main report. The Region of Influence (ROI), as discussed in Section 3.10 and 4.10, is composed of Montgomery County, Prince George's County, and the District of Columbia. The assumption made for model input regarding new employment is that there is no direct change in employment within the ROI

associated with the realignment of 2,500 personnel from WRAMC to NNMC, because the jobs involved are transferred within the ROI. Likewise, it is assumed that no new residences off-base are created by the transfer of personnel from WRAMC to NNMC; personnel that commute from off-base would not relocate from their current residences because of the relocation of their employment to NNMC from WRAMC, 6.5 miles away. The model output for sales, income, and employment results from model input for construction of new facilities at NNMC.

## Alternative One

## EIFS REPORT

## PROJECT NAME

NNMC

## STUDY AREA

11001 District of Columbia  
 24031 Montgomery, MD  
 24033 Prince George's, MD

## FORECAST INPUT

Change In Local Expenditures	\$839,000,000
Change In Civilian Employment	0
Average Income of Affected Civilian	\$0
Percent Expected to Relocate	0
Change In Military Employment	0
Average Income of Affected Military	\$0
Percent of Military Living On-Base	0

## FORECAST OUTPUT

Employment Multiplier	2.57
Income Multiplier	2.57
Sales Volume - Direct	\$512,540,800
Sales Volume - Induced	\$804,689,000
Sales Volume - Total	\$1,317,230,000 1.53%
Income - Direct	\$100,090,600
Income - Induced	\$157,142,200
Income - Total (place of work)	\$257,232,800 0.35%
Employment - Direct	2146
Employment - Induced	3369
Employment - Total	5515 0.33%
Local Population	0
Local Off-Base Population	0 0%

## RTV SUMMARY

	Sales Volume	Income	Employment	Population
<b>Positive RTV</b>	11.97 %	11.73 %	3.03 %	1.22 %
<b>Negative RTV</b>	-4.21 %	-4.6 %	-2.71 %	-0.88 %

## Alternative Two

## EIFS REPORT

**PROJECT NAME**

NNMC

**STUDY AREA**

11001 District of Columbia  
 24031 Montgomery, MD  
 24033 Prince George's, MD

**FORECAST INPUT**

Change In Local Expenditures	\$856,000,000
Change In Civilian Employment	0
Average Income of Affected Civilian	\$0
Percent Expected to Relocate	0
Change In Military Employment	0
Average Income of Affected Military	\$0
Percent of Military Living On-Base	0

**FORECAST OUTPUT**

Employment Multiplier	2.57
Income Multiplier	2.57
Sales Volume - Direct	\$522,926,000
Sales Volume - Induced	\$820,993,900
Sales Volume - Total	\$1,343,920,000 1.56%
Income - Direct	\$102,118,700
Income - Induced	\$160,326,300
Income - Total (place of work)	\$262,445,000 0.36%
Employment - Direct	2189
Employment - Induced	3437
Employment - Total	5626 0.34%
Local Population	0
Local Off-Base Population	0 0%

**RTV SUMMARY**

	Sales Volume	Income	Employment	Population
<b>Positive RTV</b>	11.97 %	11.73 %	3.03 %	1.22 %
<b>Negative RTV</b>	-4.21 %	-4.6 %	-2.71 %	-0.88 %