

Annual Economic Impact Statement



October 1, 2002-September 30 2003
Fort Huachuca, Arizona

Table of Content

INTRODUCTION.....	1
POPULATION.....	2
Military Population.....	3
Noonday Population.....	3
HOUSING.....	4
Military Off-Post Residency	4
WORKFORCE.....	4
Fort Huachuca Workforce.	5
DEPENDENT EDUCATION.....	6
Distribution of Federal Impact Funds	6
ARMY RETIREES.....	7
DOD CIVILIAN RETIREES...	7
RESERVE COMPONENTS.....	7
ENVIRONMENT.....	8
DISBURSEMENTS.....	9
PURCHASES.....	9
EXPENDITURES.....	10
Fort Huachuca Total Expenditures	10
Expenditures in Arizona.	11
Arizona Purchases.....	12
Small Business Breakdown	13
Total Direct Impact on Cochise County	14
Total Ft. Huachuca Expenditures in	15
Cochise County	15
FY 04 OUTLOOK.....	16

NOTE: Multipliers used in this Fiscal-Year (FY) 2003 Impact Statement are derived from the Economic Impact Forecast System (EIFS) developed by the U.S. Army Corps of Engineers Construction Engineering Research Laboratory (CERL). The multipliers relate directly to Cochise County, the diversity of its industrial and commercial base, and the size of the population. Consequently, the multiplier factors are not as large as they would be in a more industrialized area. They are based on current input from Fort Huachuca and Cochise County as well as recognized published data sources. A multiplier shows the economic expansion in a community. For example, a 1.5 multiplier would mean that the local economy expanded one and one-half times (a 0.5 increase over the basic staffing/budget levels).

Prepared by Directorate of Resource Management
USARCFH, Fort Huachuca, AZ

October 1, 2002 - September 30, 2003

INTRODUCTION

Fort Huachuca plays a major role as an employer and a consumer in the economic health of Arizona. It is the largest employer in southern Arizona, with 11,939 military, civilian, and contractor employees and military students. An additional 254 contractors work in support of Fort Huachuca off post. In Cochise County, 28.1 percent of the employment is directly related to the presence of Fort Huachuca. During FY 03, Fort Huachuca's budget remained relatively stable. However, during FY 03 the overall employee population decreased slightly. While the post experienced a loss in assigned military personnel, this was offset by an increase in contractor personnel.

This impact statement provides a profile of Fort Huachuca for FY 03 (October 1, 2002 through September 30, 2003) and shows the dynamic relationship between the post and the communities of Cochise County. In 1971, Fort Huachuca was annexed by the city of Sierra Vista. The annexation provides additional tax revenues for both Sierra Vista and Cochise County. The post's contributions in sales, usage and gasoline taxes further enhance Fort Huachuca's impact on the economy. Through the years, the relationship has changed from one of dependence by the community to one of interdependence between the post and community. The city of Sierra Vista's population area remained unchanged at 40,415 during FY 03, according to the Arizona Dept of Economic Security.

As Fort Huachuca's missions have changed from protecting border settlers during the Indian wars of the 1870's to playing a critical national defense role in the military intelligence and the information mission areas, so have the requirements for goods and services for their support. Today, Fort Huachuca and its associated personnel are a major consumer in the local economy because military personnel who live on post, many with families, require the same services as other Arizona residents. Fort Huachuca's stabilizing influence on the communities in Cochise County can be seen in this impact statement under the sections on Population, Environment, and Consumer Data. In like manner, the post's missions have changed from regional influence to ones that are global and have a lasting and significant impact on national defense.

POPULATION

From a high of over 13,000 in FY 94, Fort Huachuca's employee population is now 11,939 assigned military, military students, civilian, and contractor personnel. Many of the military assigned to Fort Huachuca live on post in bachelor quarters, in barracks, or in family housing. Other military personnel and civilian employees live in neighboring Sierra Vista and Huachuca City or in other communities in Cochise County. Just under 5% of Fort Huachuca's employees live outside the Sierra Vista subwatershed area.

The following charts show different approaches to expressing the number of military personnel, their family members, and the DOD and other civilians associated with the military who work at Fort Huachuca and live in the area.

Population data published by Fort Huachuca comes from a number of separate databases. These databases, to include federal government systems and government contractor operated systems, do not cross-reference their data. Several years ago, Fort Huachuca became aware that the existing method of population reporting, from these various data bases, led to the double counting of some individuals who may be counted under several reportable categories. An example of this duplication would be a military family member who lives on Fort Huachuca, who is also a government civilian or contractor worker on the Fort. This person would be counted twice, as a military family member and as a government civilian/contractor employee. At this point, an additional 1.3 family members would be attributed to them in the off-post population, based on the assumption that all government civilians and contractor employees live off of the installation in Sierra Vista, with a 2000 census average household size of 2.48. The individual would then account for 3.48 people in the local community using these traditional methods and assumptions.

In an effort to more accurately estimate the post population and the number of family members related to on-post employees, Fort Huachuca hired a contractor to conduct a survey to gather appropriate population data. Care was taken to eliminate duplicate surveying of the same household. The survey findings revealed various examples of double counting:

- > 21.7% of the military personnel are also household members of other employees working at the Fort. This double count alone accounts for an approximate 8% over count of the noonday population, as reported.
- > 18.8% of current government civilian employees are also counted as retired military living in the Sierra Vista area.

- > 40.7% of government contractor employees working at Fort Huachuca are also counted as military retirees living in the Sierra Vista area.
 - > 44.0% of government civilian personnel are also household members of other employees who work at the Fort.
 - > 34.0% of contractor employees are also household members of other employees who work at the Fort.

MILITARY POPULATION

	Sep 01	Sep 02	Sep 03
Military Assigned			
Living on post	4,840	3,573	4,109
Living off post	1,884	1,488	1,406
TOTAL	6,724	5,061	5,515
Military Family Members			
Living on post	4,151	3,598	3,627
Living off post	1,895	2,183	2,067
TOTAL	6,046	5,781	5,694
Military and Family Members			
Living on post	8,991	7,171	7,736
Living off post	2,779	3,671	3,473
TOTAL	11,770	10,842	11,209

NOONDAY POPULATION

	Sep 01	Sep 02	Sep 03
Military Assigned			
Avg. Student Load	4,066	3,673	3,765
Military Family Members			
(Living on post)	4,151	3,598	3,627
DOD Civilians	2,432	2,614	2,660
Other Civilians*	3,149	3,473	3,452
TOTAL	16,012	15,420	15,566

*This figure represents non-DOD civilian workers on Fort Huachuca, to include post office employees, teachers, contractors and concessionaires.

The noonday population represents an average maximum number of people at Fort Huachuca.

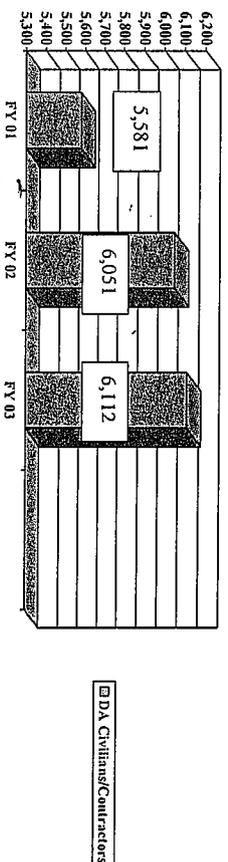
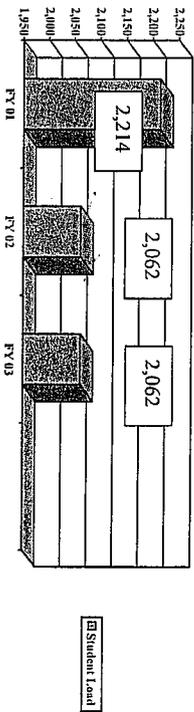
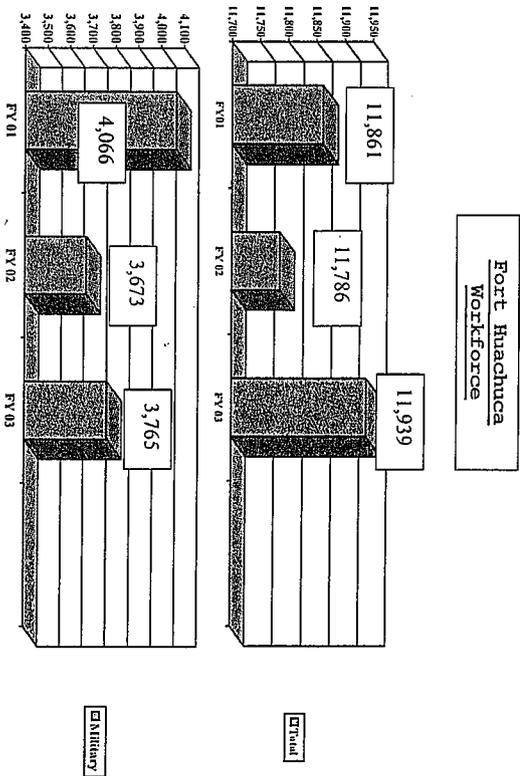
HOUSING

There are 1,652 family housing units on post. No off-post family housing units are currently being leased. In addition to these quarters, there are 250 transient bachelor/guest quarters and 3,151 troop billeting spaces. Some former troop billeting and transient billeting spaces were reduced when Fort Huachuca finished demolishing World War II wooden buildings in FY 2000.

Because on-post housing is not sufficient to house all military personnel, they and their families may live off-post, either making real estate purchases or renting property. The information in the following chart is based on data maintained by the Fort Huachuca Housing Division. It reflects the number of military who either rent or own off-post property.

	Sep 01	Sep 02	Sep 03
Own Home	39	230	296
Rent Home	308	685	449
Own Manufactured Home	0	30	7
Rent Manufactured Home	6	6	16
Rent Apartment	1,239	895	634
TOTAL	1,592	1,846	1,402

MILITARY OFF-POST RESIDENCY



WORKFORCE

The Fort Huachuca workforce figures below reflect the general impact of Fort Huachuca employment.

Fort Huachuca provides 12,193 jobs in Cochise County. This consists of 11,939 directly employed and 254 contractors employed off post.

DEPENDENT EDUCATION

There are 1,355 children who live on Fort Huachuca and attend schools on the installation or in neighboring communities. Kindergarten through eighth-grade children attend Fort Huachuca Accommodation Schools, which are jointly operated by the state of Arizona and the U.S. Department of Education. Most of the 216 children who live on post and attend public schools in Sierra Vista attend the high school.

In addition to the 216 children living on post and attending Sierra Vista schools, there are 622 students whose parents are military personnel living off post, and there are 1,380 students whose parents are DOD civilian employees.

Federal impact funds in the amount of \$7.4 million supplemented state and county funds to operate schools attended by family members of Fort Huachuca's military and DOD civilian personnel during school year 2002-2003.

Distribution of Federal Impact Funds
(Funds received in School Year 2002-03)

	Students	Allocations
Fort Huachuca	1,206	\$6,306,867
Sierra Vista	2,218	793,328
Palominas	260	28,657
TOTAL	3,684	\$7,128,852

Impact funds for this school year reflect a decrease from the \$7.37 million reported for the 2001-02 school year. Not all school districts with eligible students submit applications for federal impact funds. Additionally, funds may not be received during the current fiscal years.

ARMY RETIREES

There are 3,521 Army retirees who choose to live in the Sierra Vista Subwatershed of the San Pedro River. Of these 3,176 receive retirement pay from the government. There are also 287 survivors of Army retirees in the area. The retirees received \$67.3 million in FY 03 retirement pay and allowances. Some of these retirees are also double counted in the DOD or the Other Civilian categories of the Noonday Population of Fort Huachuca (page 3).

DOD CIVILIAN RETIREES

Approximately 2,221 retirees and 552 survivors of DOD civilians choose to live in the Sierra Vista Subwatershed of the San Pedro River. These retirees and survivors received \$6.1 million in FY 03 retirement pay and allowances. Some of these retirees are also double counted in the DOD or the Other Civilian categories of the Noonday Population of Fort Huachuca (page 3).

RESERVE COMPONENTS

Fort Huachuca plays a significant role in accomplishing the mission of the Reserve Component (RC) Forces which include the Army National Guard, Army Reserve, and Marine Corps Reserve. The RC's mission has continued to be accomplished over the years with the use of military schools and training areas at Fort Huachuca. During FY 03, 22 RC units trained at Fort Huachuca.

Down from 46,315 RC Mandays in FY 02, there were 41,608 RC Mandays (165 full-time equivalents) used in training at Fort Huachuca in FY 03. Some personnel train on the installation for two days a month while others are assigned three year tours as advisors. Most reservists do not have their families with them during training.

There are 169 active Army (full time) and 119 DOD civilian (full time) personnel supporting RC activities.

ENVIRONMENT

In FY 03, Fort Huachuca reduced its energy consumption 7.1 percent below the Army and Federal energy goals. It reduced its water consumption by over 12 million gallons, 2.4%. The electrical consumption levels of 0.5% are lower than FY 02 levels with a savings of \$47K. The natural gas usage was reduced 2.1% in FY 03 for a savings of \$539K. During FY 03 the O'Neil Hall project was completed and saved approximately \$200K in annual electrical and gas bills. Fuel cell operation and maintenance were continued with a net annual savings of \$24K. The Solarwall controls improvements were implemented to increase energy dollar savings. Also the 10 Kilowatt wind turbine completed its first full year of operation. On 3 December 2003, Fort Huachuca received the FY 02 Secretary of the Army Energy Award.

In FY 03, the Installation Environmental and Natural Resources Division spent \$4.9M on environmental compliance, conservation, restoration and pollution prevention. Also Fort Huachuca received the 2002 Secretary of Defense Award for Natural Resources Conservation and the White House Closing the Circle Award for Sustainability for water management process.

Environmental efforts included hazardous waste management, cultural resources projects, underground storage tank management, safe drinking water compliance, including the Consumer Confidence Report, air quality projects and natural resources management. The Arizona Department of Environmental Quality approved the closure plan for the inactive Open Burning/Open Detonation sites at Fort Huachuca. Site investigations and clearance of unexploded ordnance at the south, east and west ranges were completed and the final report is under preparation.

Water conservation efforts continued during the year. Projects included construction of an effluent reuse system, completion of phase three of the sewer system leak detection and repair project, installation of additional water conservation technology and continuation of the Water Wise Energy Smart conservation education program.

Conservation effort included historic adobe rehabilitation, big game hunts, endangered species management plans, endangered species surveys both on post and in the San Pedro Riparian National Conservation Area, remote video surveillance implementation for some endangered species habitat areas, Geographic Information Systems development, Fort Huachuca Conservation Committee and fire management planning. Work on the East Range Watershed Rehabilitation project continued. Key successes in FY 03 include prescribed burns to improve habitat on nine erosion-prone sites.

Two conferences were held with the fort-affiliated Native Peoples tribal representatives. Several concerns were resolved and Fort Huachuca continues to foster a spirit of

cooperation. Lost Native American artifacts recovered from the Garden Canyon site excavation are in the process of being repatriated to the Tohono O'odham Nation of Arizona. Three archaeological survey reports were produced and submitted for consultation. Two survey reports complemented the East Range Watershed Improvement Plan and one documented sited exposed as a result of the Ryan Fire. Two sites each, were cleared for training requirements and for wind tower locations.

Consultation with the Arizona State Historic Preservation Officer included completion of the Army Family Housing Project and implementation of a final report on a viewed study of the National Historic Landmark (NHL) district and a landscaping plan implementation to screen the NHL from new housing. Consultation was initiated concerning the demolition of the 1913 stables and continued concerning the rehabilitation of Quarters 1 and 2.

In FY 03, Fort Huachuca continued to work closely with the Upper San Pedro Partnership, consisting of 20 state, local and federal organizations and land management agencies focused on sustainable water resources management. Several projects were awarded by the Partnership during the year, including extending the local Water Wise program to the unincorporated areas of the watershed and funding construction of a storm-water recharge basin. Over 80 water conservation or management projects are either on-going or have been completed by the Partnership member agencies.

DISBURSEMENTS

Fort Huachuca, just like civilian communities, is a consumer of goods and services in support of its day-to-day operations. In addition to those goods and services that are common to civilian communities, Fort Huachuca is a consumer of high technology industrial goods because of the intelligence-related and information systems missions of activities located here.

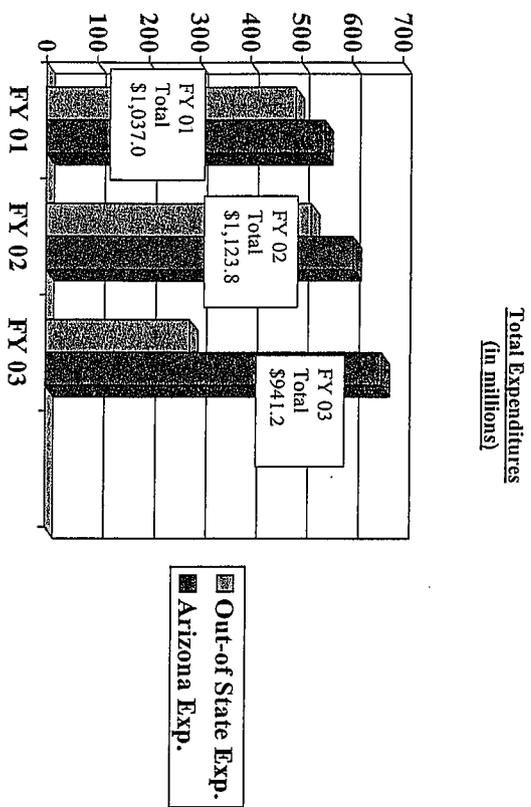
Fort Huachuca expended \$941.2 million in FY 03 when pay and other categories of expenditures are added to goods and services; 53.7 percent (\$659.0 million) was expended in Arizona. Overall expenditures by the post show a decrease of \$182.6 million from the previous fiscal year while expenditures in Arizona reflect a \$56.0 million increase from FY 02.

PURCHASES

Fort Huachuca expended \$281.8 million for the purchase of goods and services in the state during FY 03. Fort Huachuca's purchases outside Arizona amounted to \$282.2 million, a 46.8 percent decrease from the \$520.8 million in FY 02.

Expenditures

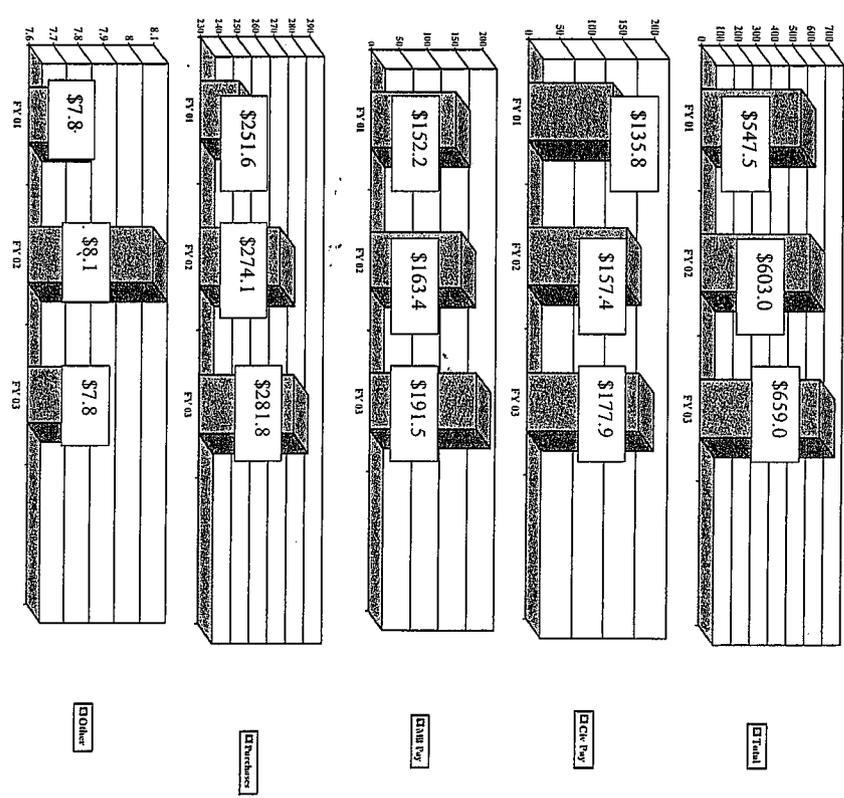
There had been a steady increase in Fort Huachuca's total expenditures over the past few years, which has ended with a decrease in FY 03, for a total of \$941.2 million.



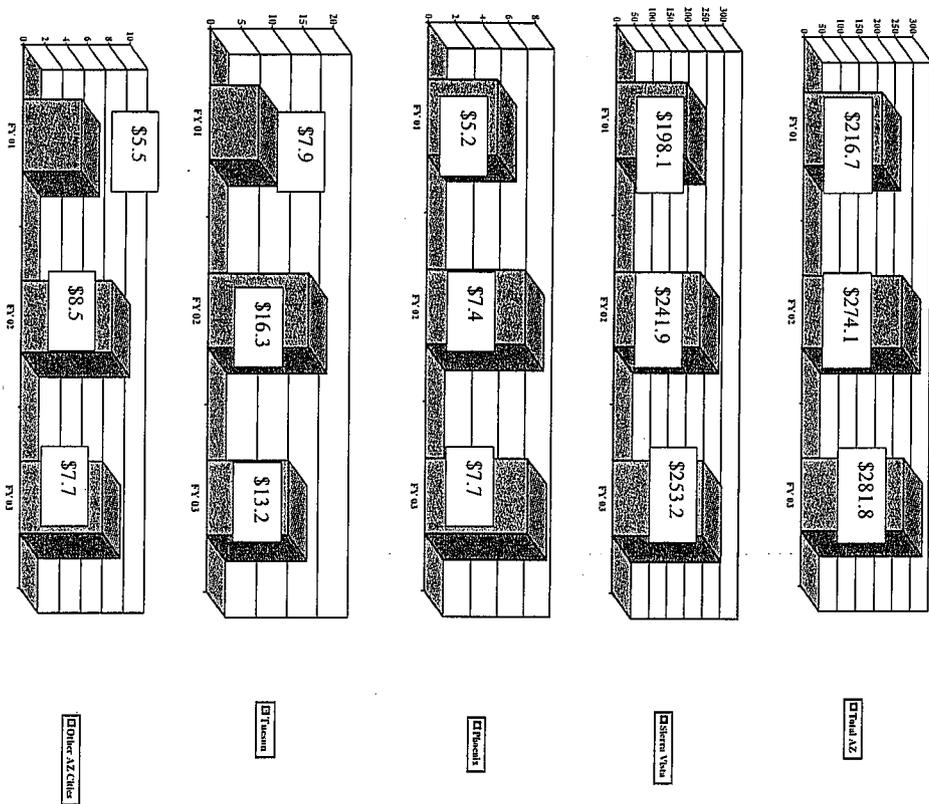
On the following charts, the MILITARY PAY category includes the payroll for Yuma Proving Ground, which is serviced by the Fort Huachuca Defense Accounting Office. The PURCHASES category is the purchase of goods and services. The OTHER category includes \$7.13 million in impact funds to Arizona school districts for the military and DOD civilian children attending schools in the area; \$.43 million for damage claims processed through the Office of the Staff Judge Advocate; and \$.18 million for Army Emergency Relief grants and loans.

Note: Prior year data on pages 9-15 has not been adjusted for inflation.

**Expenditures in Arizona
(in Millions)**



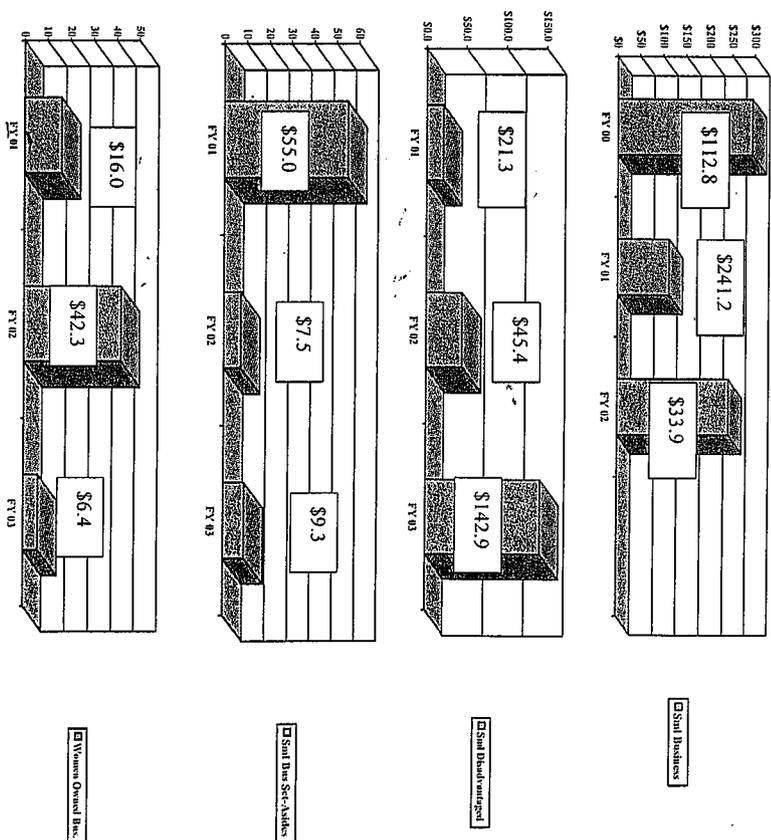
Arizona Purchases
(in Millions)



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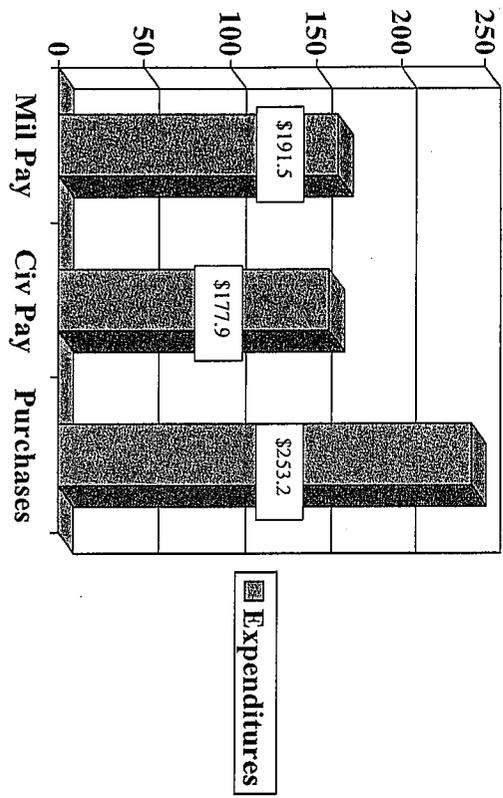
Small Business Breakdown
(in Millions)

Small Business throughout the United States shares in the purchases of goods and services by Fort Huachuca.



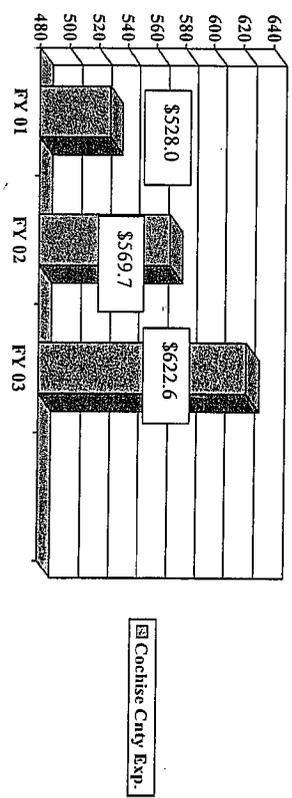
13

**Total Direct Impact on Cochise County
In FY 03
\$622.6 Million**



*Note: The Military Pay totals for Cochise County includes Yuma Proving Ground Payrolls.
*Note: The above chart does not include the \$7.7 million expended for School Impact funds, Personal Property Claims and Army Emergency Relief loans and grants.

**Total Fort Huachuca Expenditures
In Cochise County
(in Millions)**



Fort Huachuca's contribution to the Cochise County economy is reflected in the above graph. In FY 03, Fort Huachuca spent \$622.6 million in Cochise County, which is a increase of 9.3 percent, or \$52.9 million, from the previous year's expenditures.

Fort Huachuca is a part of the Southwest Regional Office of the Installation Management Agency, headquartered at Fort Sam Houston, Texas. Besides the U.S. Army Intelligence Center and School, the following organizations are major tenants located on Fort-Huachuca: Headquarters, U.S. Army Network Enterprise Technology Command/9th U.S. Army Signal Command; U.S. Army Electronic Proving Ground; Department of Defense Joint Interoperability Test Center; and U.S. Army Communications Security Logistic Activity.

More than 40 commands, agencies, and activities are located here representing the U.S. Army, U.S. Air Force, U.S. Navy, U.S. Marine Corps, and the Army and Air National Guard, plus several other Federal agencies.

FY 04 OUTLOOK

Fort Huachuca will continue to exert a positive economic influence on the local, regional, and state economy of Arizona. While Fort Huachuca's Budget and Permanent staffing levels are projected to be fairly stable, the number of TDY Military Students is expected to increase in the future. The net effect of this trend is projected to continue throughout FY04 and FY05.