

# NAS Whidbey Island Economic Impact



December 12, 2014



Student Authors  
Scott Adam Schaefer

## Background

The Center for Economic and Business Research (CEBR) within the College of Business and Economics at Western Washington University has been requested by the Island County Economic Development Council to examine the potential economic impact of an FTE expansion at NAS Whidbey. The following research discussion explores the dynamics of economic multipliers and how they may be applied to the NAS Whidbey expansion.

This is not an exhaustive economic analysis but rather a review of the previous work published by the Washington State Office of Financial Management (OFM) dated July 2004 and application of tools and methodologies utilized by CEBR.

## Narrative of Research and Findings

The Island County Economic Development Council has requested the Center for Economic and Business Research at Western Washington University to conduct research and analysis regarding the employment impacts of NAS Whidbey. The impetus for this request is a better understanding of the potential impact of adding 1,000 new personnel at the Naval Station.

The OFM report suggests that nearly 80% of Island County employment could be attributed to NAS Whidbey. This figure combines the jobs that are located on the base with the jobs off the base that depend critically on NAS Whidbey. For example, military personnel spend their income at area restaurants, see health care providers in the area, etc. This recycling of income creates a multiplier effect and suggests that the total income or total jobs supported by the base are a multiple of the income paid to NAS personnel and/or the number of jobs found on the base.

CEBR began its analysis by attempting to recreate the prior research to validate the multiplier found in the OFM report. CEBR utilized IMPLAN, an economic impact modeling program, to calculate the economic multiplier of military jobs in Island County. The model produced an employment multiplier of 1.4. (Multipliers include the existing jobs in the ratio, so an employment multiplier of 1.4 means that for every NAS Whidbey FTE an additional .4 jobs are created in the community.) The OFM report suggests a multiplier of 1.8.

NAS Whidbey provided the Center with an estimated FTE count for base employment of 6,900. According to the Washington State Employment Security Department, the amount of nonmilitary jobs in Island County was approximately 14,906 during the first quarter of 2014.

Military positions are not tracked through employment data which means the NAS figures are not included in the Island County employment data. Altogether Island County employment is approximated by adding civilian and military jobs for a total of 21,806.

In order to estimate the number of jobs in the area that could be attributed to military jobs, CEBR took the amount of military jobs and multiplied it by 1.4 to produce a potential number of total NAS Whidbey influenced positions of 9,660. Subtracting the actual NAS positions (6,900) results in an additional 2,760 jobs attributed to the impact of the naval station.

To determine the actual percentage of jobs that can be attributed to military jobs, we divided 9,660 by 21,806 or total jobs. According to that calculation, 44.30% of jobs in Island County can be attributed to military jobs.

However, complicating this analysis is the make-up of Island County. Island County consists of both Whidbey Island and Camano Island which share very little economic activity due to their distance apart and connectivity to different larger markets. Further, NAS Whidbey is located at the northern end of Whidbey Island and is economically connected with Anacortes, which is located in Skagit County. As such, the role of NAS Whidbey is likely to be much higher on Whidbey Island than in the county overall. If one could redefine the area of impact much more closely to the area immediately surrounding the military installation, it might be possible to attain the 80% estimate offered by OFM in 2004.

A further complication is the military's use of contractors. These positions are captured within the Washington State Employment Security Data, even though they are – in some sense – military positions. Without substantial work to determine exactly how many people work on the base like military personnel, but who are counted by the state as civilian employees, we run the risk of over counting the impact of the base. This concern notwithstanding, we offer the following summary figures and calculations.

Area	Direct Military Jobs	Non-Military Jobs (ESD Data)	Total Jobs	Military jobs x 1.4	Attribution % (Military jobs x 1.4/ Total Jobs)
Island County	6,900	14,906	21,806	9,660	44.30%
Whidbey Island	6,900	5,175*	12,075*	9,660	80%*

The request by the EDC is to estimate the impact of adding 1,000 additional jobs at NAS Whidbey. Given an employment multiplier of 1.4, adding 1,000 jobs at the base would support an additional 400 jobs elsewhere in the local economy. Whether those 400 jobs are net new jobs depends on the excess capacity in the current job market and other factors.

\*Indicated figures necessary to support original findings