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# MEMORANDUM

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Date: November 17, 2017

To: The Honorable Chair and Members  
Pima County Board of Supervisors

From: C.H. Huckelberry  
County Administrator

A handwritten signature in black ink, appearing to read "CH Huckelberry", is written over the typed name and title.

Re: **Economic Impact of Arizona's Principal Military Operations**

U.S. military operations in Arizona have an estimated \$11.46 billion annual economic impact and directly or indirectly account for more than 76,000 jobs, according to a recent study prepared for the state's Military Affairs Commission. Just over \$3 billion of that impact is in Pima County as generated by Davis-Monthan Air Force Base (\$2.6 billion), the 162<sup>nd</sup> Wing of the Arizona Air National Guard (AZANG) at Tucson International Airport (\$383.6 million), and the Silver Bell Army Heliport (\$147.4 million), which is just over the Pinal County line in north Marana. Combined, the three military operations provide nearly 20,000 direct and indirect jobs in our region with a combined annual payroll over \$1.2 billion.

Additionally, Fort Huachuca in Cochise County has an estimated \$2.9 billion annual economic impact, meaning over \$6 billion, or more than half, of the annual economic impact noted in the study occurs in Southeast Arizona.

The study estimated that the economic effect of the principal military operations annually generates about \$159 million in local taxes and about \$97 million in state taxes, though the report didn't break those tax revenues down by region or county. However, since over half of the economic impact of these military operations occurs in Southeast Arizona, it is safe to assume that roughly half of the local tax revenue is collected in Pima and Cochise counties.

The study, prepared by Phoenix-based Maguire Company, is an update of similar reports in 2002 and 2008 and used the same criteria and methodology as the earlier studies to allow for comparisons over time. It only considered military installations and not overall Department of Defense spending in Arizona, which includes major employers such as Raytheon and Boeing. The report concluded that as an industry, military operations in Arizona, *"provides substantial, stable employment, draws on the same private, non-governmental vendors and suppliers as many private commercial enterprises in the state, and serves as an important building block in the state's overall economy."* Therefore, it recommends that *"maintaining these operations and the jobs and economic output they support should be a priority of state and local government."*

As a reminder, the latest update of the County's Economic Development Plan specifically calls for protecting the region's military installations and their associated jobs, noting that

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*"having any of these major employers suffer any type of mission or job reduction will hurt the entire economy of Pima County. While their economic wellbeing may depend largely on forces outside of the regional and State economy, Pima County needs to ensure we are doing everything possible to support the stability and job growth of these major employers."*

Recent County or County-supported efforts to protect D-M and the 162<sup>nd</sup> AZANG include:

- As a major partner, Pima County entered into an encroachment management agreement with Davis-Monthan as part of its recently awarded \$3.5 million grant under the Department of Defense's Readiness Environmental Protection Integration (REPI) grant program, which seeks to prevent, remove or mitigate incompatible land uses that restrict training, testing and operation of military installations, which can improve opportunities for mission growth.
- Passing a resolution that supports expediting the plan to move the current 162<sup>nd</sup> AZANG gate access at TIA from Valencia Road near Campbell to Park Avenue. The Valencia gate doesn't meet the Defense Department's force security requirements. Moving the gate west to Park would also resolve some congestion issues on Valencia Road.
- Partnering with the City, DM50, Southern Arizona Defense Alliance, and others to fund consulting activities designed to best position the base against future Base Realignment and Closure (BRAC) and to advocate for expanded missions for both Davis-Monthan and the 162<sup>nd</sup> Wing.
- Pima County is a major partner in the Air Force Community Partnership program and supports the DM and the 162<sup>nd</sup> in several ways:
  - The Pima County One-Stop assists in the Military Family Employment Initiative to help families of those stationed at military installations in the area find jobs;
  - Pima County successfully requested that PAG prioritize the funding for the expansion of south Wilmot Road from Valencia to an expanded south entry facility to be built by Davis-Monthan with Air Force funds.
  - The Pima County Emergency Management operation at PECOC Integrated Davis-Monthan and the 162<sup>nd</sup> Wing into the regional and statewide Emergency Management systems including coordination of operations, testing, exercises, and reaction to real world events;
  - Pima County has been working with the State Military Installation Funds Program to eliminate excessive lease payments for private lands inside the Davis-Monthan fence.

CHH/mp

Attachment

c: John Moffatt, Director Economic Development Office