



A Bureau of Business Research Report  
From the University of Nebraska—Lincoln

---

## **The Economic Impact of Nebraska Military Assets: An Update for Fiscal Year 2017**

Prepared for the Nebraska Commission on Military and Veteran Affairs

November 15, 2018

Dr. Eric Thompson  
Director  
University of Nebraska Bureau of Business Research

Dr. Mitchel Herian  
Senior Research Associate  
University of Nebraska Bureau of Business Research

Mr. Phillip O'Donnell  
Military Affairs Liaison  
Commission on Military and Veteran Affairs  
State of Nebraska

## Contents

<b>Executive Summary</b> .....	5
<b>1. Introduction</b> .....	8
2017 Economic Impact of Nebraska Military Assets.....	9
2008 BRAC Task Force.....	10
2018 Commission Recommendations .....	10
Preliminary results and impact of recent Nebraska legislation .....	19
Recent Congressional Actions Related to BRAC .....	22
The Current Report .....	23
<b>2. Military Assets and Spending</b> .....	25
Offutt Air Force Base.....	25
55 <sup>th</sup> Wing.....	25
USSTRATCOM.....	26
557 <sup>th</sup> Weather Wing.....	26
Additional Units on Offutt AFB .....	26
Nebraska National Guard, Air National Guard, and Nebraska Emergency Management Agency .....	29
Reserve Components .....	31
Army Reserve. ....	31
Air Force Reserve .....	33
U.S. Marine Corps Reserve.....	33
Navy Reserve.....	34
U.S. Army Corps of Engineers. ....	34
National Strategic Research Institute .....	35
<b>3. Department of Defense Military Retiree and Veterans Affairs Spending</b> .....	36
Military Retirees paid by the DoD.....	36
U.S. Department of Veterans Affairs .....	36
Projected Change in Veteran Populations in Nebraska .....	41
GI Bill Spending and Utilization.....	42
Nebraska Department of Veterans' Affairs.....	43
Economic Impact Methodology .....	46
Economic Impact of Military Spending .....	47
Offutt Air Force Base.....	47
National Guard.....	49

Reserve Forces .....	49
Overall Annual Economic Impact of Nebraska Military Assets.....	50
Economic Impact of Military Retirement Pensions .....	51
Economic Impact of Veterans Affairs Spending.....	51
Economic Impact of the Army Corp of Engineers.....	53
Economic Impact of GI Bill benefits for higher education .....	54
Summary of Annual Economic Impact.....	54
<b>5. Attracting and Retaining Military Personnel in Nebraska .....</b>	<b>56</b>
Recent Trends in Nebraska Veterans and Military Retirees.....	56
Settlement of Military Veterans in the State of Nebraska: Impacts on the Labor Force .....	58
Methods for Attracting and Retaining Retired Military Personnel.....	60
<b>6. Special Studies.....</b>	<b>67</b>
Property Value and Property Tax Impacts.....	67
Impact of Nebraska National Guard in Grand Island .....	71
Future Studies .....	72
<b>Appendix A. Literature Search on Effects of Base Closures.....</b>	<b>73</b>
<b>Appendix B. About the University of Nebraska-Lincoln Bureau of Business Research .....</b>	<b>79</b>

## Tables

<b>Table 1.</b> The Annual Economic Impact on Military Bases, Military Retirement System Payments and Veterans Affairs Spending on the State of Nebraska.....	6
<b>Table 2.</b> Total State Funding to Nebraska Army National Guard in Relation to Federal Funding .....	12
<b>Table 3.</b> Total Military Construction Funds to Nebraska Army National Guard.....	12
<b>Table 4.</b> Total State and Federal Funding to Nebraska Army National Guard to Support Maintenance and Sustainment of Facilities and Infrastructure.....	13
<b>Table 5.</b> Offutt AFB and USSTRATCOM Military and Civilian Spending FY 2017 .....	28
<b>Table 6.</b> Offutt AFB and USSTRATCOM Payroll/Benefits and Expenditures FY 2017 .....	28
<b>Table 7.</b> Nebraska National Guard Employment, Fiscal Year 2017 .....	30
<b>Table 8.</b> Nebraska National Guard Payroll, Benefits, and Operations, Calendar Year 2017 .....	31
<b>Table 9.</b> Army Reserve Personnel and Expenses .....	32
<b>Table 10.</b> Air Force Reserve Personnel and Expenses .....	33
<b>Table 11.</b> U.S. Army Corp of Engineers Nebraska Personnel and Payroll, FY 2017 .....	34
<b>Table 12.</b> U.S. Army Corp of Engineers Civil Works Spending in Nebraska, FY 2017 .....	35
<b>Table 13.</b> Nebraska Military Retirees and Pension/Retirement Compensation, FY 2017 .....	36
<b>Table 14.</b> Total VA Spending in Nebraska, FY 2017 (in millions) .....	40
<b>Table 15.</b> FY 2017 GI Bill Utilization in Nebraska (Top 20 Most Utilized Schools).....	43
<b>Table 16.</b> Nebraska Department of Veterans’ Affairs Appropriations, 2017-2019 Biennium.....	44
<b>Table 17.</b> Direct Employment, Employee Compensation and Output Impact of Offutt Air Force Base ....	48
<b>Table 18.</b> The Annual Economic Impact of Offutt Air Base on Nebraska .....	48
<b>Table 19.</b> The Annual Economic Impact of the Nebraska National Guard on the State .....	49
<b>Table 20.</b> Direct Employment, Employee Compensation and Output Impact of Nebraska-based Reserve Forces.....	50
<b>Table 21.</b> The Annual Economic Impact of Reserve Forces on Nebraska.....	50
<b>Table 22.</b> The Overall Economic Impact of Nebraska Military Assets on the State.....	51
<b>Table 23.</b> The Annual Economic Impact of Military Retirement System Payments on the Nebraska Economy.....	51
<b>Table 24.</b> Veterans Affairs Spending in Nebraska Fiscal Year 2017 By Program .....	52
<b>Table 25.</b> The Annual Economic Impact on Nebraska from Veterans Affairs Spending.....	53
<b>Table 26.</b> The Annual Economic Impact on Nebraska from Veterans Affairs Spending: Employee Compensation and Employment .....	53
<b>Table 27.</b> The Total Annual Economic Impact of the U.S. Army Corps of Engineers on the Nebraska Economy.....	54
<b>Table 28.</b> The Total Annual Impact of GI Bill benefits on the Nebraska Economy .....	54
<b>Table 29.</b> The Annual Economic Impact on Military Bases, Military Retirement System Payments and Veterans Affairs Spending on the State of Nebraska.....	55
<b>Table 30.</b> Veterans as a Percentage of Metropolitan Population 2017 .....	58

<b>Table 31.</b> The Economic Impact of Additional DoD Military Retirees and Other Veterans on the Nebraska Economy.....	59
<b>Table 32.</b> State Programs to Attract and Retain Veterans and Transitioning Service Members .....	63
<b>Table 33.</b> Property Value and Annual Property Tax Impact of Employee Compensation at Nebraska Military Assets on the State .....	68
<b>Table 34.</b> General Increase in Property Value and Annual Property Tax Due to Military Base Employment .....	69
<b>Table 35.</b> Relationship Between Distance to Offutt Air Force Base and Home Assessed Value .....	70
<b>Table 36.</b> Relationship Between Distance to Offutt Air Force Base and Home Assessed Value .....	71
<b>Table 37.</b> The Annual Economic Impact of the Nebraska National Guard Readiness Center on the Grand Island Metropolitan Area .....	72
<b>Table 38.</b> Studies on Effects of Base Closures .....	74

### Figures

<b>Figure 1.</b> State and Federal Spending on Nebraska National Guard (in millions) .....	11
<b>Figure 2.</b> Nebraska National Guard and Air National Guard Locations .....	29
<b>Figure 3.</b> Army Reserve Locations in State of Nebraska .....	32
<b>Figure 4.</b> VA Facilities and Locations in the State of Nebraska.....	38
<b>Figure 5.</b> Number of Veterans Residing in Nebraska Counties, FY 2017 .....	39
<b>Figure 6.</b> VA Expenditures per County in the State of Nebraska FY 2017 (in millions) .....	40
<b>Figure 7.</b> VA Spending per Veteran per County in the State of Nebraska (FY 2017).....	41
<b>Figure 8.</b> Projected Change in Number of Veterans per County in the State of Nebraska FY 2017 to FY 2025 .....	42
<b>Figure 9.</b> Approach for Calculating the Annual Economic Impact of Military Bases on Nebraska .....	47
<b>Figure 10.</b> DoD Veteran Trends for Nebraska and Neighboring States (FY 2005-FY 2017) .....	56
<b>Figure 11.</b> Changes in Paid Military Retirees for Nebraska and Neighboring States (FY 2005-FY 2017)....	57
<b>Figure 12.</b> State Income Tax Exemptions for DoD Military Retiree Payments .....	61

## Executive Summary

This report was commissioned by the Nebraska Commission on Military and Veteran Affairs and conducted by the University of Nebraska-Lincoln Bureau of Business Research (BBR). The study is designed to provide detailed information about the status of military assets located in Nebraska, including payroll and operations spending at the various facilities across the state. The report also examines Department of Defense retirement spending and Veterans Affairs spending that takes place in Nebraska. The economic impact is estimated in terms of economic output (business sales), employee compensation (wages and benefits) and employment. The report serves as an update to a similar study that was completed by the BBR on behalf of the Nebraska Commission on Military and Veteran Affairs in 2017. Both studies demonstrate that military, veteran, and retirement spending have a considerable impact on the state economy.

### Economic Impact Estimates

- Spending at military bases and installations accounts for \$2.34 billion in economic output, \$1.31 billion in employee compensation, and 25,303 jobs generated in Nebraska. These numbers are down slightly from Fiscal Year (FY) 2016, mainly due to decreased construction spending at Offutt AFB.
- Retirement and pension spending by Department of Defense (DoD) military retirees in Nebraska generates 2,783 new jobs in Nebraska (in addition to the 25,303 noted above), resulting in \$114.2 million in compensation to these employees. These numbers are similar to FY 2016 economic impact estimates.
- Estimates show that VA spending results in \$1.74 billion in economic output and the employment of 13,844 workers with a total salary of \$676.1 million. These numbers are higher than estimates produced in the 2017 report, primarily due to increased spending on medical care, construction, educational programming, insurance and indemnities, and general operating expenses.
- Army Corps of Engineers spending results in \$160 million in economic output, 1,532 jobs, and \$97.6 million in employee compensation. These estimates were not computed in the 2017 report.
- GI Bill spending in the state results in 449 jobs, \$21.3 million in salary, and \$43.1 million in economic output. These estimates were not computed in the 2017 report.

**Table 1. The Annual Economic Impact on Military Bases, Military Retirement System Payments and Veterans Affairs Spending on the State of Nebraska**

Source of Impact	Output (Million \$)	Employee Compensation (Millions \$)	Employment (Jobs)
Military Bases	\$2,338.5	\$1,310.3	25,303
Military Retirement System Payments	\$373.3	\$114.2	2,783
Veterans Affairs Spending	\$1,735.3	\$676.1	13,844
Army Corps of Engineers	\$160.0	\$97.6	1,532
GI Bill Benefits	\$43.1	\$21.3	449

Source: BBR calculations using IMPLAN

### Veterans in Nebraska

The present study estimates that there are 15,651 additional veterans living in Nebraska due to Offutt Air Force Base, including about 13,455 veterans and spouses of working age (representing the potential supply of labor), than regional averages would suggest. This population impact is noteworthy given that many of these veterans are part of the Nebraska labor force, particularly given the set of skills which military veterans bring to the state economy.

These estimates illustrate the importance of military installations in attracting and retaining the separated military population, and thereby growing the number of veterans in the state. However, the trends suggest that the overall number of veterans and retired military personnel (a subset of veterans) is declining. Specifically, the number of veterans in Nebraska has decreased by 27% since 2005, and the number is projected to decline in coming years. In addition, after several years of growth, the number of military retirees paid by the DoD in Nebraska has flattened. Both trends suggest that the human capital advantages that Nebraska has previously experienced from having large numbers of former military personnel may begin to decline. Further, the decrease in separated military personnel may lead to a slowing of federal dollar flows going to Nebraska veterans and military retirees.

This report examines several techniques that Nebraska might use to retain and attract separated military personnel. Income tax exemptions are one of the most salient tools that states have used to retain and attract military retirees paid by the DoD. Current state and county spending efforts, such as those in support of State and County Veteran Service Officers, represent one particular way in which state or county spending can be leveraged to attract more federal dollars in the form of veterans benefits. There are many other incentives related to job training, career readiness, and the more general provision of services that Nebraska might explore for this purpose.

### Special Studies

The BBR conducted several studies designed to meet the specific interests of the Nebraska Commission on Military and Veteran Affairs. First, analysts examined the impact of military bases on property tax revenues. Previous research has demonstrated that the presence of large employers has a positive impact upon property values in an area. It is possible to view the presence of military bases in the same way. Taking this perspective, analysts estimated that the presence of Offutt Air Force Base and Nebraska National Guard locations in the state increased property tax revenues by \$8.6 million in FY 2017. To further examine the impact of military bases on property values, analysts examined whether proximity to military bases in Nebraska (in this case Offutt Air Force Base) was associated with property

values. The analysis showed that proximity to Offutt Air Force base had no appreciable impact upon residential property values in Sarpy County.

Second, to illustrate the impact of military spending in greater Nebraska, the BBR calculated the impact of Nebraska National Guard facilities in the Grand Island metropolitan area. The estimates show that Nebraska National Guard operations lead to a total impact of \$3.4 million, employee compensation of \$2.4 million, and the support of 270 jobs. The results provide strong evidence of the importance of Nebraska National Guard operations in the area.

## **Summary**

This report provides relevant information to help the Nebraska Commission on Military and Veteran Affairs execute its powers and duties as outlined in Nebraska Revised Statute 55-602. As noted in the 2017 report, there is clear evidence that the various military missions in Nebraska are critical to the state's economy. At the same time, there are clear challenges with regard to demographic changes and other factors that make the retention and attraction of separated military personnel more difficult for the state. The present work points to several strategies that the State of Nebraska might consider as it seeks to attract military missions and military personnel to the state.

## 1. Introduction

Through its fulfillment of critical missions across the globe and in the United States, the Armed Forces of the United States provide support to local economies throughout the country. Military spending in support of military installations is an integral part of the health of the economies in areas near or around military bases, as installations purchase goods and services from local vendors. Like other states, Nebraska benefits greatly from federal military spending that takes place within its borders. Such spending includes operations and operations support spending; salary paid to Active, Guard, and Reserve personnel; veteran compensation; and military retiree pension payments. The effects of military spending can be felt throughout Nebraska, as military installations and veterans are found in every region of the state.

Military spending has been the focus of increased attention at the state and local levels, with many recent reports illustrating the importance of military spending upon local and state economies. The National Conference of State Legislatures regularly summarizes the state of defense spending, which demonstrates that defense spending contributes tens of billions of dollars to the economies of states with a large Department of Defense (DoD) presence, with military spending contributing substantial proportions of state Gross Domestic Product (GDP) in some cases.<sup>1</sup> In the case of Nebraska, the National Conference of State Legislatures (NCSL) reports that the military presence in Nebraska contributes 1.3% of state GDP. Reports by entities such as the U.S. Department of Defense, Office of Economic Adjustment similarly demonstrate the considerable impacts that defense spending has at the state levels.<sup>2</sup>

States have also recognized the critical role that defense and veteran spending can play in contributing to economic development. This recognition is reflected through recent reports from states such as Arizona<sup>3</sup>, Arkansas<sup>4</sup>, Colorado<sup>5</sup>, Kentucky<sup>6</sup> and South Carolina<sup>7</sup>, or individual metropolitan regions such as San Diego<sup>8</sup>, which estimate the economic impacts of the defense economy, and related spending on veterans and retired military personnel. In June, the Commonwealth of Virginia released the “Virginia

---

<sup>1</sup> National Conference of State Legislatures. (2018). Military’s Impact on State Economies. Available: <http://www.ncsl.org/research/military-and-veterans-affairs/military-s-impact-on-state-economies.aspx>

<sup>2</sup> U.S. Department of Defense, Office of Economic Adjustment. (2018). Defense Spending by State Fiscal Year 2016. Available: <http://oea.gov/resource/defense-spending-state-fiscal-year-2016>

<sup>3</sup> The Maguire Company. (2008). Economic Impact of Arizona’s Principal Military Operations. Available: [https://dema.az.gov/sites/default/files/MAC\\_2008MaguireMilitaryEconImpactFullStudy.pdf](https://dema.az.gov/sites/default/files/MAC_2008MaguireMilitaryEconImpactFullStudy.pdf)

<sup>4</sup> Arkansas Economic Development Commission. (2016). Arkansas Military Installations Impact Analysis. Available: [https://www.arkansasedc.com/docs/default-source/data-and-reports/arkansas\\_military\\_installations\\_impact\\_analysis\\_november\\_2016-4-26.pdf](https://www.arkansasedc.com/docs/default-source/data-and-reports/arkansas_military_installations_impact_analysis_november_2016-4-26.pdf)

<sup>5</sup> Summit Economics, LLC. (2018). The Economic Impact of Department of Defense, Veterans and Military Retirees, and the Department of Veterans Affairs Activities in Colorado. Available: <https://coloradospringschamberedc.com/wp-content/uploads/2018/08/18colomilstudyabr.pdf>

<sup>6</sup> The Kentucky Commission on Military Affairs. (2016). The Economic Importance of the Military in Kentucky. Available: <https://kcma.ky.gov/Documents/Final%20Report.pdf>

<sup>7</sup> South Carolina Military Base Taskforce. (2017). South Carolina Military Base Taskforce: Enhancing South Carolina’s Military Value. Available: <https://test.scmilitarybases.com/wp-content/uploads/2017/07/MBTF-2017-Strategic-Plan-071717.pdf>

<sup>8</sup> San Diego Military Advisory Council and Fermanian Business & Economic Institute at Point Loma Nazarene University (2017). 9<sup>th</sup> Annual San Diego Military Impact Study 2017. Available: [https://www.sdmac.org/static/media/uploads/Impact%20Study%202017/sdmac\\_meis\\_2017\\_full\\_report\\_final.pdf](https://www.sdmac.org/static/media/uploads/Impact%20Study%202017/sdmac_meis_2017_full_report_final.pdf)

Department of Defense (DoD) Contract Spending Impact Tool, featuring supply-chain mapping of DoD contract awards.”<sup>9</sup> This tool provides county-level data for DoD contract spending impact for Virginia.<sup>10</sup> States have also begun to create formal organizations through which they are able to develop more cohesive efforts toward maintaining and growing the military presence in the states, and through which they seek to attract veterans and retired military personnel to reside in their states. These organizations take a variety of forms<sup>11</sup>, but the underlying purpose of each is to nurture the defense economy in their respective states.

### **2017 Economic Impact of Nebraska Military Assets**

In 2017, the Nebraska Commission on Military and Veteran Affairs contracted with the University of Nebraska-Lincoln Bureau of Business Research (BBR) to conduct a review of U.S. Department of Defense and U.S. Department of Veterans Affairs assets, as well as to estimate the impact of military and veteran spending in the State of Nebraska in FY 2016.<sup>12</sup> The study was designed to provide detailed information about the current status of military assets located in Nebraska, including payroll and operations spending at the various facilities across the state. The report also examined Department of Defense retirement spending and Veterans Affairs spending in Nebraska. The analyses provided awareness of the total impact that current military, Veterans Affairs, and Department of Defense retirement spending has on the Nebraska economy.

In examining the presence of military installations in the state in FY 2016, analyses showed that a total of 18,965 military, government civilian, and government contractor jobs directly supported operations at Offutt AFB/U.S. Strategic Command, Nebraska National Guard/Air National Guard, and the various Reserve components in the state. An additional 7,403 jobs were created as a result of activity at bases and facilities, for a total of 26,368 jobs created in Nebraska. A total of \$1.55 billion in direct economic activity and \$1.07 billion in employee compensation occurred at the military installations located in the state. The economic impact was estimated in terms of economic output (business sales), employee compensation (wages and benefits) and employment. Activity at bases and facilities generated an additional \$1.01 billion in economic output and \$314.5 million in employee compensation across the state. This resulted in a total of \$2.55 billion in economic output, and \$1.38 billion in employee compensation for Nebraska workers.

To estimate the impact of supporting Department of Defense Retirement Spending in Nebraska, the BBR obtained the number of military retirees, and spending to support these retirees, in the state. The analysis showed that a total of 13,746 military retirees receiving pay from the DoD reside in Nebraska and receive retirement compensation or pensions totaling \$373.0 million in FY 2016. Retirement and

---

<sup>9</sup> Office of the Governor. (2018). Governor Northam Announces the Virginia Department of Defense Contract Spending Impact Tool. Available: <https://www.governor.virginia.gov/newsroom/all-releases/2018/june/headline-825982-en.html>

<sup>10</sup> Chmura Economics & Analytics. (2018). Available: <http://dod-va.chmuraecon.com/Impact>

<sup>11</sup> Association of Defense Communities. (2017). State of Support 2017: Highlights of State Support for Defense Installations. Available: <https://www.defensecommunities.org/wp-content/uploads/2015/01/REPORT-StateOfSupport-FINAL-lowres.pdf>

<sup>12</sup> Nebraska Commission on Military and Veteran Affairs. (2017). Available: [https://nebraskalegislature.gov/FloorDocs/105/PDF/Agencies/Veterans Affairs Department Of/610 20171120-163741.pdf](https://nebraskalegislature.gov/FloorDocs/105/PDF/Agencies/Veterans%20Affairs%20Department%20Of/610%2020171120-163741.pdf)

pension spending by these retirees in Nebraska generated 2,783 new jobs in Nebraska (in addition to the 26,368 noted above), resulting in \$114.2 million in compensation to these employees.

Finally, analysts examined the impact of U.S. Department of Veterans Affairs Spending in Nebraska. The analysis revealed that the U.S. Department of Veterans Affairs (VA) spent a total of \$1.16 billion in Nebraska in Fiscal Year 2016, with the largest proportions of spending on Compensation and Pension and Medical Care. Nearly 48,000 unique patients were served by Veterans Affairs. When considering the multiplier impact of Veterans Affairs spending, estimates showed that VA spending resulted in \$1.58 billion in economic output and the employment of 12,712 workers with a total salary of \$612.3 million.

### **2008 BRAC Task Force**

In 2008, the Nebraska Legislature established a Base Realignment and Closure (BRAC) Task Force. The aim of the Task Force was to “undertake a comprehensive examination of Nebraska’s military assets with the goal of identifying all means by which the state can benefit from future base realignment and closure decisions.”<sup>13</sup> The formation of the Task Force and its subsequent report was partly in response to five rounds of BRAC proceedings that had occurred in years prior to 2008 (1988, 1991, 1993, 1995, and 2005), and partly in anticipation of future BRAC rounds. To best position Nebraska in advance of future BRAC rounds, the 2008 Task Force provided a brief review of the economic impacts of military installations in the state and put forth eight recommendations to help prepare Nebraska for potential BRAC activities.

In 2017, the Nebraska Commission on Military and Veteran Affairs reviewed and assessed progress on each of the eight recommendations from the 2008 BRAC Task Force Report. The recommendations from the 2008 BRAC Task Force that were still valid served as the Commission’s “recommendations for preserving and sustaining military assets and missions existing in Nebraska” and served as the Commission’s “recommendations for actions which the state can take to encourage expanding such assets and missions” pursuant to Nebraska Revised Statute 55-606. Two of the eight 2008 BRAC Task Force recommendations had been fully realized. Specifically, the recommendation to “Explore the feasibility of creating a permanent state-wide commission/office to address long-term issues of military installations and missions” and the recommendation to “Recommend the state appropriate funds to acquire the East Campus Armory to lessen the facility deficit experienced by the Nebraska Army National Guard.”<sup>14</sup>

### **2018 Commission Recommendations**

For 2018, the Commission continues to put forth six recommendations that have their roots in the 2008 BRAC Task Force Report and were validated in 2017. The six recommendations, as well as any subsequent progress on each recommendation, are presented below.

---

<sup>13</sup> Nebraska Base Realignment and Closure (BRAC) Task Force. (2008). Report of the Nebraska Base Realignment and Closure (BRAC) Task Force. Available: <http://govdocs.nebraska.gov/epubs/L3745/B036-2008.pdf>

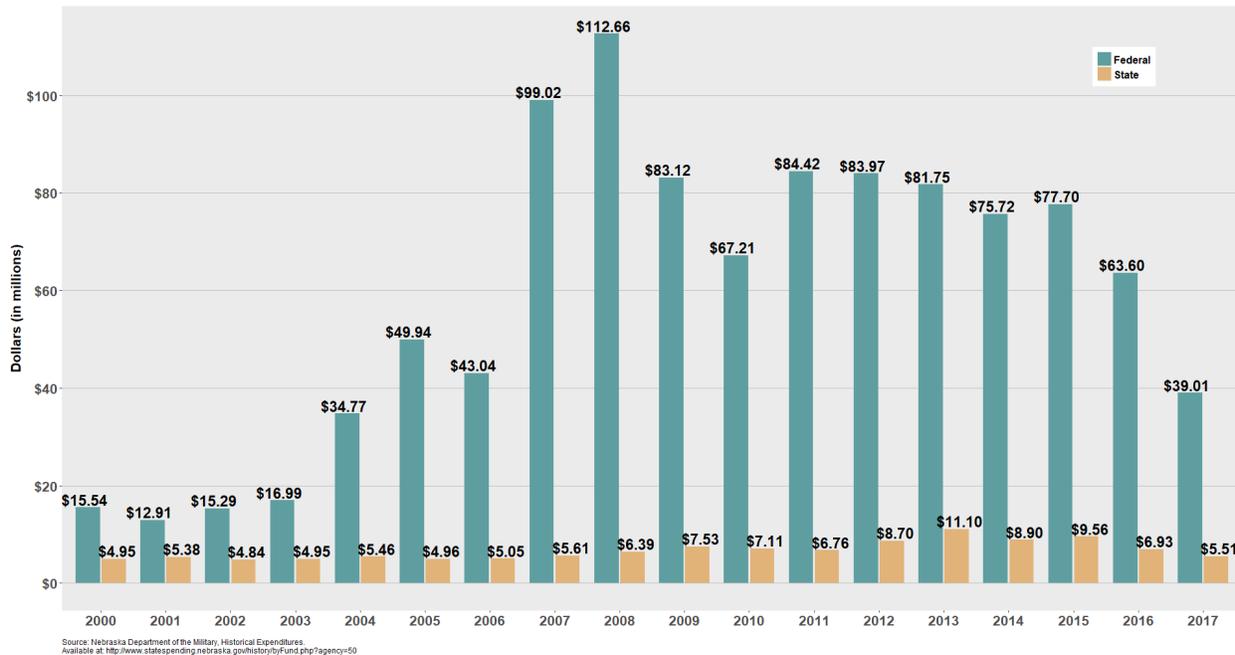
<sup>14</sup> Nebraska Commission on Military and Veteran Affairs. (2017). Annual Report. Available: [https://nebraskalegislature.gov/FloorDocs/105/PDF/Agencies/Veterans\\_Affairs\\_Department\\_Of/610\\_20171120-163741.pdf](https://nebraskalegislature.gov/FloorDocs/105/PDF/Agencies/Veterans_Affairs_Department_Of/610_20171120-163741.pdf)

**1. Recommend the state increase appropriation to ensure full commitment of federal dollars for infrastructure needs of National Guard bases.**

While the National Guard is approximately 97% federally funded, the recommendation for the state to increase its appropriation to ensure full commitment of federal dollars for infrastructure need of the Nebraska National Guard is still valid. The Nebraska National Guard will continue to maximize resources and leverage partnerships when feasible.

As of the 2008 BRAC Task Force Report, Nebraska had not been fully utilizing funds available from the federal government. More specifically, the Task Force noted that the under-appropriation of state funds in support of military operations in the state had resulted in an inability to obtain federal funds with strict matching requirements. Consequently, the state returned thousands of dollars to the DoD. Since the 2008 report, when federal funding for the Nebraska National Guard reached its peak (see Figure 1), the state has maintained consistent levels of funding for the Nebraska Department of the Military. State funding reached a peak of \$11.3 million in 2013, with a gradual tapering to near-previous levels in 2014-2016. The increases from 2012-2013 are likely due, in part, to the funding for the new Joint Headquarters Building at the National Guard Base in Lincoln.

**Figure 1. State and Federal Spending on Nebraska National Guard (in millions)**



The Department of Defense provides the Nebraska Army National Guard (NEARNG) federal funds to support operations, maintenance/sustainment, and modernization of facilities. These funds are matched up to 50% with State funds based upon the type and use of the facility. From fiscal year 2008 to 2017, federal funds have increased \$4,292,573 (48%) while State funds have increased \$298,700 (22%). Throughout the last 10 years, the highest percent the State has matched to the federal funds is 19.8%. While the NEARNG has some

flexibility with the utilization of the allocated federal funds, the facilities, mainly Readiness Centers (Armories) that require a higher percent of State funding, are not able to be sustained or modernized to an appropriate level. Federal funds not utilized on state/federal split facilities can be executed at facilities that are entirely federally funded, thereby retaining federal funds in the state.

Fund	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
544-007	\$227,557	\$266,367	\$432,100	\$1,226,247	\$1,429,823	\$1,793,454	\$2,011,100	\$1,684,521	\$1,625,476	\$1,500,943
544-081	\$283,450	\$227,765	\$472,074	\$131,400	\$159,250	\$186,165	\$227,179	\$493,447	\$125,275	\$142,182
544-008	\$833,418	\$840,006	\$339,384	\$321,964						
<b>Total</b>	<b>\$1,344,425</b>	<b>\$1,334,138</b>	<b>\$1,243,558</b>	<b>\$1,679,611</b>	<b>\$1,589,073</b>	<b>\$1,979,619</b>	<b>\$2,238,279</b>	<b>\$2,177,968</b>	<b>\$1,750,751</b>	<b>\$1,643,125</b>
<b>Federal Funds Available to Match – MCA Appendix 1 Facilities Program (FP)</b>										
	\$8,851,527	\$6,733,586	\$6,799,114	\$10,494,991	\$10,314,206	\$12,176,694	\$14,730,895	\$13,022,825	\$13,121,704	\$13,144,100
<b>Percent Match of State to Federal Funds</b>										
	15.2%	19.8%	18.3%	16.0%	15.4%	16.3%	15.2%	16.7%	13.3%	12.5%

Facility modernization and new facility construction for the NEARNG is challenging due to the lack of State matching funds. Over the last 10 years, the State has provided funding (\$3.8 million) for the construction of the Joint Force Headquarters and Nebraska Emergency Management with approximately 40% of those proceeds coming from the sale of the NEARNG Military Road property. The NEARNG has received initial federal approval for fiscal year 2018 design with construction of two new facilities in 2020. The Bellevue/Offutt Readiness Center is currently programmed for \$143,000 State and \$2,383,740 federal design funds. The programmed North Platte Readiness Center (\$12 million) requires a 25% State match share, but was postponed due to State budget issues. The NEARNG was able to secure authorization for design and construction of an equipment Facility Maintenance Shop (FMS—which requires no state match) in North Platte, programmed at \$9.3 million, in-lieu of the Readiness Center.

Fund	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
State of NE**	\$ --	\$ --	\$ --	\$ --	\$3,812,099	\$ --	\$ --	\$ --	\$ --	\$ --
Federal MILCON		\$9,133,688	\$9,392,000	\$14,091,632	\$32,911,963	\$9,678,257	\$31,064,000			
**\$1,503,500 Proceeds from sale of Military Road Facility										
Total State Construction Funds for NE Army National Guard FY08 through FY17: \$3,812,099 (NEARNG JFHQ with NEMA)										
Total Federal MILCON Funds for NE Army National Guard FY08 through FY17: \$106,271,540										
Projected Readiness Center at Bellevue (Offutt AFB)					Project Maintenance Shop in North Platte					
	FY18 Design	FY20 Construction			FY18 Design	FY20 Construction				
State of NE	\$143,000	\$ --			\$ --	\$ --				
Federal MILCON	\$2,383,740	\$29,000,000			\$825,000	\$9,300,000				

The Department of Defense provides the Nebraska Air National Guard (NEANG) federal funds to support maintenance and sustainment of facilities and infrastructure. These funds are matched up to 25% with State funds for the sole purpose of salaries and benefits of state employees, utility payments, and day-to-day preventative maintenance. Fiscal year 2008 to 2017, federal funds have increased significantly while State funds have plateaued.

Throughout the last 10 years, the State match on average to the federal funds is 20%. The NEANG does not have the ability to use federal funds for which there are not state matching funds for other programs as Appendix 21 of the Master Cooperative Agreement restricts the use of federal resources solely to the agreement.

State Fund	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
544-02	\$315,000	\$320,000	\$395,565	\$358,433	\$424,772	\$323,870	\$320,565	\$352,738	\$320,565	\$305,000
544-03	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
544-05	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$15,367
Total	\$315,000	\$320,000	\$395,565	\$358,433	\$424,772	\$323,870	\$320,565	\$352,738	\$320,565	\$320,367
<b>Federal Funds</b>										
	\$945,000	\$960,000	\$1,171,381	\$1,152,926	\$1,028,000	\$1,067,300	\$1,148,200	\$1,183,800	\$1,120,200	\$1,245,900
<b>Amount of Federal Dollars Returned</b>										
	\$ --	\$ --	\$ --	\$77,626	\$ --	\$95,689	\$186,505	\$125,589	\$158,505	\$284,799
<b>Percent Match to Federal Funds</b>										
	25%	25%	25%	18%	25%	16%	17%	16%	11%	23%

In addition, the federal government provides 100% funding for repair and modernization of facilities and infrastructure. The repair and modernization federal funding levels provided to the NEANG have increased sharply from \$1,065,873 between 2006-2010, to \$30 million between 2011-2016, and over \$24 million in 2017 alone. The increase in repair and modernization funding is due to rising maintenance costs and an increase in space requirements for the training and administration of the National Guard.

**2. Provide support to local subdivisions in their efforts to improve military installations.**

The recommendation to provide support to local subdivisions in their efforts to improve military installations is valid.

In March 2016, the Critical Infrastructure Facilities Cash Fund was established by Legislative Bill (LB) 957 Section 21, to be used by the Nebraska Department of Natural Resources to provide a grant to a Natural Resource District (NRD) to offset costs related to soil and water improvements intended to protect critical infrastructure facilities within the NRD which includes military installations, transportation routes, and wastewater treatment facilities.<sup>15</sup> The Critical Infrastructure Facilities Cash Fund is intended to help fund efforts to protect and enhance critical infrastructure facilities within an NRD's boundary including military installations, transportation routes, and wastewater treatment facilities.

A total of \$13.7 million was transferred from the General Fund into the Critical Infrastructure Facilities Fund in FY15-16, and a \$13.7 million cash fund appropriation was approved for FY15-16. Unused appropriations were carried forward into FY16-17 and FY17-18. The remaining balance in the Critical Infrastructure Facilities Fund is approximately

<sup>15</sup> LB 957, Section 21. (March 30, 2016). Available: <http://www.nebraskalegislature.gov/FloorDocs/104/PDF/Slip/LB957.pdf>

\$12.6 million as of October 2018.<sup>16</sup> The Nebraska Department of Natural Resources accepted an application from the Papio-Missouri River Natural Resources District (Papio NRD) for a grant to help fund a project to extend and upgrade levees near the Offutt Air Force Base.<sup>17</sup> After a six year process, the Papio NRD has received the necessary federal permits to begin construction. The Papio NRD is currently securing land rights for the rehabilitation of the levee system. The Papio NRD plans to release a request for proposal for construction in January 2019 for work to begin in February or March of 2019. The scope of work for levee rehabilitation is anticipated to take two years to complete.<sup>18</sup>

In February 2018, the Governor approved Legislative Bill (LB) 96, introduced by Senator Sue Crawford. LB 96 expanded the enumerated list of activities that are eligible for assistance from the Department of Economic Development's Site and Building Development Fund. Specifically, LB 96 adds "Public and private sector initiatives that will improve the military value of military installations by making necessary improvements to buildings and infrastructure" as activities eligible for assistance from the fund.<sup>19</sup> As of October 2018, the current balance of the Site and Building Development Fund is approximately \$9.3 million recognizing that most, if not all, of the funding is either under contract or awaiting a location decision by a business. A more informative metric is cash flowing into the fund from a portion of the documentary tax stamp which can then be allocated to support projects. Approximately \$2.9 million is available to support qualified projects in FY19-19.<sup>20</sup>

These tools, the Critical Infrastructure Facilities Cash Fund and Site and Building Development Fund, provide mechanisms to support local subdivisions in their efforts to improve the military value of military installations.

**3. Recommend land use planning legislation to ensure governmental entities and developers coordinate when building near military bases, including a requirement that local subdivisions conduct a feasibility study to address encroachment issues.**

As noted in 2017, given the approval of Legislative Bill (LB) 279 in February 2010, the recommendation for land use planning legislation to ensure governmental entities and developers coordinate when building near military bases, including a requirement that local subdivisions conduct a feasibility study to address encroachment issues, has been partially realized.

In February 2010, Governor Heinemann approved LB 279, an act relating to land-use planning. The act requires notification of military installations regarding development of real property.<sup>21</sup> Senator Bill Avery introduced LB 279 to require municipalities and counties to provide notification to a military installation "which is located within its jurisdiction

---

<sup>16</sup> Tim Freed. Nebraska Department of Natural Resources. (October 16, 2018). Email correspondence.

<sup>17</sup> A Legislator's Guide to Nebraska State Agencies. Nebraska Legislative Fiscal Office. (December 2016). Available: <http://www.nebraskalegislature.gov/pdf/reports/fiscal/2016legguide.pdf>

<sup>18</sup> John Winkler. Papio-Missouri River Natural Resources District. (October 15, 2018). Email correspondence.

<sup>19</sup> LB 96. (February 14, 2018). Available: <https://nebraskalegislature.gov/FloorDocs/105/PDF/Slip/LB96.pdf>

<sup>20</sup> David Dearmont. Nebraska Department of Economic Development. (October 16, 2018). Email correspondence.

<sup>21</sup> LB 279. (February 11, 2010). Available: <http://nebraskalegislature.gov/FloorDocs/101/PDF/Slip/LB279.pdf>

regarding any development of property which may affect the military installation.”<sup>22</sup> To this end, the recommendation to ensure coordination between government entities and developers has been realized.

Regarding the specific 2008 recommendation to levy a requirement that local subdivisions conduct a feasibility study to address encroachment issues, LB 279 did not modify Nebraska Revised Statute 15-1103 which notes “the planning director shall be responsible for preparing the comprehensive plan and amendments and extensions thereto and for submitting such plans and modifications to the city planning commission for its consideration and action.”<sup>23</sup> Arguably, a comprehensive plan would address encroachment issues.

The Department of the Air Force requires Accident Potential Zones, Noise Pollution Land Use Zones, and general zoning encroachment to an installation. In 2017, the Nebraska Air National Guard (NEANG) acquired an additional 16 acres of land to the lease with the Lincoln Airport Authority (LAA). This land addition provided a buffer on the north end of the installation while providing for future expansion of the NEANG. All adjacent property surrounding the NEANG installation is owned by the LAA and zoned for aviation use. Encroachment issues to the installation are mitigated by natural and manmade barriers in addition to current land use zoning.

In April 2018, the Governor approved Legislative Bill (LB) 901, introduced by Senator Bruce Bostelman. Typically, a permit is required “before erecting/building any structure exceeding a height of 150 feet above the surface of the ground at the point of installation, unless erected under the authority of a license or permit issued by a federal agency.”<sup>24</sup> LB 901 protects Nebraska National Guard flight training areas by amending state statutes related to permitting decisions made by the Division of Aeronautics of the Nebraska Department of Transportation (NDOT).<sup>25</sup>

#### **4. Recommend colleges and universities offer courses that support military missions.**

As noted in the 2008 BRAC Task Force Report, “Offering courses that correspond with military needs would potentially increase the value of that installation and the missions that rely on personnel with specific educational training such as foreign languages”<sup>26</sup> thereby benefiting the State of Nebraska. The University of Nebraska-Lincoln has made significant progress in the development of its National Security Studies program which offers courses

---

<sup>22</sup> LB 279, Introducer’s Statement of Intent. (February 12, 2009). Available:

<http://nebraskalegislature.gov/FloorDocs/101/PDF/SI/LB279.pdf>

<sup>23</sup> Nebraska Revised Statute 15-1103. Available: <http://nebraskalegislature.gov/laws/statutes.php?statute=15-1103>

<sup>24</sup> Division of Aeronautics. Nebraska Department of Transportation. Available:

<http://www.aero.nebraska.gov/permittobuild.html>

<sup>25</sup> LB 901. (April 17, 2018). Available: <https://nebraskalegislature.gov/FloorDocs/105/PDF/Slip/LB901.pdf>

<sup>26</sup> Nebraska Base Realignment and Closure (BRAC) Task Force. (2008). Report of the Nebraska Base Realignment and Closure (BRAC) Task Force. Available: <http://govdocs.nebraska.gov/epubs/L3745/B036-2008.pdf>

that support military missions.<sup>27</sup> In 2018 the interim director of the program won the International Association for Intelligence Education’s Instructor of the Year award.<sup>28</sup>

While recommendation 4 remains valid, the Commission also recommends that **Nebraska colleges and universities engage in partnerships with the Department of Defense** when feasible.

The 2017 Commission report highlighted the U.S. Strategic Command’s Deterrence and Assurance Academic Alliance (DA3) as “an academic community of interest focused on research and analysis of deterrence, assurance, and associated strategic level national security themes in a rapidly changing, multi-domain global threat environment.”<sup>29</sup> As of October 2018, Bellevue University, Creighton University, Nebraska Wesleyan University, the University of Nebraska Lincoln, the University of Nebraska Kearney, and the University of Nebraska Omaha continue to participate in DA3.<sup>30</sup>

The National Strategic Research Institute (NSRI) at the University of Nebraska continues to build upon its success under the leadership of retired Air Force Lieutenant General Robert Hinson. In 2018, NSRI’s work with the U.S. Strategic Command was renewed “with a five-year, \$92 million contract from the U.S. Air Force.”<sup>31</sup> Of note, NSRI has “engaged more than 241 NU faculty, researchers and students from a range of disciplines on 84 research projects focused on key areas of strength: nuclear detection and forensics, detection of chemical and biological weapons, passive defense against weapons of mass destruction, consequence management, and other mission-related research.”<sup>32</sup> The NSRI at the University of Nebraska is a critical node at the intersection of mission-essential academic research and development capabilities for the Department of Defense.

##### **5. Review and recommend legislation to support military personnel and families including employment and educational opportunities.**

The recommendation to review and recommend legislation to support military personnel and families including employment and educational opportunities is still valid. Additionally, the Commission recommends the addition of regulatory reform to this recommendation.

---

<sup>27</sup> National Security Studies program, University of Nebraska-Lincoln. (2018). Available: <https://nationalsecurity.unl.edu/>

<sup>28</sup> University of Nebraska press release. (2018). Available: <https://news.unl.edu/newsrooms/today/article/national-security-program-offers-huskers-a-career-edge/>

<sup>29</sup> USSTRATCOM Deterrence and Assurance Academic Alliance purpose. (2018). Available: <http://www.stratcom.mil/Academic-Alliance/>

<sup>30</sup> USSTRATCOM Deterrence and Assurance Academic Alliance members. (2018). Available: <http://www.stratcom.mil/Academic-Alliance/Members/>

<sup>31</sup> National Strategic Research Institute press release. (2018). Available: [https://nsri.nebraska.edu/newsandevents/2018-university-of-nebraska-defense-research-institute-earns-new-five-year-\\$92-million-contract](https://nsri.nebraska.edu/newsandevents/2018-university-of-nebraska-defense-research-institute-earns-new-five-year-$92-million-contract)

<sup>32</sup> University of Nebraska press release. (2018). Available: [https://nebraska.edu/news-and-events/news/2018/university-of-nebraska-defense-research-institute-earns-new-five-year-\\$92-million-contract](https://nebraska.edu/news-and-events/news/2018/university-of-nebraska-defense-research-institute-earns-new-five-year-$92-million-contract)

**Review and recommend legislation or regulatory reform to support military personnel and families in employment and education.**

In 2018, Nebraska made progress in two significant regulatory reforms. As foreshadowed in the 2017 Commission report, the Nebraska Department of Education worked with Senator Sue Crawford and a constituent, who is a military spouse, regarding teaching certification for military spouses. In March 2018, Governor Ricketts “approved revisions to Rule 21, allowing military spouses to receive a three-year teaching permit in Nebraska with a valid out-of-state license.”<sup>33</sup> As of October 2018, five Military Teaching Permits<sup>34</sup> have been issued to qualified military spouses and the Nebraska Department of Education anticipates around 20 to 30 per year as awareness increases.<sup>35</sup> In March 2018, the Nebraska Supreme Court “instituted a rule that provides special consideration for attorneys who are military spouses seeking to join the Nebraska practicing bar.”<sup>36</sup> The rule creates “Class 1-D” motion applicants at a reduced fee.<sup>37</sup> As of October 2018, 3 of 3 Class 1-D applications have been successfully admitted to practice law in Nebraska.<sup>38</sup>

In 2018, the Department of Defense provided consistent guidance to State policymakers. In a February 23, 2018 memorandum to the National Governors Association, the Secretaries of the Army, Navy, and Air Force stated that “we will encourage leadership to consider the quality of schools near bases and whether reciprocity of professional licenses is available for military families when evaluating future basing or mission alternatives.”<sup>39</sup> Additionally, the Defense State Liaison Office (DSLO) continues to provide state policymakers with “reliable information and research, knowledge of policies and processes, and assistance with legislation—all to support service members and their families.”<sup>40</sup> The “chain-of-command” for the DSLO starts with the President and Secretary of Defense. The DSLO then falls within the Office of the Under Secretary for Personnel and Readiness (P&R), under the Assistant Secretary of Defense for Manpower and Reserve Affairs, and then under the Deputy Assistant Secretary of Defense for Military Community and Family Policy. Public and written statements by the Service Secretaries along with the key issues identified by the DSLO provide clear and consistent policy guidance from the Department of Defense to Nebraska policymakers. Legislation and regulatory reform should take into account this guidance.

---

<sup>33</sup> Office of Governor Ricketts. (2018). Available: <https://governor.nebraska.gov/press/gov-ricketts-approves-teacher%E2%80%99s-license-flexibility-military-families>

<sup>34</sup> Nebraska Department of Education. (2018). Military Path to Certification. Available: <https://www.education.ne.gov/tcert/>

<sup>35</sup> Dr. Kevin Peters, Nebraska Department of Education. (2018). Email correspondence.

<sup>36</sup> Nebraska Supreme Court. (2018). Available: <https://supremecourt.nebraska.gov/nebraska-supreme-court-rule-allows-reduced-fee-military-spouses-seeking-join-nebraska-bar>

<sup>37</sup> Nebraska Supreme Court. (2018). Available: <https://supremecourt.nebraska.gov/supreme-court-rules/chapter-3-attorneys-practice-law/article-1-admission-requirements-practice-law/%C2%A7-3-119-application-admission-attorney/class-1-1-b-1-c-1-d-motion-applicants>

<sup>38</sup> Nebraska Supreme Court Attorney Services Division. (2018). Email correspondence.

<sup>39</sup> Secretary of the Army, Secretary of the Navy, Secretary of the Air Force. (2018). Available: <https://media.defense.gov/2018/Feb/23/2001881660/-1/-1/1/Military-Family-School-Consideration-and-Professional-Licensure-Reciprocity.PDF>

<sup>40</sup> Defense State Liaison Office. (2018). Available: <https://statepolicy.militaryonesource.mil/>

In 2018, three Nebraska schools were recognized by the Military Times in “Best for Vets: Colleges 2019 rankings.” Specifically, Nebraska’s Central Community College topped the “list of 2-year schools for the sixth year in a row.”<sup>41</sup> In the 4-year school category, the University of Nebraska at Omaha ranked 10<sup>th</sup> and the University of Nebraska-Lincoln ranked 25<sup>th</sup>.<sup>42</sup> Of note, the University of Nebraska-Lincoln ranked 2<sup>nd</sup> among other Big Ten Conference institutions.<sup>43</sup> In the Online and Nontraditional School category, Bellevue University ranked 7<sup>th</sup>.<sup>44</sup> All four of these Nebraska schools have capable, competent, and committed leaders within their respective offices of military and veteran success.

## **6. Provide tax relief to retired military personnel to encourage military retirees to live and work in Nebraska.**

Nebraska provided partial tax relief to retired military personnel to encourage military retirees to live and work in Nebraska through the passage of LB 987 in 2014. A Nebraskan can elect to exclude military retirement benefits from Nebraska taxable income through two options. Option 1 provides exemptions for 40% of military retirement benefit income for seven consecutive years beginning with the year in which the election is made. Option 2 provides exemptions for 15% of military retirement benefit income for all taxable years beginning with the year in which the retiree turns 67 years of age.<sup>45</sup>

The Nebraska Department of Revenue preliminary data for tax year 2017 indicates 454 returns leading to \$7,513,844 of deducted income using the partial exemption via the Form 1040N-MIL. While this is the amount deducted and not the amount of lost tax revenue, one can estimate the impact to the General Fund. Presuming that all of the filers were in the top state income tax bracket of 6.84%, the maximum impact to the general fund would equal 6.84% of the total amount deducted. For 2017, this impact would equal \$513,947. For tax year 2016, 337 returns filed the Form 1040N-MIL leading to \$5,477,021 of deducted income. Again, presuming that all of the filers were in the top state income tax bracket of 6.84%, the impact to the general fund would equal \$374,628 for tax year 2016. For tax year 2015, 191 returns filed the Form 1040N-MIL leading to \$3,036,953 of deducted income. Once more, presuming that all of the filers were in the top state income tax bracket of 6.84%, the impact to the general fund would equal \$207,728 for tax year 2015.<sup>46</sup> In total, the impact to the general fund for the first three years of the partial exemption policy appears to be at most \$1,096,303. The estimated fiscal impact to the general fund for the first three years of the

---

<sup>41</sup> Military Times, Best for Vets Colleges. (2018). Available: <https://rebootcamp.militarytimes.com/news/education/2018/10/22/best-for-vets-colleges-the-best-schools-for-military-students-in-2019/>

<sup>42</sup> Military Times, Best for Vets Colleges. (2018). Available: <https://charts.militarytimes.com/chart/9>

<sup>43</sup> University of Nebraska-Lincoln press release. (2018). Available: <https://news.unl.edu/newsrooms/today/article/nebraska-climbs-to-no-25-in-best-for-vets-ranking/>

<sup>44</sup> Military Times, Best for Vets Colleges. (2018). Available: <https://charts.militarytimes.com/chart/11>

<sup>45</sup> Nebraska Department of Revenue. (2018). Available: [http://www.revenue.nebraska.gov/tax/current/fill-in/f\\_1040n\\_mil.pdf](http://www.revenue.nebraska.gov/tax/current/fill-in/f_1040n_mil.pdf)

<sup>46</sup> Nebraska Department of Revenue. (2018). Email correspondence.

partial exemption policy was \$2,553,000.<sup>47</sup> Additional research and analysis would be required to discern exactly how and why the estimated fiscal impact was significantly higher than the actual impact. One possible explanation could have been limited awareness of the partial exemption once it was implemented. Another possible explanation could have been the complexity associated with the tax treatment of Veterans Administration offsets associated with retired military pay. For additional insight, see the DoD's Office of the Actuary for a concise summary of military retirees and survivors by congressional district.<sup>48</sup>

## **Preliminary results and impact of recent Nebraska legislation**

### 2018 Legislation

LB 96 expanded the enumerated list of activities that are eligible for assistance from the Department of Economic Development's Site and Building Development Fund.<sup>49</sup> As of October 2018, no initiatives have accessed the Fund to improve the military value of military installations.<sup>50</sup>

LB 901 protects Nebraska National Guard flight training areas by amending state statutes related to permitting decisions made by the Division of Aeronautics of the Nebraska Department of Transportation (NDOT).<sup>51</sup> As of October 2018, there have been no reported issues regarding encroachment at Nebraska National Guard flight training areas.

LB 682 provides consumer protection and civil relief for service members, typically a right of early termination to service contracts (internet, television, phone services).<sup>52</sup> As of October 2018, there have been no reports of these protections not working.

LB 685 provides a funding priority for special-needs military dependents under the Developmental Disabilities Act.<sup>53</sup> As of October 2018, the Department of Health and Human Services' Division of Developmental Disabilities has yet to receive a request for prioritized funding as outlined in LB 685.<sup>54</sup>

LB 731 adopted the Physical Therapy Licensure Compact.<sup>55</sup> As of October 2018, Nebraska has enacted legislation but is "not yet issuing or accepting compact privileges."<sup>56</sup> Compact implementation by the Board of Physical Therapy is ongoing.

LB 1034 adopted the Emergency Medical Service Personnel Licensure Interstate Compact and the Psychology Interjurisdictional Compact.<sup>57</sup> As of October 2018, full implementation of the "Recognition

---

<sup>47</sup> LB 987, Fiscal Note. (March 20, 2014). Available:

[https://nebraskalegislature.gov/FloorDocs/103/PDF/FN/LB987\\_20140321-135055.pdf](https://nebraskalegislature.gov/FloorDocs/103/PDF/FN/LB987_20140321-135055.pdf)

<sup>48</sup> DoD Office of the Actuary. (2018). Available:

<https://actuary.defense.gov/Portals/15/Documents/CONGDIST%202017.pdf?ver=2018-02-26-143437-117>

<sup>49</sup> LB 96. (February 14, 2018). Available: <https://nebraskalegislature.gov/FloorDocs/105/PDF/Slip/LB96.pdf>

<sup>50</sup> Dave Dearmont, Nebraska Department of Economic Development. (2018). Email correspondence.

<sup>51</sup> LB 901. (April 17, 2018). Available: <https://nebraskalegislature.gov/FloorDocs/105/PDF/Slip/LB96.pdf>

<sup>52</sup> LB 682. (April 11, 2018). Available: <https://nebraskalegislature.gov/FloorDocs/105/PDF/Slip/LB682.pdf>

<sup>53</sup> LB 685. (April 4, 2018). Available: <https://nebraskalegislature.gov/FloorDocs/105/PDF/Slip/LB685.pdf>

<sup>54</sup> Bryson Bartels, Nebraska Department of Health and Human Services. (2018). Email correspondence.

<sup>55</sup> LB 731. (April 19, 2018). Available: <https://nebraskalegislature.gov/FloorDocs/105/PDF/Slip/LB731.pdf>

<sup>56</sup> Phone call, Physical Therapy Compact Commission. (2018). Available: <http://ptcompact.org/>

<sup>57</sup> LB 1034. (April 23, 2018). Available: <https://nebraskalegislature.gov/FloorDocs/105/PDF/Slip/LB1034.pdf>

of EMS Personnel Licensure Interstate CompAct” or “REPLICA” is expected to occur in January 2020.<sup>58</sup> As of October 2018, implementation of the Psychology Interjurisdictional Compact is ongoing.

### 2017 Legislation

LB 88 amended state statutes “in order to allow military spouses to obtain a temporary license in a variety of professions if those spouses meet the comparable and equivalent requirements.”<sup>59</sup> A temporary credential to a military spouse “shall be valid until the application for the regular credential is approved or rejected, not to exceed one year.”<sup>60</sup> As noted in Transitioning Military & Military Spouse Occupational Licensure Study authorized by Legislative Resolution 436, in 2017 “only one military spouse applied for a temporary license and was approved as a nail technician within three days.”<sup>61</sup> Additionally, “Twelve applicants identified themselves as military spouses on nursing applications, but chose not to apply for the temporary military spouse license.”<sup>62</sup> Further investigation revealed for nursing, part of paragraph (2)(c) of Nebraska Revised Statute 38-129.01 is in a sense more burdensome than simply completing the standard nursing application. Paragraph (2)(c) of Nebraska Revised Statute 38-129.01 requires “A copy of his or her credential from another jurisdiction and the applicable statutes, rules, and regulations governing the credential;”<sup>63</sup> As of October 2018, nursing applicants have not been providing the “applicable statutes, rules, and regulations governing the credential;” in addition to their non-Nebraska nursing license in order to obtain a temporary nursing license. One could make an argument that an out of state nursing license should suffice to obtain a temporary nursing license for military spouses. Arguably, one would not refuse nursing care when traveling outside of Nebraska due to real or perceived differences in the applicable statutes, rules, and regulations governing nursing in another state.

LB 639 expanded a hiring preference to spouses of active duty service members while the active duty service member is serving and up to 180 days after the active duty service member is discharged or separates from service.<sup>64</sup> In addition to initial employment, the hiring preference “is expanded to include a return to employment with any public government entity.”<sup>65</sup> As of November 2018, there is no clear methodology for measuring the impact of this legislation.

---

<sup>58</sup> Phone call, REPLICA. (2018). Available: <http://www.emsreplica.org/>

<sup>59</sup> LB 88, Introducer’s Statement of Intent. (February 15, 2017). Available at: <https://nebraskalegislature.gov/FloorDocs/105/PDF/SI/LB88.pdf>

<sup>60</sup> LB 88. (April 25, 2017). Available: <http://www.nebraskalegislature.gov/FloorDocs/105/PDF/Slip/LB88.pdf>

<sup>61</sup> LR 436, Transitioning Military & Military Spouse Occupational Licensure Study. (2018). Available: <https://veterans.nebraska.gov/sites/veterans.nebraska.gov/files/doc/9.%202018%2010%2023%20-%20LR%20436%20Report%20-%20FINAL.pdf>

<sup>62</sup> LR 436, Transitioning Military & Military Spouse Occupational Licensure Study. (2018). Available: <https://veterans.nebraska.gov/sites/veterans.nebraska.gov/files/doc/9.%202018%2010%2023%20-%20LR%20436%20Report%20-%20FINAL.pdf>

<sup>63</sup> Nebraska Revised Statute 38-129.01. (2018). Available: <https://nebraskalegislature.gov/laws/statutes.php?statute=38-129.01>

<sup>64</sup> LB 639. (April 25, 2017). Available: <https://nebraskalegislature.gov/FloorDocs/105/PDF/Slip/LB639.pdf>

<sup>65</sup> Office of Governor Ricketts. (2018). Available: <https://governor.nebraska.gov/press/gov-ricketts-signs-major-veterans%E2%80%99-legislative-package>

## 2016 Legislation

LB 754 created Nebraska's Commission on Military and Veteran Affairs.<sup>66</sup> As of November 2018, the Commission has met its statutory intent pursuant to Nebraska Revised Statutes 55-601 to 55-606.

LB 919 established Veterans Treatment Courts.<sup>67</sup> As of October 2018, Douglas and Lancaster County have enacted Veterans Treatment Courts. As of June 2018, "six men have been accepted into the program" in Lancaster County<sup>68</sup> and "about two dozen people are currently in the Douglas County Veterans Treatment Court."<sup>69</sup>

## 2015 Legislation

LB 109 changed the residency requirements for veterans, spouses, and dependents attending a public college or university in Nebraska.<sup>70</sup> As of November 2018, there is no clear methodology for measuring its impact.

LB 219 adopted the Uniform Deployed Parents Custody and Visitation Act which addresses issues of child custody faced by military families.<sup>71</sup> As of November 2018, there is no clear methodology for measuring its impact.

LB 264 created the requirement that boards or the licensing department accept relevant military training and education. As noted in Transitioning Military & Military Spouse Occupational Licensure Study authorized by Legislative Resolution 436, "DHHS indicated that during 2017, no applicants had military training, education, or experience applied toward their licensure requirements and that no applicant had requested this."<sup>72</sup>

LB 272 created a voluntary veterans preference for private sector employers.<sup>73</sup> As of October 2018, one employer has registered with the Nebraska Department of Labor.<sup>74</sup>

## 2014 Legislation

LB 987 created a partial exemption to military retirement benefits from Nebraska taxable income.<sup>75</sup> The Nebraska Department of Revenue preliminary data for tax year 2017 indicates 454 returns leading to

---

<sup>66</sup> LB 754. (April 18, 2016). Available: <https://nebraskalegislature.gov/FloorDocs/104/PDF/Slip/LB754.pdf>

<sup>67</sup> LB 919. (April 18, 2016). Available: <https://nebraskalegislature.gov/FloorDocs/104/PDF/Slip/LB919.pdf>

<sup>68</sup> Lincoln Journal Star. (2018). Available: [https://journalstar.com/news/local/i-m-not-anywhere-close-to-the-same-person-veterans/article\\_328c753e-81b9-5735-a180-313194c0673e.html](https://journalstar.com/news/local/i-m-not-anywhere-close-to-the-same-person-veterans/article_328c753e-81b9-5735-a180-313194c0673e.html)

<sup>69</sup> Omaha World Herald. (2018). Available: [https://www.omaha.com/news/courts/honor-restored-ceremony-salutes-first-graduates-of-diversion-program-for/article\\_aaa4a749-1cac-54e7-850a-cc73eba49399.html](https://www.omaha.com/news/courts/honor-restored-ceremony-salutes-first-graduates-of-diversion-program-for/article_aaa4a749-1cac-54e7-850a-cc73eba49399.html)

<sup>70</sup> LB 109. (February 26, 2015). Available: <https://nebraskalegislature.gov/FloorDocs/104/PDF/Slip/LB109.pdf>

<sup>71</sup> LB 219. (February 26, 2015). Available: <https://nebraskalegislature.gov/FloorDocs/104/PDF/Slip/LB219.pdf>

<sup>72</sup> LR 436, Transitioning Military & Military Spouse Occupational Licensure Study. (2018). Available: <https://veterans.nebraska.gov/sites/veterans.nebraska.gov/files/doc/9.%202018%2010%2023%20-%20LR%20436%20Report%20-%20FINAL.pdf>

<sup>73</sup> LB 272. (March 12, 2015). Available: <https://nebraskalegislature.gov/FloorDocs/104/PDF/Slip/LB272.pdf>

<sup>74</sup> Nebraska Department of Labor, Veterans Preference Employer Registry. (2018). Available: <https://www.dol.nebraska.gov/LaborStandards/VeteransPreference/EmployerRegistry>

<sup>75</sup> LB 987. (April 2, 2014). Available: <https://nebraskalegislature.gov/FloorDocs/104/PDF/Slip/LB272.pdf>

\$7,513,844 of deducted income using the partial exemption via the Form 1040N-MIL. While this is the amount deducted and not the amount of lost tax revenue, one can estimate the impact to the General Fund. Presuming that all of the filers were in the top state income tax bracket of 6.84%, the maximum impact to the general fund would equal 6.84% of the total amount deducted. For 2017, this impact would equal \$513,947. For tax year 2016, 337 returns filed the Form 1040N-MIL leading to \$5,477,021 of deducted income. For tax year 2015, 191 returns filed the Form 1040N-MIL leading to \$3,036,953 of deducted income.<sup>76</sup> Again, presuming that all of the filers were in the top state income tax bracket of 6.84%, the maximum impact to the general fund would equal \$374,628 and \$207,728 for tax years 2016 and 2015 respectively.

### 2011 Legislation

LB 575 enacted the Interstate Compact on Educational Opportunity for Military Children which took effect on July 1st, 2012.<sup>77</sup> The Compact provides for the uniform treatment of military children transferring between school districts and states. The purpose of the Compact is to remove barriers to educational success (such as enrollment, placement, and graduation) imposed on children of military families due to frequent moves and deployment of their parents. The Compact also established the State Council on Educational Opportunity for Military Children which meets annually. The State Council advises the Nebraska Department of Education with regard to the state's participation and compliance with the Compact.<sup>78</sup> Of note, the 2008 BRAC Task Force specifically encouraged the state to "explore the idea of joining the Compact" which is now in its sixth year of existence in Nebraska.<sup>79</sup> As of January 2015, all 50 states and the District of Columbia have adopted the Compact. As of November 2018, the State Council has been an effective tool to support military personnel and families serving in Nebraska.

### 2010 Legislation

LB 279 amended statutes to require the notification of military installations regarding development of real property.<sup>80</sup> While there is no clear methodology for measuring the impact of this legislation, the Commission has not been informed of or asked to address any military installation encroachment issues as of November 2018.

### **Recent Congressional Actions Related to BRAC**

In 2018, the Department of Defense did not request a new round of Base Realignments and Closures from Congress.<sup>81</sup> Accordingly, Section 2703 of the John S. McCain National Defense Authorization Act for Fiscal Year 2019 specifically prohibits the Department of Defense from conducting an additional Base

---

<sup>76</sup> Nebraska Department of Revenue. (2018). Email correspondence.

<sup>77</sup> LB 575. (May 16, 2011). Available: <https://nebraskalegislature.gov/FloorDocs/102/PDF/Slip/LB575.pdf>

<sup>78</sup> Nebraska Department of Education, State Council on Educational Opportunity for Military Children. (2018). Available: <https://www.education.ne.gov/commissioner/state-council-on-educational-opportunity-for-military-children/>

<sup>79</sup> Nebraska Base Realignment and Closure (BRAC) Task Force. (2008). Available: <http://govdocs.nebraska.gov/epubs/L3745/B036-2008.pdf>

<sup>80</sup> LB 279. (February 11, 2010). Available: <https://nebraskalegislature.gov/FloorDocs/101/PDF/Slip/LB279.pdf>

<sup>81</sup> Dan Cohen, Association of Defense Communities. (2018). Available: <https://www.defensecommunities.org/blog/general/pentagon-leaves-brac-request-out-of-budget-proposal/>

Realignment and Closure round by delineating “Nothing in this Act shall be construed to authorize an additional Base Realignment and Closure (BRAC) round.”<sup>82</sup>

In turn, Section 2702 of the John S. McCain National Defense Authorization Act for Fiscal Year 2019 provides an authority to the Secretary of Defense to carry out a realignment or closure of a military installation upon receipt of a notice from the Governor of a State.<sup>83</sup> The Governor’s notice must include:

“(1) A specific description of the military installation, or a specific description of the relevant real and personal property.

(2) Statements of support for the realignment or closure from units of local government in which the installation is located.

(3) A detailed plan for the reuse or redevelopment of the real and personal property of the installation, together with a description of the local redevelopment authority which will be responsible for the implementation of the plan.”<sup>84</sup>

The most recent Department of Defense Infrastructure Capacity Report was updated in October 2017.<sup>85</sup> The final selection criteria for the 2005 round of base closures and realignments can be found in Title 10 United States Code § 2687.<sup>86</sup> The Association of Defense Communities has summarized important elements of the FY 2019 National Defense Authorization Act.<sup>87</sup> Policy makers and stakeholders should review the 2017 Commission report and the 2008 BRAC Task Force report for additional research, analysis, and context related to BRAC.

## The Current Report

There are multiple purposes of the present report. First, this report will serve to update the economic impact data presented in *The Economic Impact of Nebraska Military Assets* from November 15, 2017, thereby providing a current snapshot of the economic impacts of military and veteran spending in the state. This information will yield a comprehensive understanding of the magnitude of military and veteran spending in Nebraska. Data for these analyses have been derived from a wide range of sources including federal statistics from the Department of Defense, the Census Bureau, and the Department of Veterans Affairs; statistics from reports produced by Offutt Air Force Base and the Nebraska National Guard; and from correspondence with Army, Navy, Air Force, and Marine Corps Reserves. Analysts

---

<sup>82</sup> U.S. Congress, John S. McCain National Defense Authorization Act for Fiscal Year 2019. (2018). Available: <https://www.congress.gov/115/bills/hr5515/BILLS-115hr5515enr.pdf>

<sup>83</sup> U.S. Congress, John S. McCain National Defense Authorization Act for Fiscal Year 2019. (2018). Available: <https://www.congress.gov/115/bills/hr5515/BILLS-115hr5515enr.pdf>

<sup>84</sup> U.S. Congress, John S. McCain National Defense Authorization Act for Fiscal Year 2019. (2018). Available: <https://www.congress.gov/115/bills/hr5515/BILLS-115hr5515enr.pdf>

<sup>85</sup> Department of Defense, Infrastructure Capacity Report. (October 2017). Available: <https://democrats-armedservices.house.gov/cache/files/d/a/da59cb94-76f7-466b-b03b-717ab49fece6/92C3CB18EA9CF53C0D25FFE91C09C3F0.infrastructure-capacity-report-october-2017.pdf>

<sup>86</sup> United State Code Title 10, Subtitle A, Part IV, Chapter 159, § 2687. (2018). Available: <http://uscode.house.gov/view.xhtml?req=granuleid:USC-prelim-title10-section2687&num=0&edition=prelim>

<sup>87</sup> Association of Defense Communities. (2018). Available: [https://www.defensecommunities.org/wp-content/uploads/2015/01/NDAA-2019-Compendium\\_v2.pdf](https://www.defensecommunities.org/wp-content/uploads/2015/01/NDAA-2019-Compendium_v2.pdf)

utilize industry-standard approaches (i.e., IMPLAN, IMpact analysis for PLANning<sup>88</sup>) to derive estimates of the direct, indirect, and induced effects of defense and military retiree spending in the state. Direct effects include direct spending by the agencies on payroll and to vendors. Indirect effects include vendor spending at other local businesses. Induced effects capture business activity as employees spend their paychecks on goods and services. Second, this report will consider the aggregate benefits of military service upon the state economy. Data for this analysis is drawn from many of the same sources as described in the previous paragraph, and is informed by research that has been conducted through reviewing academic and applied research literature.

In sum, the current report will provide stakeholders with the situational awareness of current levels of spending on military installations and spending on veterans and military retirees, as well as the indirect effects of such spending. This report will also yield key insights into the various costs and benefits of proposed strategies to attract and retain veterans and retired DoD personnel into the state. Ultimately, the information can be used to further prepare the State of Nebraska for growth by identifying the strengths on which Nebraska might capitalize, as well as the potential weaknesses in this particular economic domain.

This report was funded through the Nebraska Department of Veterans' Affairs pursuant to Nebraska Revised Statute 55-605.<sup>89</sup>

---

<sup>88</sup> IMPLAN, Impact Analysis for Planning. (2018). Available: <http://implan.com/>

<sup>89</sup> Nebraska Revised Statute 55-605. (2018). Available: <https://nebraskalegislature.gov/laws/statutes.php?statute=55-605>

## 2. Military Assets and Spending

This chapter outlines the major military installations throughout the state, and provides detailed information on the employment, salary, and operating costs associated with each installation. The chapter covers active duty bases, National Guard bases and locations, and facilities where Reserves are located. Information on additional DoD assets is also included. Data were obtained from a wide range of sources including publicly available federal and state data sources, installation reports, personal communications with staff, and personal communications with legislative and governmental affairs staff.

### Offutt Air Force Base

Offutt Air Force Base has a long and storied history in Nebraska. Perhaps the state's most visible installation, Offutt's origins began with construction of Ft. Crook in the 1890's. The fort initially served as the home of U.S. Army Infantry units, and continued to serve this purpose through the early 1900's. In 1921, an airfield was built to facilitate takeoffs, landings, and refueling of military and government aircraft. Through the 1940's, Offutt Field served as the location of a new bomber plant that produced notable aircraft used during World War II. In 1948 the entire installation was transferred to the Department of the Air Force and was renamed Offutt Air Force Base. In this same year, Strategic Air Command (SAC) was established on base. Throughout the 1960's, 1970's and 1980's Offutt continued to grow and adapt to shifting threats around the globe. In 1992, SAC was disestablished and in its place, the United States Strategic Command (USSTRATCOM) was established. Over the years, USSTRATCOM has evolved and experienced organizational changes which resulted in its current organizational structure and role.

As of September 2016, Offutt AFB had 33 aircraft assigned. The base consists of 3,633 acres of land, 2.97 million square yards of paved surface, and 4.60 million square feet of building space. The base employs nearly 10,000 military, civilian and contractor staff, with a total payroll of over \$700 million and an additional \$677 million in expenditures on construction, service contracts, and other federal expenditures. According to the 2016 Offutt Economic Impact report, Offutt AFB awarded \$59 million in contracts to small businesses located in Nebraska, and an additional \$83.9 million in contracts to large businesses located in the state. In sum, the report estimated that Offutt AFB and USSTRATCOM have over a \$1.3 billion direct economic impact on the state.

**55<sup>th</sup> Wing.** Offutt AFB is the primary home of the 55<sup>th</sup> Wing. The 55<sup>th</sup> Wing is the largest wing in Air Combat Command and the second largest in the Air Force. The Wing provides global reconnaissance, real-time intelligence gathering, command and control, information warfare, electronic attack, treaty verification and combat support to national leaders and agencies as well as Air Force and joint warfighters. The wing's support functions include: base mobility; manpower; logistics; aircraft and vehicle maintenance; civil engineering; contracting; personnel administration and education; law enforcement; resource security; morale, welfare and recreation; medical and dental care; and local as well as global command, control, and communication capabilities. The wing performs staff requirements to include: administration; legal services; comptroller; public affairs; history; inspection; plans and programs; ground and flight safety; protocol; inspector general; chaplain services; sexual assault prevention and response; and equal opportunity functions for both military and civilian members. Pursuant to Nebraska Revised Statute 55-601, the commander of the 55<sup>th</sup> Wing of the Air

Combat Command or his or her designee serves as a nonvoting, ex officio member of Nebraska's Commission on Military and Veteran Affairs.<sup>90</sup>

**USSTRATCOM.** Offutt AFB is also home to the U.S. Strategic Command (USSTRATCOM). USSTRATCOM is responsible for detecting, deterring, and preventing strategic attacks against the U.S. and its partners. The command coordinates with other combatant commands and governmental agencies that provide national security. According to the Command Snap Shot, USSTRATCOM employs tailored nuclear, cyber, space, global strike, joint electronic warfare, missile defense, and intelligence capabilities to deter aggression, decisively respond if deterrence fails, assure allies, shape adversary behavior, defeat terror, and define the force of the future. The priorities of USSTRATCOM are Strategic Deterrence, Decisive Response, and A Combat-Ready Force.<sup>91</sup> Pursuant to Nebraska Revised Statute 55-601, the commander of the United States Strategic Command or his or her designee serves as a nonvoting, ex officio member of Nebraska's Commission on Military and Veteran Affairs.<sup>92</sup>

**557<sup>th</sup> Weather Wing.** In addition to the 55<sup>th</sup> Wing and USSTRATCOM, Offutt AFB is also home to the 557<sup>th</sup> Weather Wing. The 557<sup>th</sup> Weather Wing was formed when the Air Force Weather Agency was re-designated in March 2015. According to information provided on the 557<sup>th</sup> Wing Information webpage, the Wing maximizes America's military power through the exploitation of timely, accurate, and relevant weather information anytime and everywhere on the globe.<sup>93</sup> The 557<sup>th</sup> comprises more than 1,450 personnel, 11 squadrons, five detachments, and five operating locations. At Offutt AFB, the Wing is headquartered in the Lt. Gen. Thomas S. Moorman building, which is the first facility in the Air Force to earn a Leadership in Energy and Environmental Design gold rating by the U.S. Green Building Council.<sup>94</sup> Pursuant to Nebraska Revised Statute 55-601, the commander of the 557<sup>th</sup> Weather Wing of the United States Air Force or his or her designee serves as a nonvoting, ex officio member of Nebraska's Commission on Military and Veteran Affairs.<sup>95</sup>

**Additional Units on Offutt AFB.** In addition to the 55<sup>th</sup> Wing, USSTRATCOM, and the 557<sup>th</sup> Weather Wing several other critical organizations are located at Offutt AFB:

The 595<sup>th</sup> Command and Control Group, located at Offutt AFB, and "aligned under Eighth Air Force and Air Force Global Strike Command"<sup>96</sup> was activated in October 2016.<sup>97</sup> By realigning the 625<sup>th</sup> Strategic Operations Squadron, the 1<sup>st</sup> Airborne Command and Control Squadron, the 595<sup>th</sup> Aircraft Maintenance

---

<sup>90</sup> Nebraska Revised Statute 55-601. (2018). Available:

<https://nebraskalegislature.gov/laws/statutes.php?statute=55-601>

<sup>91</sup> U.S. Strategic Command, Command Snap Shot. (September 2018). Available:

<http://www.stratcom.mil/About/Command-Snapshot/>

<sup>92</sup> Nebraska Revised Statute 55-601. (2018). Available:

<https://nebraskalegislature.gov/laws/statutes.php?statute=55-601>

<sup>93</sup> 557<sup>th</sup> Weather Wing Fact Sheet. (September 2018). Available: <http://www.557weatherwing.af.mil/About-Us/>

<sup>94</sup> 557<sup>th</sup> Weather Wing Headquarters Building. (August, 2017). Available: <http://www.557weatherwing.af.mil/Fact-Sheets/Article/871835/557th-weather-wing-headquarters-building/>

<sup>95</sup> Nebraska Revised Statute 55-601. (2018). Available:

<https://nebraskalegislature.gov/laws/statutes.php?statute=55-601>

<sup>96</sup> 595<sup>th</sup> Command and Control Group. (2018). Available: <https://www.8af.af.mil/Units/595th-Command-and-Control-Group/>

<sup>97</sup> 55<sup>th</sup> Wing Public Affairs. (2016). Available: <https://www.acc.af.mil/News/Article-Display/Article/965021/595th-command-and-control-group-activates-at-offutt/>

Squadron, and 595<sup>th</sup> Strategic Communications Squadron under one command, the 595<sup>th</sup> Command and Control Group is able to “ensure U.S. strategic deterrence by providing aircrew, operators and maintenance personnel for nuclear command, control and communications (NC3) platforms enabling the National Command Authority survivable, real-time strategic assessment and global strike capabilities.”<sup>98</sup>

The 343<sup>rd</sup> Recruiting Squadron (RCS) is headquartered at Offutt AFB. The active duty squadron covers a 370,000 square-mile area that includes Iowa, Minnesota, Nebraska, North Dakota, South Dakota, and Wisconsin.<sup>99</sup> The 343<sup>rd</sup> RCS is tasked with recruiting highly talented and qualified personnel into the Air Force.

The 20<sup>th</sup> Intelligence Squadron (20 IS) is located on Offutt AFB. According to the 2016 Offutt AFB Economic Impact report, the 20 IS provides geospatial and targeting intelligence to combatant commanders and war fighting forces.

The Strategic Communications Wing One Detachment Offutt (SCW-1 DET Offutt) accomplishes USSTRATCOM’s Airborne Command Post mission. According to the 2016 Offutt AFB Economic Impact report, sailors provide security, maintenance, administration, and logistic support for the Navy's E-6B "Mercury" aircraft.

The Defense POW/MIA Accounting Agency (DPAA) maintains an accredited laboratory at Offutt AFB. Forensic anthropologists work to identify remains with the goal of “returning every POW/MIA possible, to their family.”<sup>100</sup>

The U.S. Air Force Heartland of America Band, a 15 member unit, has been assigned to Offutt AFB since 1948.<sup>101</sup> The band is well known to the Bellevue community, the State of Nebraska, and around the world for its commitment to excellence.

**Offutt AFB and USSTRATCOM Personnel and Spending.** Offutt AFB is home to many of the critical organizations that ensure the nation’s security. The vast majority of Offutt personnel live in Nebraska where they, in turn, spend their paychecks on goods and services. Units at Offutt purchase highly technical support and research and development services from local businesses as well as national companies with a presence in the state. Data from Offutt Air Force Base and USSTRATCOM were derived from the FY2017 *Offutt Air Force Base Economic Impact Report*. This report was provided directly to the authors for use in the present report.

The data indicate that Offutt AFB and USSTRATCOM combine to employ 9,621 individuals. The majority of these employees (6,859) are military members, with an additional 2,762 civilian employees. As Table

---

<sup>98</sup> 595<sup>th</sup> Command and Control Group. (2018). Available: <https://www.8af.af.mil/Units/595th-Command-and-Control-Group/>

<sup>99</sup> 343<sup>rd</sup> Recruiting Squadron. (2018). Available: <https://www.recruiting.af.mil/About-Us/Fact-Sheets/Display/Article/714509/343rd-recruiting-squadron/>

<sup>100</sup> 55<sup>th</sup> Wing Public Affairs. (November 17, 2017). Available: <https://www.offutt.af.mil/News/Article/1375455/laid-to-rest-dpaa-brings-record-number-of-service-members-home/>

<sup>101</sup> USAF Heartland of America Band. (2018). Available: <https://www.music.af.mil/Bands/US-Air-Force-Heartland-of-America-Band/About-Us/>

5 indicates, 1,108 members of the 55<sup>th</sup> Wing are stationed elsewhere, outside of Nebraska. This results in 9,621 total military and civilian personnel stationed in Nebraska. A number of other employees from non-appropriate funds (funds self-generated by Air Force clubs, bowling centers, golf courses, et al), employees from the Base Exchange, and employees from the SAC Federal Credit Union are also located on Offutt, but are not included in this analysis.

Active Duty Air Force	6,387
Active Duty Army, Navy, Marines	472
Active Duty (Non-Nebraska)	1,108
<b>Total Nebraska-Based Military</b>	<b>6,859</b>
Appropriated Fund Civilians	2,762
<b>Total</b>	<b>9,621*</b>
*Personnel counts are current as of November 15, 2018.	

Total payroll figures from the FY2017 Offutt Economic Impact Study indicate over \$729 million in payroll to military and civilian members (see Table 6).<sup>102</sup> The majority of payroll and benefits was spent on military members (\$463.9 million), with pay and benefits to appropriated civilian personnel totaling \$265.3 million. In addition, over \$500.8 million in general operating expenditures were spent in FY 2017. These costs were devoted to construction, service contracts, and other federal expenditures. It must be noted that construction costs decreased substantially between FY 2016 and FY 2017, likely due to the near-completion of the new USSTRATCOM headquarters building. In sum, nearly \$1.23 billion in total expenditures were made in FY 2017.

<b>Payroll</b>	<b>Dollars</b>
Military Members-All Services	\$463,909,397
Appropriated Fund Civilians	\$256,523,744
Other Civilian Employees	\$8,766,433
<b>Total Payroll</b>	<b>\$729,199,574</b>
<b>Base Expenditures</b>	
Construction	\$22,525,547
Service Contracts	\$344,126,644
Other Federal Expenditures	\$134,187,642
<b>Total Base Expenditures</b>	<b>\$500,839,833</b>
<b>Total Payroll and Expenditures</b>	<b>\$1,230,039,407</b>
Source: Offutt Air Force Base Economic Impact Analysis, FY 2017.	

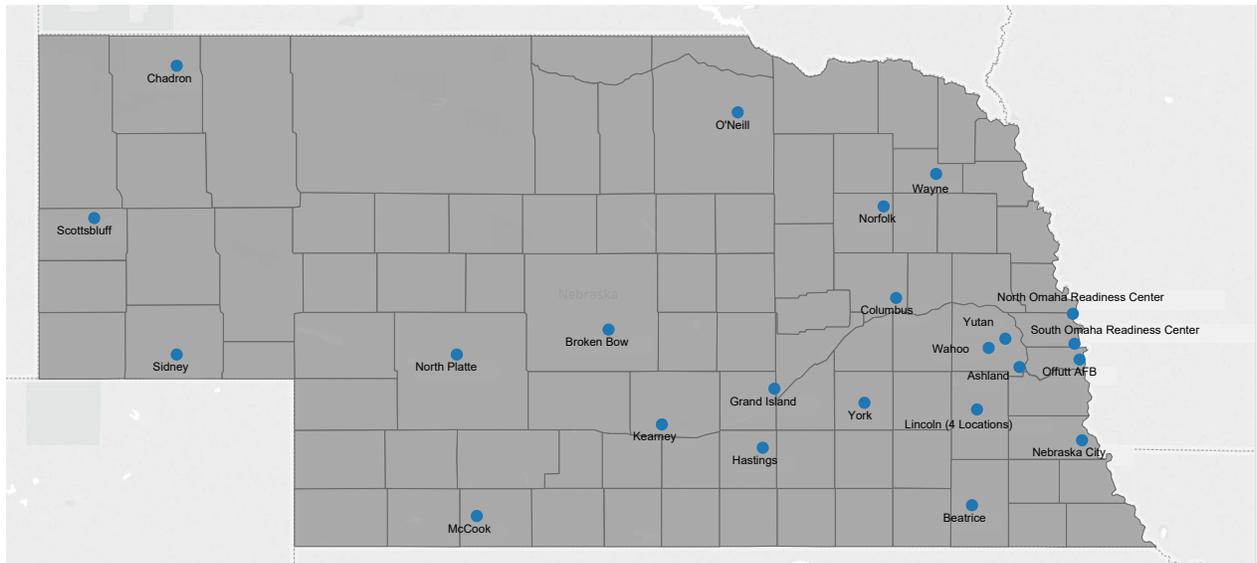
<sup>102</sup> The 2017 Offutt AFB Economic Impact Analysis noted a total of \$729,199,574 in payroll to military and civilian personnel. Pay to non-appropriated civilian employees, base exchange employees, and SAC Federal Credit Union employees totaled \$8,766,433. Analysts did not include the salary for these personnel, as they were assumed to be in the multiplier in the economic impact assessment. This results in a total of \$720,433,141 in salary for military and civilian personnel at Offutt AFB.

## Nebraska National Guard, Air National Guard, and Nebraska Emergency Management Agency

The Army National Guard and the Air National Guard are two of the three components of the Nebraska Military Department. Under Title 32 of the U.S. Code, National Guard members are federally funded, yet are under state control. These units can be called under State Active Duty to help assist with emergencies and other scenarios in Nebraska, and can also be called into duty under various interstate compacts to provide assistance in other states.

The National Guard maintains a considerable presence in locations throughout the state. Nebraska National Guard locations are presented on the map in Figure 2 below. Collectively, the bases and installations in the state are referred to as “Fort Nebraska.” Comprising Fort Nebraska are 25 Readiness Centers and one Air National Guard Base distributed across 23 communities. Larger installations include Camp Ashland in Ashland, the Lincoln Army Aviation Support Facility/Readiness Center in Lincoln, the Greenleaf Training Site in Hastings, and the Mead Training Site. The Air National Guard maintains a large facility at the Lincoln Municipal Airport. The Army National Guard operates smaller facilities in Beatrice, Broken Bow, Chadron, Columbus, Grand Island, Kearney, Lincoln, McCook, Nebraska City, Norfolk, North Platte, Omaha (North Omaha Readiness Center and South Omaha Readiness Center), Offutt AFB, O’Neill, Scottsbluff, Sidney, Wahoo, Wayne, York, and Yutan. All told, the Nebraska National Guard maintains over 2.7 million square feet of facilities and manages 6,434 acres of land in Nebraska. According to a 2017 Nebraska National Guard Economic Impact Report,<sup>103</sup> a total of 4,483 personnel are assigned to the facilities owned and managed by the Guard (see Table 7).

**Figure 2. Nebraska National Guard and Air National Guard Locations**



Source: Map produced by authors based on personal communications with Nebraska National Guard Governmental Affairs Office.

<sup>103</sup> The report was made available to BBR researchers in August, 2018, via the Nebraska National Guard office of Government Relations.

Key capabilities of the Nebraska National Guard include air refueling, military police, engineering, chemical, cavalry, support/maintenance, rotary aviation and medical. In line with the Department of Defense’s assessment of potential threats to U.S. national security interests, the Nebraska National Guard’s mission is focused on the Russian sphere of influence, the growth of China, Iran’s aggression, North Korea’s belligerence, and the fight against terrorism in the Middle East. Accordingly, members of the Nebraska National Guard are currently mobilized to locations around the globe, with the greatest concentration of Nebraska National Guard members mobilized to countries in the U.S. Central Command (USCENTCOM) Area of Responsibility (AOR). The Nebraska National Guard also supports the health, safety, and welfare of Nebraskans and other citizens in need.

These facilities and locations provide employment and training opportunities for Nebraskans, and also provide support for Nebraska businesses which provide much of the contracted operational support at these facilities. Furthermore, National Guard members receive valuable vocational training during their time with the Guard. While difficult to quantify, this training has the potential to enhance the occupational skillsets of National Guard members, thereby increasing the earning potential of these individuals in their civilian careers.

The Nebraska Emergency Management Agency (NEMA) is the third component of the Nebraska Military Department. Currently, the agency is located at the Joint Force Headquarters on the Nebraska National Guard base in Lincoln. According to the 2017 Nebraska National Guard Economic Impact Report, there are 40 full-time positions dedicated to NEMA. The agency focuses on four primary phases of emergency management: preparedness, response, recovery, and mitigation. NEMA works with partners at the local and federal levels to prepare for man-made or natural disasters. Once a disaster occurs, NEMA has an established procedure through which localities can request state assistance in the wake of a disaster. If a local entity does request and receive state support following an emergency, yet the state resources through the Governor’s Emergency Fund are insufficient for proper response, the state can in turn request support and assistance from the federal government.

Traditional National Guard	3,792
Active Guard Reserve Title 32	510
Active Duty Title 10	21
Total Military Personnel	4,323
Federal Civil Service Technicians	21
State Personnel Serving Army National Guard	56
State Personnel Serving Air National Guard	67
State Personnel Serving Both Army & Air National Guard	16
State Personnel Serving NEMA	40*
<b>Military Department Total Personnel</b>	<b>4,523</b>
Source: Nebraska Military Department, Nebraska National Guard 2017 Annual Report	
*These 40 personnel are not included in the economic impact estimates for the Nebraska National Guard in Chapter 4 of this report.	

## National Guard and NEMA Spending

Data related to the personnel and organizational costs for the Nebraska National Guard were derived from the 2017 Nebraska National Economic Impact Report. The data from that report indicate there are 4,523 total military and state employees across the Nebraska National Guard. The total number of employees includes 40 employees from NEMA. As indicated in the National Guard 2017 Economic Impact Report, the total Military Department Payroll is \$130.6 million in combined federal and state salary for the National Guard. There are \$47.8 million in benefits and incentives as well. Over \$71.7 million in operational funds are used to support the activities of the Nebraska National Guard.

Table 8 below presents these totals. Please note that these totals were derived directly from the National Guard 2017 Economic Impact Report. In the execution of the economic impact analysis presented in Chapter 4, analysts eliminated some categories of spending from the analysis. Therefore, the figures used in Chapter 4 may differ slightly from the figures presented here. More detail on what is included in the economic impact analysis is included in Chapter 4.

Payroll	\$130,624,903
Benefits	\$47,756,130
Operational Funds	\$71,678,591
<b>Total Payroll, Benefits and Operations</b>	<b>\$250,059,624</b>
Source: Nebraska Military Department, Nebraska National Guard 2017 Economic Impact Report	

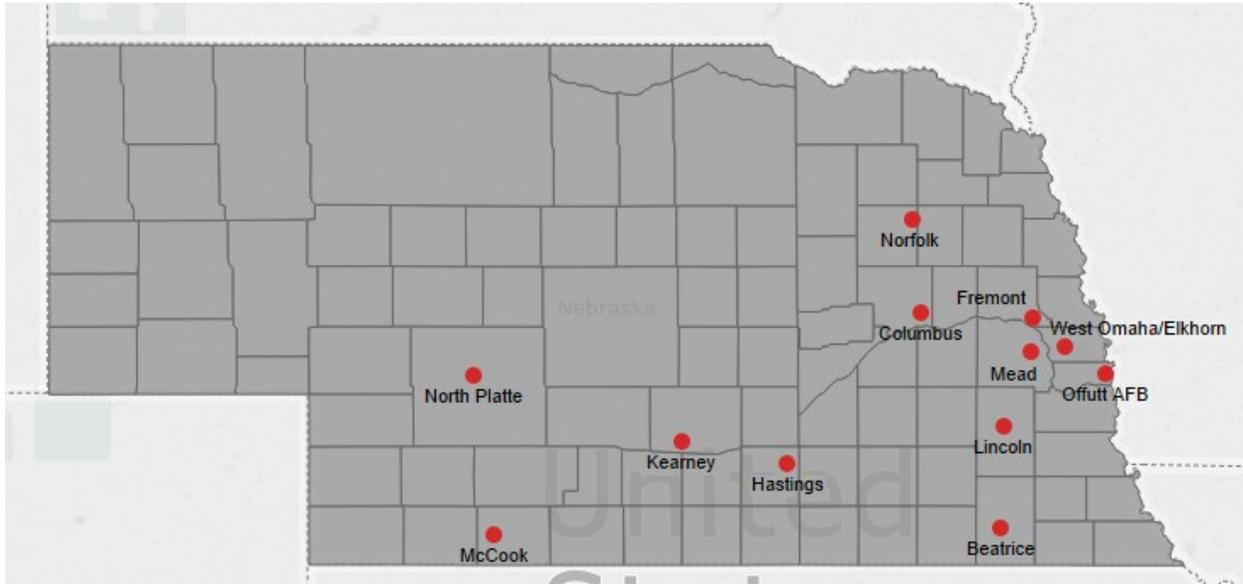
## Reserve Components

**Army Reserve.** The Army Reserve is the Army's federal reserve force that provides depth and support to the Joint Force. The Army Reserve provides access to trained and ready Soldiers, leaders, and cohesive units.<sup>104</sup> The Army Reserve maintains facilities and units throughout Nebraska. Army Reservists serve in Beatrice, Columbus, Elkhorn (Omaha), Fremont, Hastings, Kearney, Lincoln, McCook, Mead, Norfolk, North Platte, and at Offutt AFB. These locations are presented on the map in Figure 3. In Nebraska, Army Reserve forces have medical, logistical, transportation, military police, engineering, and quartermaster capabilities.<sup>105</sup>

<sup>104</sup> U.S. Army Reserve, About Us. Available: <http://www.usar.army.mil/About-Us/>

<sup>105</sup> U.S. Army Reserve, State of Nebraska and the United States Army Reserve. Available: <http://www.usar.army.mil/Featured/Ambassador-Program/Find-an-Ambassador/Nebraska/>

**Figure 3. Army Reserve Locations in State of Nebraska**



Source: Map produced by authors based on information received from Office of the Chief, Army Reserve, Legislative Affairs.

As of July, 2017, there were 1,325 Army Reserve personnel assigned throughout the Nebraska. Based on FY 2015 and FY 2014 figures, there were over \$23.3 million in payroll across military and civilian personnel (see Table 9).<sup>106</sup>

<b>Table 9. Army Reserve Personnel and Expenses</b>		
	Number	Payroll
Army Reserve Personnel and Active Guard Reserve	1,268	\$18,953,726
Civilian Personnel	57	\$4,346,706
<b>Total</b>	<b>1,325</b>	<b>\$23,300,432</b>

Source: Office of the Chief, Army Reserve, Legislative Affairs

<sup>106</sup> Nebraska Army Reserve Economic Impact Data obtained via Office of the Chief, Army Reserve, Legislative Affairs.

**Air Force Reserve.** The U.S. Air Force Reserve maintains a presence at Offutt AFB Nebraska. Offutt AFB is home to the 49<sup>th</sup> Intel Squadron (part of the 655<sup>th</sup> Intelligence, Surveillance, and Reconnaissance Group), the 960<sup>th</sup> Network Warfare Flight (part of the 960<sup>th</sup> Cyberspace Operations Group), HQ Support Air Force Elements (AFELM), the Readiness and Integration Organization Detachment, and the Central Recruiting Squadron Operation location. Across these organizations, 160 military and 11 civilian (171 total) employees are located at Offutt AFB. A recent economic impact report conducted by the Air Force Reserve Command<sup>107</sup> indicated that salary for Reserves and Civilians is \$3.57 million, with an additional \$482,000 in construction, services, and travel. This results in a total of \$4.05 million in operations and maintenance for these units.

Data provided by the Reservist Readiness and Integration Organization at USSTRATCOM showed an additional 108 U.S. Air Force Reservists assigned to USSTRATCOM and stationed at Offutt AFB in FY 2017.<sup>108</sup> No salary or operational spending information in support of these Reservists was available. However, analysts derived estimates of the per-Reservist spending based on information from the Air Force Reserve Command (\$23,684 per Reservist). Applying this estimate to the 108 Reservists assigned to USSTRATCOM, analysts estimate a total cost of \$2.56 million. These figures were summed with the Air Force Reservists personnel and spending totals from above. As shown in Table 10, this results in a total of 279 Air Force Reservists in Nebraska, with a total of \$6.61 million in spending in support of Reserve activities.

<b>Table 10. Air Force Reserve Personnel and Expenses</b>		
	Number	Payroll and Operations
Air Force Reserve and Civilian Personnel	279	\$6.61 million
Sources: Air Force Reserve Command; Reservist Readiness and Integration Organization.		

**U.S. Marine Corps Reserve.** Omaha is home to Detachment 1, Maintenance Company of Combat Logistics Battalion 451, a part of the 4<sup>th</sup> Marine Logistics Group of the Marine Corps Forces Reserve. Located near the Metro Community College campus in North Omaha, Detachment 1 occupies 4.4 acres of land and maintains 42,226 square feet of facilities. As of FY 2017, personnel include 12 active duty personnel, 4 active reserve personnel (three U.S. Marine Corps and one U.S. Navy), and 115 Reserve personnel, for a total of 131 personnel stationed in Omaha. Annual salary is \$2.36 million, and total annual operating costs are \$341,865.<sup>109</sup>

<sup>107</sup> The BBR also received FY 2018 data on Air Force Reserves in the state. To promote consistency with the rest of the figures in this report—which primarily rely on FY 2017 numbers—the BBR relied upon FY 2017 figures. The FY 2018 data show that 194 military and 9 civilian (203 total) employees are located at Offutt. A recent economic impact report conducted by the Air Force Reserve Command indicated that salary for Reserves and Civilians is \$7.80 million, with an additional \$844,000 in construction, services, and travel. This results in a total of \$8.64 million in operations and maintenance for these units. Source: Air Force Reserve Command. (2018). Economic Impact Assessment (EIA): A Summary of the Economic Impact of AFRC in Nebraska in 2018. Obtained via personal communication.

<sup>108</sup> Information on Air Force Reserves serving at USSTRATCOM received from Reservist Readiness and Integration Organization, Detachment 3, Offutt AFB.

<sup>109</sup> As with the Air Force Reserve, analysts at the BBR did receive data on the U.S. Marine Corps Reserves for FY 2018. For consistency with other numbers in the report, data from FY 2017 were used in this report.

**Navy Reserve.** The Navy Operational Support Center (NOSC) Omaha is located on Offutt Air Force Base where it occupies an 18,914 square foot facility on 2.14 acres of land. In FY 2017, personnel included 4 active duty personnel, 13 active reserve personnel, and 258 Reserve personnel, for a total of 275 personnel stationed in Omaha. The salary paid between October 1, 2016 and August 31, 2017 was \$2.23 million.<sup>110</sup>

**U.S. Army Corps of Engineers.** The U.S. Army Corps of Engineers (USACE), Omaha District plays a significant role in Nebraska and throughout the Missouri River Basin. The Corps is one of the largest Federal employers in Omaha and the state, with 850 employees located at the headquarters in downtown Omaha. These employees help the Corps execute military construction, civil works, and environmental restoration projects in Nebraska and throughout the region. As indicated in a recent press release, the USACE Omaha Division currently has 850 employees, with a payroll of \$64.33 million (see Table 11).

	Number	Payroll
Personnel	850	\$64,333,950
Source: U.S. Army Corps of Engineers, Omaha District. (2017). Celebrating National Engineers Week, Omaha District Continues to Serve. Available: <a href="http://www.nwo.usace.army.mil/Media/News-Releases/Article/1094964/celebrating-national-engineers-week-omaha-district-continues-to-serve/">http://www.nwo.usace.army.mil/Media/News-Releases/Article/1094964/celebrating-national-engineers-week-omaha-district-continues-to-serve/</a>		

In addition to its operations in Omaha, the Corps plays a vital role throughout Nebraska maintaining waterways, earthen dams, reservoirs, and one hydroelectric facility. Table 12 presents the total operation and maintenance budget for civil works conducted by the Corps in Nebraska in FY 2016. As the table indicates, operation and maintenance costs for Gavins Point Dam were nearly \$10 million, with an additional \$4.43 million in costs to operate and maintain Harlan County Lake in south central Nebraska. All told, \$18.85 million in operation and maintenance costs were accrued during FY 2017. When combined with the payroll of personnel at USACE Omaha District Headquarters, there was over \$82 million in spending by the USACE in Nebraska in FY 2017.

<sup>110</sup> As with the Air Force Reserve data, we chose to utilize FY 2017 data for the impact analysis of Navy Reserve operations in the state. The BBR did receive FY 2018 data from the U.S. Navy Reserve. Information received shows that in FY 2018, personnel include 6 active duty personnel, 14 active reserve personnel, and 258 Reserve personnel, for a total of 278 personnel stationed at the location. The salary paid between October 1, 2017 and August 31, 2018 was \$2.58 million; sustainment costs during the same period were \$1.40 million.

<b>Table 12. U.S. Army Corp of Engineers Civil Works Spending in Nebraska, FY 2017</b>			
	Operation	Maintenance	Total O&M
Gavins Point Dam, Lewis and Clark Lake	\$7,978,000	\$1,328,000	\$9,306,000
Harlan County Lake	\$1,925,000	\$2,468,000	\$4,393,000
Inspection of Completed Environmental Projects	\$33,000		\$33,000
Inspection of Completed Works	\$1,213,000		\$1,213,000
Missouri River – Kenslers Bend, NE to Sioux City, IA	\$70,000	\$20,000	\$90,000
Papillion Creek	\$748,000	\$132,000	\$880,000
Salt Creeks and Tributaries	\$2,834,000	\$100,000	\$2,934,000
<b>Total</b>			<b>\$18,849,000</b>
Source: Department of the Army Office, Assistant Secretary of the Army. (2016). Fiscal Year 2017: Civil Works Budget of the U.S. Army Corps of Engineers. Available: <a href="http://cdm16021.contentdm.oclc.org/utills/getfile/collection/p16021coll6/id/1571/filename/1572.pdf">http://cdm16021.contentdm.oclc.org/utills/getfile/collection/p16021coll6/id/1571/filename/1572.pdf</a>			

**National Strategic Research Institute.** The National Strategic Research Institute (NSRI) at the University of Nebraska was formed in 2012. The NSRI is one of 13 University Affiliated Research Centers (UARCs) in the U.S. The NSRI is engaged in a long-term, strategic partnership with its DoD sponsor, USSTRATCOM, to provide mission critical research and development capabilities for USSTRATCOM and other DoD components. Working with researchers from across the university system, the NSRI has five competencies related to combating weapons of mass destruction (CWMD): Nuclear Detection and Forensics; Detection of Chemical and Biological Weapons; Passive Defense Against Weapons of Mass Destruction; Consequence Management; and Space, Cyber and Telecommunications Law. To date, over 40 faculty and 60 students from across the University System have engaged with NSRI. In FY 2016, \$18.3 million in research funds were awarded to investigators throughout the University. As of Fall 2017, over \$42 million in research funds have been distributed.<sup>111</sup> As noted above, in 2018 the NSRI’s work with the U.S. Strategic Command was renewed with a five-year, \$92 million contract from the U.S. Air Force. The growth of NSRI and its relationships with researchers at the University of Nebraska have positioned NSRI to be a leader in the funding of leading research and development related to defense and CWMD in Nebraska. The UARC has the potential to further grow the ties between the University of Nebraska, the DoD, and industry in the state. As such, the UARC has the potential to be an extremely valuable asset in future DoD considerations of cooperation between local public and private entities, and local DoD assets.

<sup>111</sup> National Strategic Research Institute. (2016). 2016 Annual Report. Available: <https://nsri.nebraska.edu/-/media/nsri/documents/2016-annual-report.ashx>

### 3. Department of Defense Military Retiree and Veterans Affairs Spending

In addition to the personnel and operational costs associated with military installations, service in the military has a significant impact on Nebraska’s economy through the country’s support of veterans and retired military personnel. This chapter presents the total amount of federal and state spending on military retirees, spending made through the U.S. Department of Veterans Affairs, and through the State of Nebraska Department of Veterans’ Affairs. Data were obtained via publicly available federal and state sources.

#### Military Retirees paid by the DoD

According to the Statistical Report on the Military Retirement System, FY 2017, there are currently 14,654 military retirees in Nebraska,<sup>112</sup> slightly down from 14,660 in FY 2016. Of these, 13,712 receive pension payments from the Federal Government through the DoD. The total amount of monthly pension payments was \$31.11 million dollars in FY 2017. Extrapolating this number across an entire year, military retiree pension payments totaled \$373.32 million in the state in FY 2017. This represents an increase from \$372.95 in annual payments distributed to Nebraska military retirees in FY 2016. Table 13 below presents the total number of military retirees and total amount of payments per DoD branch. The largest number of military retirees in the state are retired from the Air Force, not surprising given the large contingent of Air Force personnel at Offutt AFB.

	Military Retirees Receiving Compensation	Monthly Payments (in millions)	Annual Payments (in millions)
Army	3,211	\$5.69	\$68.28
Navy	1,832	\$3.93	\$47.16
Marines	342	\$0.79	\$9.48
AF	8,327	\$20.71	\$248.52
<b>Total</b>	<b>13,712</b>	<b>\$31.11</b>	<b>\$373.32</b>

Source: DoD Office of the Actuary, Statistical Report on the Military Retirement System, Fiscal Year 2017. Available: [https://actuary.defense.gov/Portals/15/Documents/MRS\\_StatRpt\\_2017%20v4.pdf?ver=2018-07-30-094920-907](https://actuary.defense.gov/Portals/15/Documents/MRS_StatRpt_2017%20v4.pdf?ver=2018-07-30-094920-907).

#### U.S. Department of Veterans Affairs

The U.S. Department of Veterans Affairs (VA)<sup>113</sup>, provides services in several locations throughout the state (see Figure 4).<sup>114</sup> Facilities include the Omaha VA Medical Center and the Grand Island VA Medical

<sup>112</sup> DoD Office of the Actuary, Statistical Report on the Military Retirement System, Fiscal Year 2017. (2018). Available: [https://actuary.defense.gov/Portals/15/Documents/MRS\\_StatRpt\\_2017%20v4.pdf?ver=2018-07-30-094920-907](https://actuary.defense.gov/Portals/15/Documents/MRS_StatRpt_2017%20v4.pdf?ver=2018-07-30-094920-907)

<sup>113</sup> For the purposes of this report, we will use VA to abbreviate U.S. Department of Veterans Affairs instead of USDVA which is commonly used. for the Nebraska Department of Veterans’ Affairs we will use NDVA.

<sup>114</sup> U.S. Department of Veterans Affairs, VA Locations and Facilities in Nebraska. (2018). Available: [https://www.va.gov/Directory/guide/fac\\_list\\_by\\_state.cfm?State=NE&dnum=All](https://www.va.gov/Directory/guide/fac_list_by_state.cfm?State=NE&dnum=All)

Center. VA Clinics exist in Bellevue, Gordon, Holdrege, Lincoln, Norfolk, North Platte, O’Neill, and Scottsbluff. The Grand Island VA Medical Center and Community-Based Outpatient Clinics in Bellevue, Holdrege, Lincoln, Norfolk, North Platte, and O’Neill fall under the VA Nebraska-Western Iowa Health Care System, a part of Veterans Integrated Service Network (VISN) 23: VA Midwest Health Care Network.<sup>115</sup> The Community Based Outpatient Clinic in Gordon and Scottsbluff (Panhandle of Nebraska CBOC) fall under the VA Black Hills Health Care System which is also a part of VISN 23.<sup>116</sup> The VA Multi-Specialty Outpatient Clinic in Sidney falls under the Cheyenne VA Medical Center, a part of VISN 19: Rocky Mountain Network.<sup>117</sup> “Vet Centers” in Omaha and Lincoln fall under the Veterans Health Administration and provide counseling, community outreach, and other service referrals. Finally, the Veterans Benefits Administration Midwest District maintains five facilities: the Lincoln Regional Benefits Office, the Intake Site at Offutt AFB, the Forest Lawn Cemetery Soldiers’ Lot, the Fort McPherson National Cemetery, and the Omaha National Cemetery.

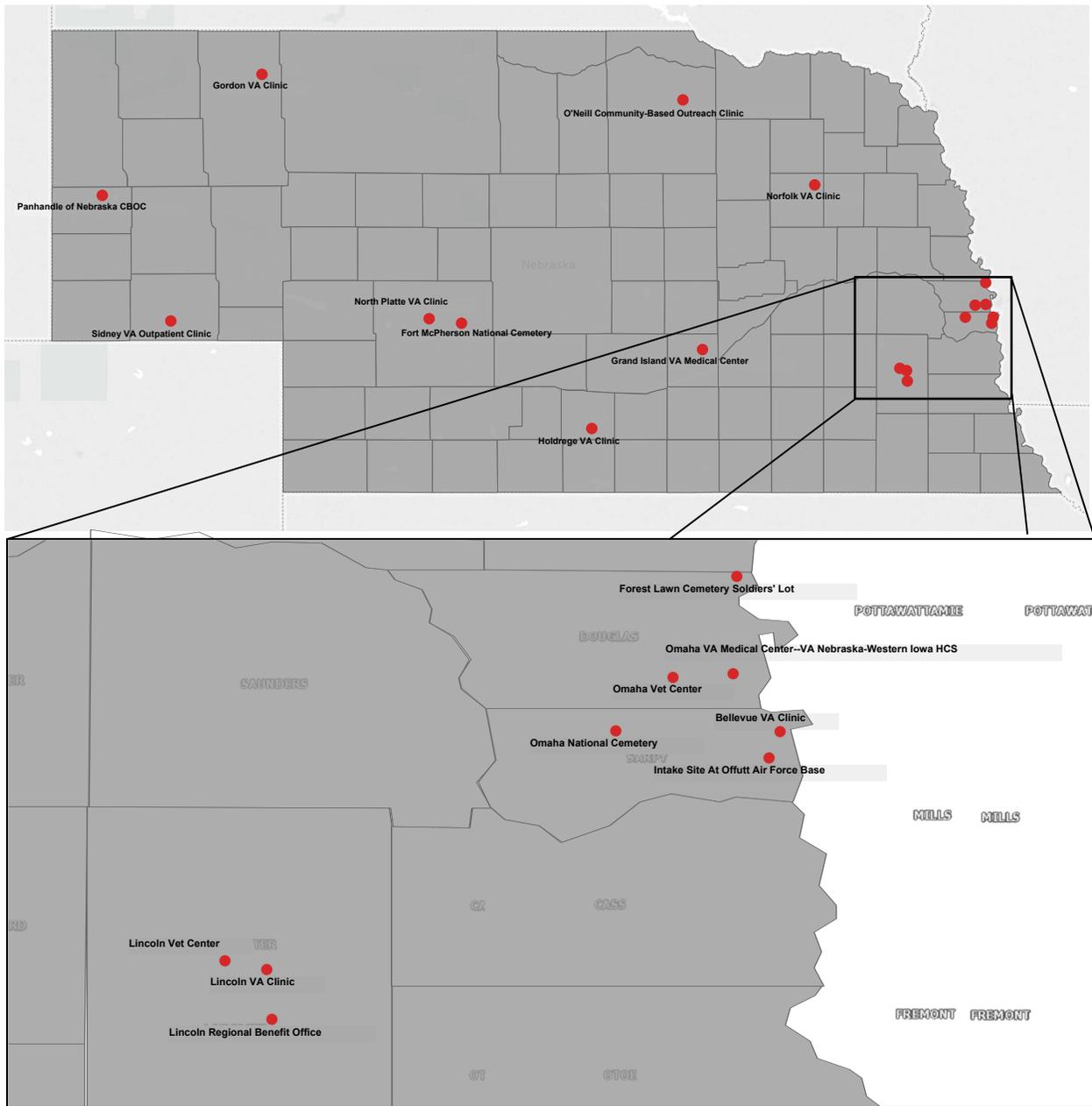
---

<sup>115</sup> VA Nebraska-Western Iowa Health Care System. (2018). Available: <https://www.nebraska.va.gov/>

<sup>116</sup> VA Black Hills Health Care System. (2018). Available: <https://www.blackhills.va.gov/>

<sup>117</sup> Sidney VA MSOC. (2018). Available: [https://www.cheyenne.va.gov/locations/Sidney\\_VA\\_MSOC.asp](https://www.cheyenne.va.gov/locations/Sidney_VA_MSOC.asp)

**Figure 4. VA Facilities and Locations in the State of Nebraska**



Source: Map produced by authors using data from: [https://www.va.gov/Directory/guide/fac\\_list\\_by\\_state.cfm?State=NE&dnum=All](https://www.va.gov/Directory/guide/fac_list_by_state.cfm?State=NE&dnum=All)

According to *Governing Magazine*<sup>118</sup> there were a total of 2,709 VA employees employed at locations throughout the state in 2017. This is an increase of 108 employees from the 2,601 VA employees identified by *Governing Magazine* in 2016. Across these locations, the VA provides a wide variety of services to the many veterans living in Nebraska. These services include the full range of health services

<sup>118</sup> *Governing Magazine*. (2017). Federal Employees by State. Available: <http://www.governing.com/gov-data/federal-employees-workforce-numbers-by-state.html>

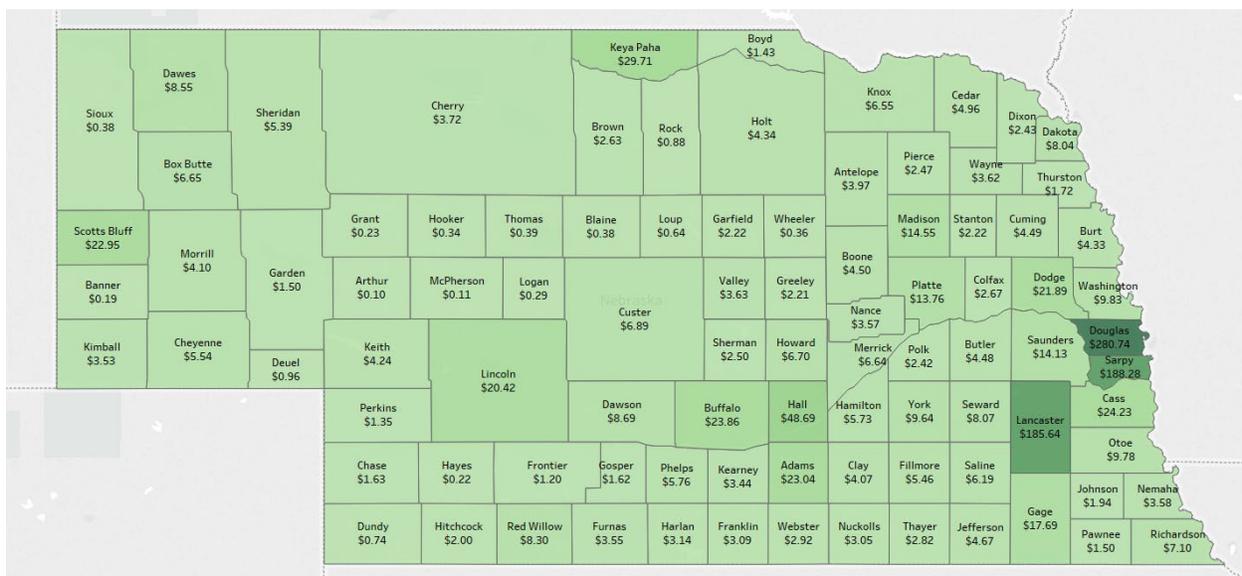


Compensation & Pension	Construction	Education & Vocational Rehabilitation/ Employment	General Operating Expenses	Insurance & Indemnities	Medical Care	Total
\$582.54	\$17.00	\$61.91	\$40.74	\$12.31	\$496.29	<b>\$1,210.79</b>

Source: U.S. Department of Veterans Affairs, National Center for Veterans Analysis and Statistics, Geographic Distribution of Expenditures, Fiscal Year 2017

To understand the general distribution of VA dollars in Nebraska, it is useful to examine VA spending levels in each county. The map below in Figure 6 presents the total amount of VA spending per county that took place in Nebraska in FY 2017. It is likely that VA spending contributes to health care spending as veterans purchase health care and related services primarily in the county in which they live. However, it is also likely that a significant proportion of veterans in rural counties must travel to population centers to receive required health care. Once again, the largest spending totals are seen in the counties with the highest numbers of military veterans. It is clear from the map that VA spending impacts every county in the state, contributing millions of dollars to the state and local economies.

**Figure 6. VA Expenditures per County in the State of Nebraska FY 2017 (in millions)**

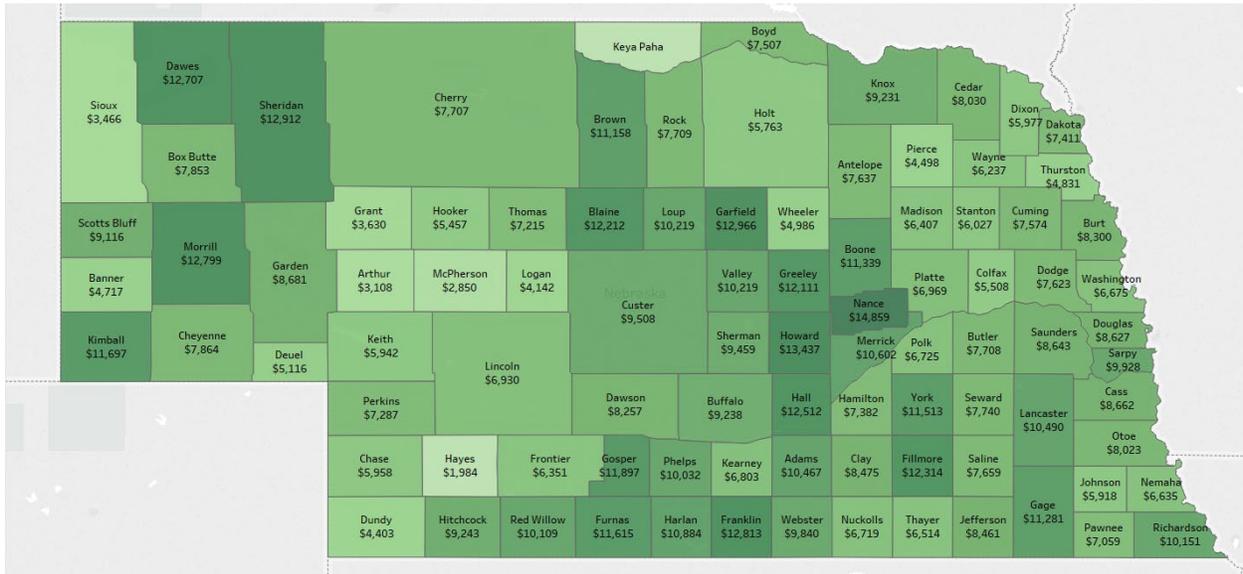


Source: Map produced by authors using data from *National Center for Veterans Analysis and Statistics, FY 2017 Geographic Expenditures Table*: <https://www.va.gov/vetdata/expenditures.asp>

While the above map above presents important information about where federal VA dollars are flowing in the state, it may be useful to examine VA spending per capita at the county level. Such an analysis provides a more standardized way to view the potential impact of VA spending, in relation to the total population in a county. First, an analysis of VA spending per unique patient shows that the VA spent about \$25,115 per unique patient (\$1.21 billion/48,179 patients) in Nebraska in 2017. This is an

increase from 2016, where the VA spent about \$24,246 per unique patient. Figure 7 presents the results of this analysis, with darker shades of green related to more per-veteran spending in the county. As the figure illustrates, many of the counties with higher per-veteran spending are located in the central and south-central portions of the state. Several counties in the panhandle also have relatively high per-veteran spending rates.

**Figure 7. VA Spending per Veteran per County in the State of Nebraska (FY 2017)**



Note: Keya Paha County received over \$29 million in VA funding in FY 2017, with only 56 known veterans. Per capita spending in Keya Paha was \$528,331. For clarity of the map, per capita spending for Keya Paha was not presented in the map.

Source: Map produced by authors using data from *National Center for Veterans Analysis and Statistics, FY 2017 Geographic Expenditures Table*: <https://www.va.gov/vetdata/expenditures.asp>

**Projected Change in Veteran Populations in Nebraska.** One consideration to make as Nebraska continues to project how military and veteran spending might impact the state’s economy into the future is population growth in the state. Current population estimates indicate that the number of veterans in the state is likely to decline in future years; as will be seen in a later chapter the state’s veteran population has declined substantially from 2005 to 2017. It is likely that this trend will continue. Figure 8 below presents the projected veteran population by county in Nebraska. As the map illustrates, every county but Sarpy is expected to experience a decrease in the number of veterans between 2017 and 2025. The population centers of Douglas and Lancaster County are projected to lose substantial proportions of veterans by 2025.

Notably, VA spending has increased while the number of veterans has decreased. This trend suggests that the VA has increased its per-capita spending in the state. Alternatively, it might be that a greater proportion of veterans in the state are receiving services through the VA. While it is therefore possible that VA and DoD retiree spending may increase per capita into the future, it will be prudent for the Nebraska Commission on Military and Veteran Affairs and other stakeholders to assess how and whether reduced numbers of veterans and retirees in the state might impact the flow of VA resources into the state.



<b>School</b>	<b>Location</b>	<b>Students</b>
Bellevue University	Bellevue, NE	1,624
University of Nebraska at Omaha	Omaha, NE	1,067
Metropolitan Community College	Omaha, NE	923
University of Nebraska-Lincoln	Lincoln, NE	662
Southeast Community College-Lincoln	Lincoln, NE	304
Creighton University	Omaha, NE	278
University of Nebraska at Kearney	Kearney, NE	205
Central Community College-Grand Island	Grand Island, NE	100
Doane University-Lincoln	Lincoln, NE	96
Northeast Community College	Norfolk, NE	94
Western Nebraska Community College	Scottsbluff, NE	85
Central Community College-Hastings	Hastings, NE	82
University of Nebraska Medical Center	Omaha, NE	74
Chadron State College	Chadron, NE	71
Wayne State College	Wayne, NE	65
Peru State College	Peru, NE	63
Nebraska Wesleyan University	Lincoln, NE	62
Southeast Community College-Milford Campus	Milford, NE	60
Concordia University-Nebraska	Seward, NE	53
Nebraska Methodist College of Nursing and Allied Health	Omaha, NE	47
Midland University	Fremont, NE	45
Clarkson College	Omaha, NE	43
College of Saint Mary	Omaha, NE	42
Embry-Riddle Aeronautical University-Offutt AFB	Bellevue, NE	35
Central Community College-Columbus	Columbus, NE	31
Doane University-Crete	Crete, NE	28

**Nebraska Department of Veterans’ Affairs**

The State of Nebraska Department of Veterans’ Affairs (NDVA) also provides health care-related services to veterans in the state. As of November 2018, NDVA operates four veterans homes located in Bellevue, Grand Island, Norfolk, and Scottsbluff. NDVA is making final preparations to open the new Central Nebraska Veterans’ Home in Kearney. These veterans’ homes provide a variety of medical, nursing, and rehabilitative services. The services range from assisted living care to skilled nursing care.<sup>121</sup> The Veterans’ Homes Board makes “all final determinations regarding admission, or continued admission, to

<sup>121</sup> Nebraska Revised Statute 80-316. (2018). Available: <https://nebraskalegislature.gov/laws/statutes.php?statute=80-316>

one of the homes.”<sup>122</sup> Eligible patients include veterans who served on active duty, who were discharged or otherwise separated with a characterization of honorable, and who lived in Nebraska for at least two years in their lifetime. Veterans must be disabled due to service or age, are at least partially dependent on public support, or that require care that can only be provided in a public facility. Spouses, widows, and widowers of veterans are eligible, as are Gold Star mothers and fathers. As of November 9, 2018, the capacity at each Home is as follows: Grand Island Veterans’ Home has 266 beds (95 filled), the Norfolk Veterans’ Home has 151 beds (149 filled), the Eastern Nebraska Veterans’ Home (Bellevue) has 120 beds (113 filled), and the Western Nebraska Veterans’ Home (Scottsbluff) has 101 beds (101 filled).<sup>123</sup> The Central Nebraska Veterans Home in Kearney will have 225 beds. As of October 31, 2018, there are 968 permanent positions and 269 temporary (on-call) positions across the four Veterans’ Homes in the state.

Table 16 below presents the Nebraska Department of Veterans Affairs Budget for the 2017-2019 legislative biennium. In FY 2017-2018, total agency appropriations were \$65.97 million. Appropriations for FY 2018-2019 increased to \$66.69 million. In addition to the funds allocated to support the Veterans’ Homes, the Nebraska Department of Veterans Affairs was appropriated \$2.92 million in FY 2017-2018 and \$2.98 million in FY 2018-2019 in support of operations. It is important to keep in mind that the state dollars in support of operations can be used to help attract greater levels of federal funding to the state. For example, Nebraska Veterans State Service Officers (and County Veterans Service Officers) assist Nebraska veterans by determining eligibility for benefits from the VA or other federal programs. Thus, the state dollars used to fund State Service Officers are leveraged to obtain greater levels of federal funds in support of veterans. Other operations include NDVA’s administration of temporary emergency aid through the Nebraska Veterans Aid Fund.<sup>124</sup> Veterans’ Aid Fund payments averaged \$1,386,215 from 2013 to 2016.<sup>125</sup> NDVA is also responsible for the Nebraska Veterans Cemetery at Alliance which was recently ranked “in the top 3% to 5% of cemeteries inspected” by the USDVA’s National Cemetery Administration.<sup>126</sup>

	<b>FY 2017-2018</b>	<b>FY 2018-2019</b>
<b>Department Administration</b>		
General Fund	\$1,845,202	\$1,899,069
Cash Fund	\$418,587	\$417,142
Federal Dollars	\$660,582	\$658,304
<b>Total</b>	<b>\$2,924,371</b>	<b>\$2,974,515</b>
<b>Veterans’ Cemetery System</b>		

<sup>122</sup> Nebraska Revised Statute 80-319. (2018). Available:

<https://nebraskalegislature.gov/laws/statutes.php?statute=80-319>

<sup>123</sup> Nebraska Department of Veterans’ Affairs. (2018). Available:

<https://veterans.nebraska.gov/sites/veterans.nebraska.gov/files/doc/11-09-18.pdf>

<sup>124</sup> Nebraska Veterans Aid Fund. (2018). Available: <https://veterans.nebraska.gov/nebraska-veterans-aid-fund-nva>

<sup>125</sup> A Legislator’s Guide to Nebraska State Agencies. Nebraska Legislative Fiscal Office. (December 2016). Available:

<http://www.nebraskalegislature.gov/pdf/reports/fiscal/2016legguide.pdf>

<sup>126</sup> Panhandle Post. (2018). Available: <https://www.panhandlepost.com/nebraska-state-veterans-cemetery-at-alliance-gets-an-a-on-survey/>

General Fund	\$12,527	\$183,723
Cash Fund	\$295,557	\$125,557
<b>Total</b>	\$308,084	\$309,280
<b>NE Veterans' Home System</b>		
General Fund	\$23,507,285	\$23,818,737
Cash Fund	\$15,225,167	\$15,345,923
Federal Dollars	\$24,002,502	\$24,240,557
<b>Total</b>	\$62,734,954	\$63,405,217
<b>Agency Total</b>		
	\$65,967,409	\$66,689,012

Source: State of Nebraska, Administrative Services, State Budget Division: Program Appropriations by Fund Type, 2017-2019 Biennium. Available: [http://budget.nebraska.gov/assets/program-appropriations-summary-by-fund-type-\(2018-session\).pdf](http://budget.nebraska.gov/assets/program-appropriations-summary-by-fund-type-(2018-session).pdf)

#### 4. Economic Impact Analysis

The description of Nebraska military bases indicated tens of thousands of jobs and approximately one billion dollars in annual payroll along with hundreds of millions of dollars of operating expenses. This level of economic activity portends a substantial annual impact on the Nebraska economy. The primary purpose of this chapter is to estimate that annual economic impact from military assets in Nebraska.<sup>127</sup> The impact includes the direct employment and economic activity at the bases as well as the multiplier impact, the impact which occurs at other Nebraska businesses due to services purchased for military bases and as members of the military and civilians working at the bases spend their paychecks. The economic impact is estimated in terms of economic output (business sales), employee compensation (wages and benefits) and employment.

The chapter also estimates the impact on the Nebraska economy from pensions, health care services and other benefits received by Department of Defense (DoD) military retirees and other veterans. Impacts include direct employment at the U.S. Department of Veterans Affairs and other health care facilities in Nebraska and private businesses throughout the state as DoD military retirees and other veterans spend their paychecks.

##### **Economic Impact Methodology**

Spending on military bases, military pension payments and U.S. Veterans Affairs spending in Nebraska generates an increase in economic activity in Nebraska. This is known as the direct economic impact. There is also a “multiplier” impact throughout the Nebraska economy. Focusing on the impact from military bases, the multiplier impact occurs as initial base spending circulates within the local economy. In particular, the multiplier impact occurs because military personnel spend their paychecks throughout the local economy on typical household expenditures such as food, health care, housing, insurance, apparel, and entertainment, or as veterans spend payments from the Veteran’s Administration or military pensions. There also may be a multiplier impact as the military purchases of supplies to operate a base over the course of a year. The multiplier impact captures how businesses throughout the Nebraska economy gain from the money attracted to Nebraska due to military activity.

Economic multipliers are used to estimate the multiplier impact. An economic multiplier shows the ratio of the multiplier impact to the direct impact. For example, an employee compensation multiplier would show the dollars and cents of multiplier compensation for each \$1 of direct employee compensation. An employee compensation multiplier of 0.6 would imply that there is \$0.60 of employee compensation at other Nebraska businesses for each \$1 of compensation at a Nebraska military base. Economic multipliers can be calculated for Nebraska for output, employee compensation and employment. Economic multipliers are calculated with the IMPLAN model software. The IMPLAN model software is the leading multiplier model with capacity to estimate the economic impact of businesses and organizations in over 400 industries or public sectors, in cities, counties, states, or combinations of states and/or counties. Federal government, military is one sector in the IMPLAN model and is used to estimate multiplier impacts for Nebraska military bases. The IMPLAN model contains appropriate

---

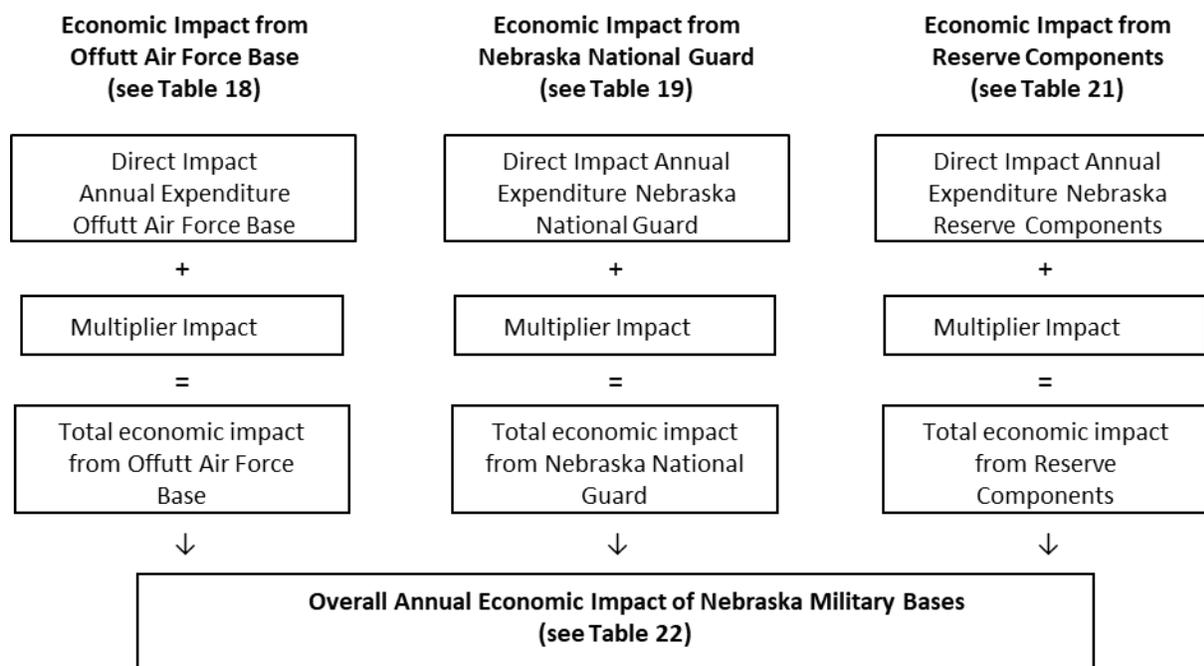
<sup>127</sup> Nebraska Revised Statute 55-606. (2018). Available: <https://nebraskalegislature.gov/laws/statutes.php?statute=55-606>

industry detail to calculate unique economic multipliers for each relevant industry or type of household spending.<sup>128</sup>

### Economic Impact of Military Spending

Military bases generate an economic impact on Nebraska by employing military personnel and contractors and through other aspects of operations such as purchasing utilities. In some years, there is also an impact from major construction projects. For Nebraska, the largest economic impact is from Offutt Air Base but there is also an impact from the Nebraska National Guard and from the Reserve Components. Figure 9 shows how the annual economic impact will be calculated for the operations of Nebraska military bases: Offutt Air Force Base, Nebraska National Guard, and Reserve Components. The total economic impact for each component is the sum of the direct spending impact and the multiplier impact.

**Figure 9. Approach for Calculating the Annual Economic Impact of Military Bases on Nebraska**



**Offutt Air Force Base.** The report *Offutt Air Force Base Economic Impact 2017* reported military and civilian employment at the base of 9,621 and \$720.4 million<sup>129</sup> in military and civilian payroll. Payroll is combined with \$134.2 million in other federal expenditures to yield a direct output impact of \$854.6 million. The output, payroll (employee compensation) and employment values are reported in Table 15.

The report *Offutt Air Force Base Economic Impact 2017* further indicates that there is spending of \$344.1 million on service contracts. Detailed information available for fiscal year 2016 indicates that 84.3% of

<sup>128</sup> Income from military pensions and veterans compensation only generates a multiplier impact as income is spent.

<sup>129</sup> Employment at the Base Exchange and on-base branch of the SAC Federal Credit Union is not included in the employment figure. These jobs will be captured in the multiplier impact. Payroll for base jobs used in the economic impact also does not reflect payroll for the Base Exchange and SAC Federal Credit Union.

contract spending that year was with businesses which performed the service either at Offutt Air Force Base or in Bellevue. If remaining spending is assumed to occur out of state, applying this percentage to fiscal year 2017 contract spending yields an estimated \$290.2 million in service contracts let to businesses located in Nebraska (either a Nebraska company or a company conducting the work at a Nebraska location). These values are also reported in Table 17. Based on industry averages available from the IMPLAN model and the distribution of contract services among industries in the *Offutt Air Force Base Economic Impact 2016* document, that level of service contract spending would support direct employment in Nebraska of 1,983 full-year equivalent jobs with employee compensation of \$122.6 million. These values also are reported in Table 17, along with a footnote to indicate that the figures are estimates using IMPLAN.

*Offutt Air Force Base Economic Impact 2017* also reports construction spending during fiscal year 2017 of \$22.5 million. Based on industry averages available from the IMPLAN model, that level of construction spending would support an estimated 184 full-year jobs and \$10.1 million in employee compensation during the year.

Table 17 also shows totals. The total direct output impact of Offutt Air Force Base during Fiscal Year 2017 was \$1,167.3 million. The total direct impact in terms of employee compensation is \$851.1 million and the direct employment impact is 11,788 jobs.

<b>Table 17. Direct Employment, Employee Compensation and Output Impact of Offutt Air Force Base</b>			
	Output (Millions of \$)	Employee Compensation (Millions of \$)	Employment
Military and Civilian	\$854.6	\$720.4	9,621
Service Contracts	\$290.2	120.6 <sup>1</sup>	1,983 <sup>1</sup>
Construction	\$22.5	10.1 <sup>1</sup>	184 <sup>1</sup>
<b>Total</b>	<b>\$1,167.3</b>	<b>\$851.1</b>	<b>11,788</b>
Source: <i>Offutt Air Force Base Economic Impact 2017</i> and BBR calculations using IMPLAN			
<sup>1</sup> Indicates value estimated using IMPLAN; otherwise estimates from source document			

These values also are included in Table 18, in the direct impact column. The table further includes an estimate of the annual multiplier impact on the Nebraska economy for Fiscal Year 2017. The multiplier impacts are calculated by the UNL Bureau of Business Research utilizing the IMPLAN model. The total annual economic impact is the sum of the direct and multiplier impacts. The total annual impact from Offutt Air Force Base during Fiscal Year 2017 was \$1,978.7 million in output, including \$1,104.5 million in employee compensation paid to 17,817 workers.

<b>Table 18. The Annual Economic Impact of Offutt Air Base on Nebraska</b>			
	Direct Impact	Multiplier Impact	Total Impact
Output (Millions of \$)	\$1,167.3	\$811.3	\$1,978.7
Employee Compensation (Millions of \$)	\$851.1	\$253.4	\$1,104.5
Employment	11,788	6,029	17,817
Source: <i>Offutt Air Force Base Economic Impact 2017</i> and BBR calculations using IMPLAN			

**National Guard.** The Nebraska National Guard also generates an economic impact on the state by drawing in resources to employ military personnel and operate base facilities.<sup>130</sup> Economic impact analysis focused on data for the Nebraska Military Department. All 4,483 employees of these three agencies are in positions fully or partially supported by federal funds or federal funds which pass through Nebraska state government, and are therefore part of the direct employment impact on Nebraska.<sup>131</sup> These employees receive payroll support and benefits of \$131.5 million from the federal government, again either directly or passed-through state government.<sup>132</sup> Note payroll supported by the Nebraska general fund is not included in the direct employee compensation impact. An additional \$57.9 million in operations and maintenance funds and funds for cooperative agreements appropriated by the Federal Government is combined with payroll information to yield the direct output impact of \$189.4 million.<sup>133</sup>

Table 19 shows the total annual economic impact of the Nebraska National Guard on the state during Fiscal Year 2017. The total annual impact includes the direct impacts and the multiplier impacts calculated by the UNL Bureau of Business Research utilizing the IMPLAN model. The annual impact from the Nebraska National Guard was \$292.6 million in terms of output, including \$163.4 million in employee compensation paid to workers in 5,269 jobs.

	Direct Impact	Multiplier Impact	Total Impact
Output (Millions of \$)	\$189.4	\$103.2	\$292.6
Employee Compensation (Millions of \$)	\$131.5	\$31.9	\$163.4
Employment	4,483	786	5,269
Source: Nebraska National Guard 2017 Economic Impact Report and BBR calculations using IMPLAN			

**Reserve Forces.** The Air Force, Army, Marine Corps and Navy Reserve also generate an economic impact on the State of Nebraska. Table 20 shows the direct annual economic impact in terms of employment, payroll (payroll) and output (payroll plus operating costs) reported for each branch of the Reserves.<sup>134</sup>

<sup>130</sup> There was little new capital construction spending during fiscal year 2017. Therefore, this report does not include an estimate of the impact from Guard capital construction projects.

<sup>131</sup> The 40 NEMA employees were not included in the present analysis. Thus, the total number of employees is 4,483 rather than 4,523.

<sup>132</sup> Given that NEMA employees are not counted in the current analysis, the salary total used in the economic impact estimate is \$131.5 million, rather than the figure presented in Chapter 2.

<sup>133</sup> Given that NEMA employees are not counted in the current analysis, the output total used in the economic impact estimate is \$189.4 million rather than the figure presented in Chapter 2.

<sup>134</sup> Air Force Reserve Command (AFRC) Economic Impact Assessment (EIA): A Summary of the Economic Impact of AFRC in Nebraska in 2017, along with a count of Air Force Reservists assigned to USSTRATCOM. Army Reserve Presence and Economic Impacts. Marine Corps Reserve Point Paper, Navy Operational Support Center Omaha, NE Economic Impact. Much of the data used in 2017 report was used again in the current report because it reflected 2017 data.

	Output (Millions of \$)	Employee Compensation (Millions of \$)	Employment
Air Force Reserve	\$6.6	\$6.2	279
Army Reserve	\$27.1	\$23.3	1,325
Marine Corps Reserve	\$2.7	\$2.4	131
Navy Reserve	\$3.6	\$2.2	275
<b>Total</b>	<b>\$40.0</b>	<b>\$34.0</b>	<b>2,010</b>

Source: *Air Force Reserve Command (AFRC) Economic Impact Assessment (EIA): A Summary of the Economic Impact of AFRC in Nebraska in 2017, Army Reserve Presence and Economic Impacts, Marine Corps Reserve Point Paper, Navy Operational Support Center Omaha, NE Economic Impact*

The total direct economic impact of Reserve Components in Nebraska is \$40.0 million in 2017. The impact includes \$34.0 million in compensation spread over 2,010 jobs.

These values also are included in Table 21, in the direct impact column. The Table further includes an estimate of the annual multiplier impact on the Nebraska economy. The multiplier impacts are calculated by the UNL Bureau of Business Research utilizing the IMPLAN model. The total annual economic impact is the sum of the direct and multiplier impacts. The total annual impact from the Nebraska Reserves was \$67.2 million in output, including \$42.4 million in employee compensation paid to workers in 2,217 jobs.

	Direct Impact	Multiplier Impact	Total Impact
Output (Millions of \$)	\$40.0	\$27.2	\$67.2
Employee Compensation (Millions of \$)	\$34.0	\$8.4	\$42.4
Employment	2,010	207	2,217

Source: *Air Force Reserve Command (AFRC) Economic Impact Assessment (EIA): A Summary of the Economic Impact of AFRC in Nebraska in 2017, Army Reserve Presence and Economic Impacts, Marine Corps Reserve Point Paper, Navy Operational Support Center Omaha, NE Economic Impact, and BBR calculations using IMPLAN*

**Overall Annual Economic Impact of Nebraska Military Assets.** The overall annual impact is the sum of the impact from Offutt Air Force, National Guard and Reserve bases in the state which was summarized in Tables 18, 19, and 21. These impacts are summed and presented in Table 22 below. The overall annual economic impact from Nebraska military bases was \$2,338.5 million in terms of output, including \$1,310.3 million in employee compensation paid to workers in 25,303 jobs. When interpreting these numbers through the lens of an input-output analysis, it is possible to say that the multiplier effect is 1.67.

	Direct Impact	Multiplier Impact	Total Impact
Output (Millions of \$)	\$1,396.8	\$941.7	\$2,338.5
Employee Compensation (Millions of \$)	\$1,016.6	\$293.7	\$1,310.3
Employment	18,281	7,023	25,303
Source: BBR calculations using IMPLAN			

### Economic Impact of Military Retirement Pensions

The multiplier approach also is used to calculate the economic impact from DoD military pension and Veterans Affairs expenditures in Nebraska. This spending includes pensions for military retirees and veterans compensation, spending on Veterans Affairs operations and construction, and Veterans Affairs services such as health care, education and vocational rehabilitation. There were \$372.95 million in payments by the military retirement system to residents of Nebraska during Fiscal Year 2017, according to the *Statistical Report on the Military Retirement System Fiscal Year 2017* (DoD Office of the Actuary, 2018). These payments were made to 13,746 eligible DoD military retirees living in the state. The payments impact the Nebraska economy but do not result in economic activity in the state until the income is spent. As a result, there is no direct economic impact from the payments, however, there is a substantial multiplier impact. The multiplier impact occurs as retiree households spend their payments at Nebraska businesses including retail stores, restaurants, rent, health services, insurance and entertainment and recreation.<sup>135</sup> The multiplier impact is also the total economic impact of the Military Retirement System. Table 23 shows the total annual economic impact on Nebraska from military retirement payments during Fiscal Year 2017. The annual impact from military retirement payments was \$373.3 million in terms of output, including \$114.2 million in employee compensation paid to workers in 2,783 jobs.

	Output (Millions \$)	Employee Compensation (Millions \$)	Employment (Jobs)
Total Economic Impact	\$373.3	\$114.2	2,783
Source: <i>Statistical Report on the Military Retirement System Fiscal Year 2017</i> and BBR calculations using IMPLAN			

### Economic Impact of Veterans Affairs Spending

The U.S. Department of Veterans Affairs spent \$1.21 billion in the State of Nebraska during Fiscal Year 2017, according to the report *Geographic Distribution of VA Expenditures for Fiscal Year 2017* produced by the National Center for Veterans Analysis and Statistics. The U.S. Department of Veterans Affairs spent on a variety of programs including compensation and pensions for injured veterans, vocational

<sup>135</sup> The multiplier impact is little higher than the amount of military retirement payments for two reasons. First, a portion of the income received by Nebraska military retirees is spent in other states. Second, for retail spending such as groceries, clothing and gasoline, only the mark-up portion of spending generates an impact on the local economy, as most retail items are manufactured or refined in other parts of the country or other parts of the world.

rehabilitation, education services and health care services. The administration also had general operating expenses for providing veterans programs in Nebraska and spent on facilities construction. Table 24 shows Fiscal Year 2017 spending by purpose and program. The largest components of spending are for compensation and pensions and medical care, with education and vocational rehabilitation programs third. General operating expenses for Veterans Affairs programs in Nebraska was \$40.7 million.

<b>Table 24. Veterans Affairs Spending in Nebraska Fiscal Year 2017 By Program</b>	
Purpose/Program	Amount Fiscal Year 2017 (Millions \$)
General Operating Expenses	\$40.7
Construction	\$17.0
Compensation and Pension	\$582.5
Medical Care	\$496.3
Education & Vocational Rehabilitation/Employment	\$61.9
Insurance & Indemnities	\$12.3
Source: <i>Geographic Distribution of VA Expenditures for Fiscal Year 2017</i>	

Table 25 shows the direct impact, multiplier impact and total economic impact for each purpose and program. The impact is presented in terms of output, since output is the broadest measure of economic activity. With two exceptions, the expenditures reported in Table 22 are also the direct economic impact on Nebraska. The first exception is the compensation and pensions categories. Like payments from the military retirement system, these Veterans Affairs compensation and pension payments do not generate a direct economic impact but do lead to a multiplier impact as the money is spent at Nebraska businesses. The second exception is the expenditures on the insurance and indemnities program. These are payments received as part of insurance programs sponsored by the Veterans Affairs. As with all insurance, the insurance benefit payments are in part supported by premiums. In other words, benefit payments are not necessarily new money for the Nebraska economy since premium payments are made by Nebraskans. While insurance policies may be subsidized, the conservative assumption is to assume that premium payments by Nebraskans are the source of these funds and there is therefore no direct impact, or multiplier impact, on the economy from Veterans Affairs insurance and indemnity payments.

Table 25 also shows multiplier impacts. Multiplier impacts are estimated using economic multipliers developed from IMPLAN. The largest annual economic impact is from Veterans Affairs spending on medical care. The annual economic impact is \$909.9 million, including a direct economic impact of \$496.3 and a multiplier impact of \$413.6. The total annual economic impact from employee compensation and pension payments is \$614.0 million. The total annual economic impact from all Veterans Affairs spending in Nebraska was \$1,735.3 during Fiscal Year 2017. Once again from an input-output perspective, the multiplier effect for VA spending was 1.82, slightly higher than the multiplier impact found for general DoD spending in the state.

Impact in Terms of Output	Direct Impact (Millions \$)	Multiplier Impact (Millions \$)	Total Impact (Millions \$)
General Operating Expenses	\$40.7	\$24.5	\$65.3
Construction	\$17.0	\$15.4	\$32.4
Compensation and Pension	\$0.0 <sup>a</sup>	\$614.0	\$614.0
Medical Care	\$496.3	\$413.6	\$909.9
Education & Vocational Rehabilitation/Employment	\$61.9	\$51.8	\$113.7
<b>Total</b>			<b>\$1,735.3</b>

Source: *Geographic Distribution of VA Expenditures for Fiscal Year 2017* and BBR calculations using IMPLAN

<sup>a</sup> As indicated in Table 24, there was \$582.5 million in VA Compensation and Pension payments in FY 2017. This dollar figure is not included as a Direct Impact as it represents a type of household payment, the effect of which is not felt until the money is spent in Nebraska and other states. Nonetheless, the impact of this spending is included in the IMPLAN model, as seen by the \$614.0 million in induced spending.

Table 26 shows the total economic impact of Veterans Affairs spending on Nebraska by program for the two additional measures of impact: employee compensation and employment. The total estimated annual impact across all purposes and programs was \$676.1 million in employee compensation paid to workers in 13,844 jobs. Once again the largest contribution to the annual impact was Veterans Affairs spending on medical care followed by spending on compensation and pensions.

	Employee Compensation (Millions \$)	Employment (Jobs)
General Operating Expenses	\$38.3	478
Construction	\$11.6	235
Compensation and Pension	\$189.0	4,622
Medical Care	\$398.0	7,368
Education & Vocational Rehabilitation/Employment	\$39.3	1,142
<b>Total</b>	<b>\$676.1</b>	<b>13,844</b>

Source: *Geographic Distribution of VA Expenditures for Fiscal Year 2017* and BBR calculations using IMPLAN

### **Economic Impact of the Army Corp of Engineers**

The U.S. Army Corps of Engineers (USACE) Omaha Division currently has 850 employees at its headquarters in downtown Omaha, with an annual payroll of \$64.3 million. Corps employees execute military construction, civil works, and environmental projects in Nebraska and throughout the Missouri River Basin. USACE also had operations and maintenance projects within Nebraska totaling \$18.85 million during Fiscal Year 2017, including at the Gavins Point Dam and Harlan County Lake. Table 26 shows the annual economic impact of the Omaha Headquarters, operations and maintenance projects within Nebraska, and the USACE overall. The total impact is presented, which reflects both the direct and multiplier impact. The USACE has an annual economic impact of \$131.4 million while USACE operations had an annual impact of \$30.9 million during FY 2018. The total annual impact of USACE overall is \$162.4 million, including \$99.1 million in employee compensation spread over 1,557 jobs.

<b>Table 27. The Total Annual Economic Impact of the U.S. Army Corps of Engineers on the Nebraska Economy</b>			
	Output (Millions \$)	Employee Compensation (Millions \$)	Employment (Jobs)
USACE Headquarters	\$131.4	\$80.2	1,241
USACE Operations and Maintenance	\$30.9	\$18.9	316
USACE Total	\$162.4	\$99.1	1,557
Source: Department of the Army Office, Assistant Secretary of the Army. (2016). Fiscal Year 2017: Civil Works Budget of the U.S. Army Corps of Engineers. Available: <a href="http://cdm16021.contentdm.oclc.org/utils/getfile/collection/p16021coll6/id/1571/filename/1572.pdf">http://cdm16021.contentdm.oclc.org/utils/getfile/collection/p16021coll6/id/1571/filename/1572.pdf</a> .			

### **Economic Impact of GI Bill benefits for higher education**

GI Bill benefits support higher education spending in Nebraska. According to the VA GI Bill Comparison Tool Data, there were 6,506 GI Bill or Post-911 GI Bill students in Nebraska during 2017 who received \$24.2 million worth of tuition and fee benefits. These benefits increased higher education spending in Nebraska with a resulting economic impact on the state economy. The economic impact is summarized in Table 28. The direct output is the \$24.2 million in spending at both private and public higher education institutions. The IMPLAN model provides estimates of employee compensation and employment in the higher education industry associated with \$24.2 million in tuition and fee spending. The IMPLAN model is also used to calculate the multiplier impact. The direct and multiplier impacts are summed to estimate the total economic impact in 2017. The total annual impact of GI Bill higher education benefits in 2017 is \$43.1 million, including \$21.3 million in employee compensation spread over 449 jobs.

<b>Table 28. The Total Annual Impact of GI Bill benefits on the Nebraska Economy</b>			
	Output (Millions \$)	Employee Compensation (Millions \$)	Employment (Jobs)
Direct Impact	\$24.2	\$15.8	314
Multiplier Impact	\$18.9	\$5.5	135
Total Impact	\$43.1	\$21.3	449
Source: VA GI Bill Comparison Tool Data 2017 and BBR calculations using IMPLAN			

### **Summary of Annual Economic Impact**

This chapter provided estimates of the annual economic impact of Nebraska Military bases on the state economy during Fiscal Year 2017. The chapter also provided estimates of the annual economic impact from payments to Department of Defense military retirees residing in Nebraska from the military retirement system as well as the annual economic impact from Veterans Affairs spending on the State of Nebraska and the annual economic impact of Army Corp of Engineers operations. The economic impact from each source is presented in Table 29 below. Military bases have the largest annual economic impact on the State of Nebraska. Veterans Affairs spending has the second largest annual impact. Payments through the military retirement system and the Army Corps of Engineers also have a substantial economic impact.

**Table 29. The Annual Economic Impact on Military Bases, Military Retirement System Payments and Veterans Affairs Spending on the State of Nebraska**

Source of Impact	Output (Million \$)	Employee Compensation (Millions \$)	Employment (Jobs)
Military Bases	\$2,338.5	\$1,310.3	25,303
Military Retirement System Payments	\$373.3	\$114.2	2,783
Veterans Affairs Spending	\$1,735.3	\$676.1	13,844
Army Corps of Engineers	\$160.0	\$97.6	1,532
GI Bill Benefits	\$43.1	\$21.3	449

Source: BBR calculations using IMPLAN

The impact from retirement payments also has potential to grow if Nebraska can retain and attract more military retirees to the state. Further, military retirees and other veterans also impact the state economy by adding to the available labor force in the state. A larger, skilled workforce populated with skilled military retirees and other veterans would help more Nebraska businesses expand.<sup>136</sup> The next two chapters of this report examine such “supply-side” benefits from Nebraska’s military bases.

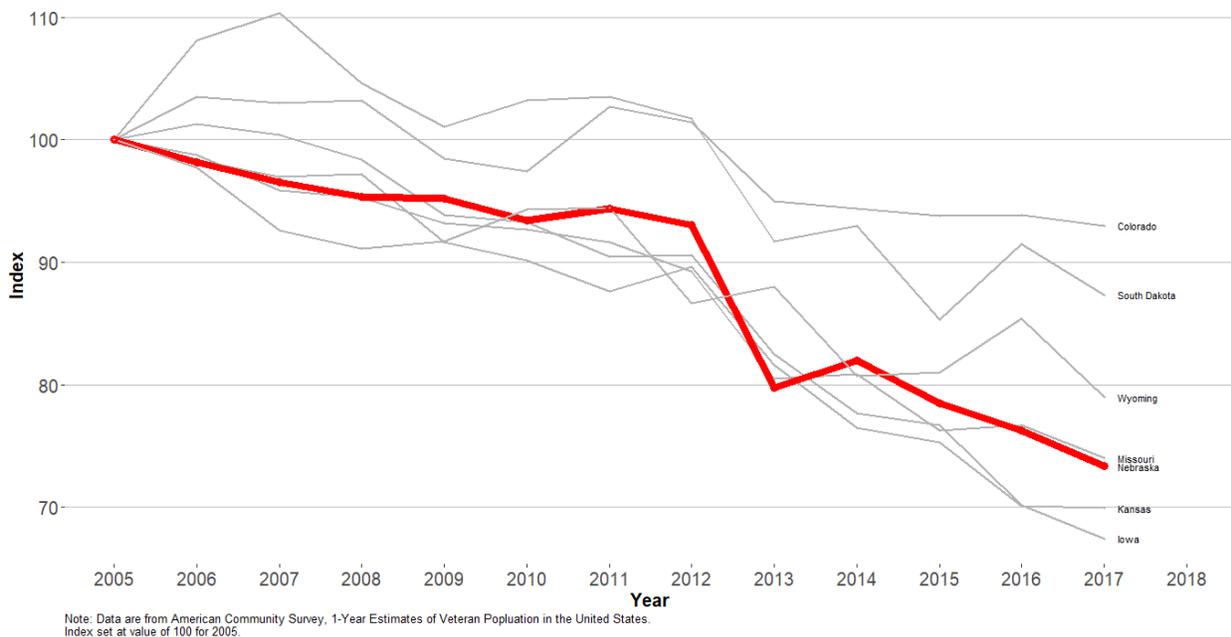
<sup>136</sup> Nebraska Commission on Military and Veteran Affairs, Impact of Military Service on Employee Skills and Salaries. (2017). Annual Report. Available: [https://nebraskalegislature.gov/FloorDocs/105/PDF/Agencies/Veterans\\_Affairs\\_Department\\_Of/610\\_20171120-163741.pdf](https://nebraskalegislature.gov/FloorDocs/105/PDF/Agencies/Veterans_Affairs_Department_Of/610_20171120-163741.pdf)

## 5. Attracting and Retaining Military Personnel in Nebraska

Military retirees make a significant contribution to the Nebraska economy, both by adding to the labor force and by bringing pension income to the state. In both the present report and the previous 2017 report, it was demonstrated that military retirement system payments bring a several hundred-million-dollar impact to the Nebraska economy each year. Below—and in the 2017 report—we demonstrate that military retirees and other veterans contribute thousands of workers to the Nebraska economy by adding to the state labor supply. The State of Nebraska can grow these economic impacts by attracting and retaining more military veterans and retirees, particularly those who served at Offutt Air Force Base.

**Recent Trends in Nebraska Veterans and Military Retirees.** As noted in the third chapter, veteran population projections suggest that Nebraska is likely to lose substantial numbers of veterans over the next several years. These projections are in line with recent trends in veteran populations across the nation. Figure 10 below illustrates the recent veteran population trends for Nebraska and its six neighboring states. To compute the trend, the value for the number of veterans in FY 2005 was set to 100. For each subsequent year, the percentage change in veterans was added to 100 for each state. This approach standardizes the values for the seven states and makes it easier to compare population trends. The data show that Nebraska has lost about 27% of the veteran population since FY 2005. As the figure shows, most states have also experienced considerable decreases in the total number of veterans within their borders. Losses in the numbers of veterans have not been quite as pronounced in Colorado, which has experienced rapid growth in its general population.

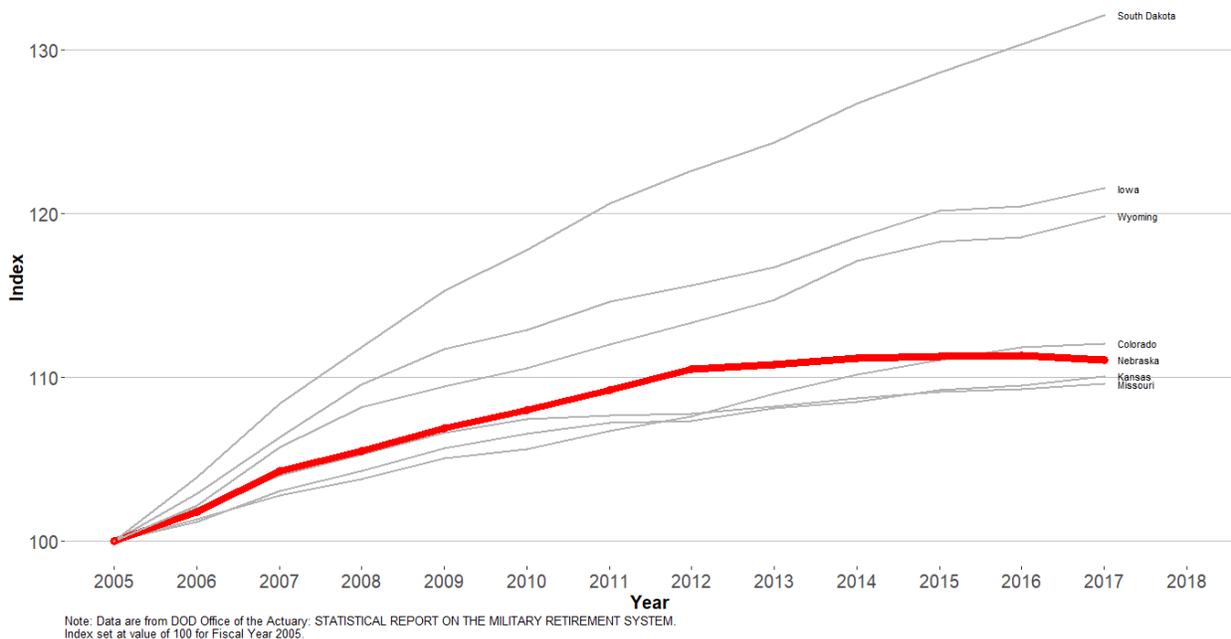
**Figure 10. DoD Veteran Trends for Nebraska and Neighboring States (FY 2005-FY 2017)**



Beyond the total number of veterans living in Nebraska and neighboring states, it is useful to examine the total number of retired military personnel receiving payment from the DoD. Such an analysis has the potential to illustrate trends in the number of paid military retirees in Nebraska and neighboring states. As noted in this report and the previous year’s report, paid military retirees living in the state make significant contributions to the states’ economy. In particular, military retirees can retire after 20 years of service, and are thus in their 40s and 50s when they retire. This leaves them ample time to participate in the labor market after completion of service. Additionally, veterans bring to the state noteworthy skill sets developed in their time in the military. Furthermore, many military retirees are married, with spouses who also bring unique and valuable skills to the state economy.

As noted above, in 2017 there were currently 13,712 military retirees receiving pay from the DoD in Nebraska. This is a slight decrease from the 13,746 military retirees receiving pay from the DoD in 2016. Figure 11 below presents the trends in the number of military retirees receiving pay from the DoD in Nebraska and in neighboring states. As the graph shows, Nebraska experienced relatively steady growth in the number of paid military retirees from 2005 to about 2012. Since 2012, however, growth has slowed, and the absolute number of paid military retirees was just slightly higher in 2017 than it was in 2012. The neighboring states of South Dakota, Iowa, and Wyoming, on the other hand, have experienced considerable growth in the number of paid military retirees. It is important to keep in mind that the total number of paid military retirees in Nebraska is higher than the number of paid military retirees in these three neighboring states.

**Figure 11. Changes in Paid Military Retirees for Nebraska and Neighboring States (FY 2005-FY 2017)**



## Settlement of Military Veterans in the State of Nebraska: Impacts on the Labor Force

Given recent trends in veterans and military retirees in the state, understanding the impact of existing military bases upon these populations may help policy makers better understand how to leverage the presence of these bases. In the 2017 report *The Economic Impact of Nebraska Military Bases*, we provided evidence that there are additional military retirees and veterans in the Omaha area due to Offutt Air Force Base. That report also estimated that there were 15,067 additional veterans living in Nebraska portions of the Omaha area during 2016 due to the base. This section updates the numbers for 2017 and shows the net impact on the Omaha area labor force.

Data on the number of veterans residing during 2017 in each U.S. county is available from the *National Center for Veterans Analysis and Statistics*. County data can be used to assemble the number of veterans living in the Omaha, Des Moines, Grand Rapids, Madison and Milwaukee metropolitan areas, and Census data can be used to estimate the total population living in each area in 2017. Analysis of the 2017 data indicates that between 4.9% and 5.6% (with an average of 5.2%) of the population in each of the four comparison metropolitan areas were veterans; there was very little variation in the share. By contrast, in the Omaha Metropolitan Area, veterans accounted for 7.2% of the population during 2017 (see Table 30). This difference suggests that the presence of a major military base does substantially change the settlement pattern of veterans towards the surrounding metropolitan region.<sup>137</sup> Further, given that the population of the Omaha Metropolitan Area was approximately 933,000 during 2017, the difference between 5.2% and 7.2% implies that an additional 18,895 veterans are living in the Omaha Metropolitan Area. The estimate for just the Nebraska portion of the Omaha area (excluding Pottawattamie, Harrison and Mills counties in Iowa) is 15,651. This estimate would include thousands of veterans with a sufficient length of service to qualify for the status of DoD military retirees.

	<b>Base</b>	<b>Veterans</b>	<b>Metropolitan Population</b>	<b>Percentage</b>
Omaha	Offutt AFB	66,970	933,316	7.2%
Des Moines	No Base	35,887	645,911	5.6%
Grand Rapids	No Base	53,784	1,059,113	5.1%
Madison	No Base	31,890	654,230	4.9%
Milwaukee	No Base	80,317	1,576,236	5.1%

Sources: Veterans population derived from: *National Center for Veterans Analysis and Statistics, FY 2017 Geographic Expenditures Table*. Omaha total is based on total number of veterans estimated to live in the eight counties that comprise the Omaha Metropolitan Statistical Area (5 in Nebraska and 3 in Iowa). Metropolitan Population Data derived from: U.S. Bureau of Census. Percentages calculated by the authors.

This population impact is noteworthy given that many of these veterans are part of the Nebraska labor force, particularly given the set of skills which military veterans bring to the state economy. Further, given that many of these veterans are married, there are also additional spouses living in Nebraska.

<sup>137</sup> This was not a pattern unique to the Omaha Metropolitan area. For example, in the 2017 report *The Economic Impact of Nebraska Military Assets*, we also examined the settlement pattern of veterans in the Wichita Metropolitan area, which is home to the McConnell Air Force Base and found that veterans accounted for 6.8% of the 2016 population.

Given *American Community Survey* data on the age and gender of Nebraska veterans and Nebraska data on marriage rates by age and gender, there are an estimated 9,602 veteran spouses living in Nebraska. The combined population impact is 25,253, with an estimated 8,655 veterans age 18 to 64 and 6,996 veterans age 65 and older. Among spouses, there are an estimated 4,799 age 18 to 64 and 4,803 age 65 and older.

These veterans and spouses, particularly those age 18 to 64, make a substantial contribution to the Nebraska labor force. However, caution should be used when estimating the overall size of the labor force impact. In particular, there is an estimated increase of 13,455 veterans and spouses age 18 to 64 living in Nebraska due to the operation of Offutt Air Force Base. Does this imply that the Nebraska labor force is 13,455 greater? Not necessarily. First of all, not all adults age 18 to 64 are part of the labor force and some retirement age veterans age 65+ will still be in the labor force. However, the more pertinent issue is the potential for substitution in the labor force. In particular, an increase in military retirees and other veterans working in Nebraska’s civilian labor force may influence the number of non-veterans living in the state. For example, a veteran may be highly qualified for a position in the manufacturing industry, providing an excellent option for a Nebraska employer searching for a skilled worker in the state’s typically “tight” labor market. Since the veteran is available in the state labor force, that employer will not need to recruit a worker from another state to staff the difficult-to-fill position. Through this process, the large number of veteran (and spouse) workers in Nebraska may translate into a much smaller net increase in workers (combined veteran and non-veteran) from other states. Further, retired veterans and spouses would not make a contribution to the state labor force. However, these retirees do add to the population of the state.

Utilizing the Regional Economic Models Incorporated<sup>138</sup> (REMI) model for the State of Nebraska, the net increase in population, employment and economic output is estimated. Specifically, the Bureau used the REMI model to estimate how the presence of approximately 13,455 working age veterans and spouses, as well as several thousand older veterans and spouses who continue to work, contributes to employment and economic activity in Nebraska. Table 31 shows the estimated long-run impact on the Nebraska economy.

<b>Table 31. The Economic Impact of Additional DoD Military Retirees and Other Veterans on the Nebraska Economy</b>	
Measure	Impact
Net Employment	1,950
Net Population	13,200
Annual Output Associated with Net Employment and Net Population (Millions \$)	\$359
Source: Bureau of Business Research estimates using the REMI model	

Note that the net employment impact of 1,950 is significantly less than the total increase in working-age veterans and spouses. The difference is the result of the substitution effect, and the fact that some working-age veterans and spouses are not in the labor force. The net employment impact of 1,950 further implies more business activity in the state. The annual output impact is \$359 million, which is a significant “supply side” impact for the Nebraska economy. Note also that the population impact is

<sup>138</sup> Regional Economic Models Incorporated. (2018). Available: <http://www.remi.com/>

approximately 13,200. The population impact is much larger than the employment impact because a significant share of veterans and spouses are individuals of retirement age who do not work.

**Methods for Attracting and Retaining Retired Military Personnel.** The analysis above provides evidence that the presence of an active duty base in Nebraska can serve to grow the veteran population in the state. The question becomes what efforts can be made to further capitalize upon the presence of Offutt AFB in an effort to grow the number of veteran and retired military personnel in the state.

A wide range of efforts can be made to attempt to attract and retain retired military personnel in Nebraska. Perhaps one of the most salient policy changes that has been made in Nebraska—and that has been further considered in recent years—is the exemption of retired military pay for DoD retirees who qualify. Income tax incentives provide an approach for increasing the number of military retirees choosing to reside in Nebraska. A Nebraskan can elect to exclude military retirement benefits from Nebraska taxable income through two options. Option 1 provides exemptions for 40% of military retirement benefit income for seven consecutive years beginning with the year in which the election is made. Option 2 provides exemptions for 15% of military retirement benefit income for all taxable years beginning with the year in which the retiree turns 67 years of age. Expanded tax incentives which allow retirees to keep more of their retirement income could provide a significant incentive, especially for retirees who are aware of the cost of living and quality of life advantages of living in Nebraska.

Any tax incentive, however, would need to be designed carefully. Tax incentives which are too limited would have little influence on where retirees choose to live, and therefore, lead to a loss of revenue with an insufficient increase in the number of military retirees. Likewise, a tax incentive which is too generous may be effective in attracting and retaining military retirees but be too costly in terms of state tax revenue. This is an important consideration given that military retirees, like other citizens, demand services from state government. Tax incentives must provide a trade-off between new revenue and new population which is consistent with the wishes of policymakers. The map in Figure 12 below illustrates the current state of income tax exemptions for DoD military retirees who qualify for payment through the DoD military retiree system. As the map makes clear, Nebraska allows for a partial exemption unlike each of its neighboring states, except for Colorado.

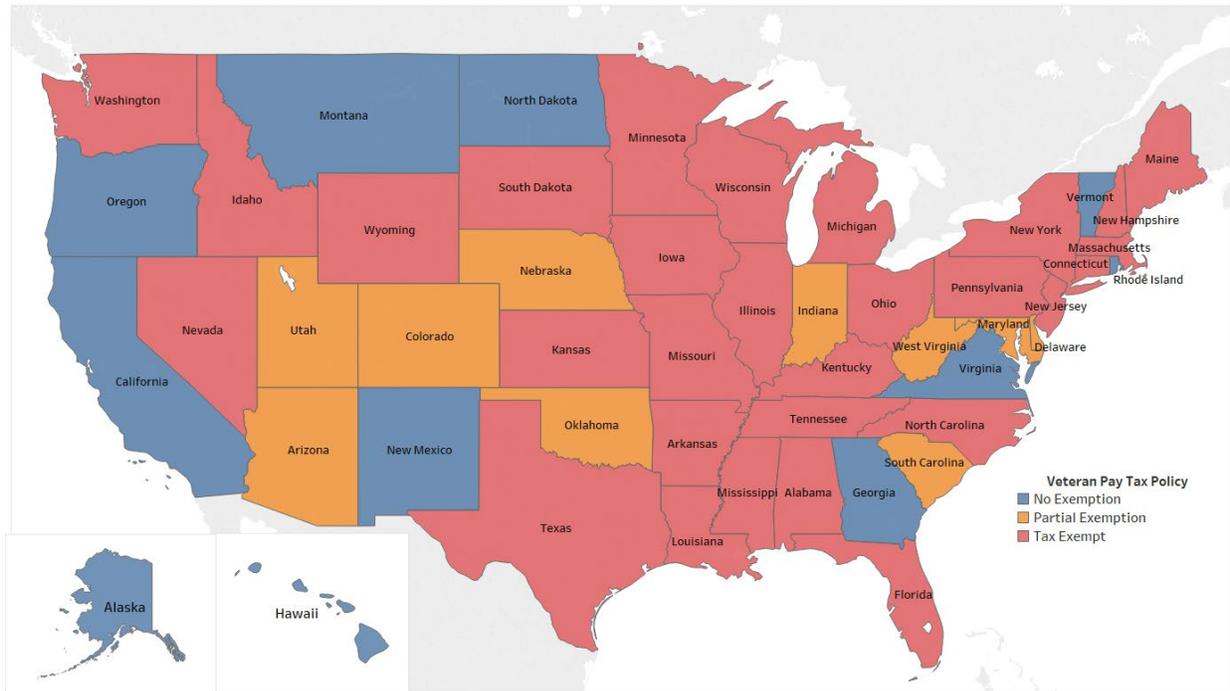
In the 2017 report to the Nebraska Commission on Military and Veteran Affairs, the BBR put forth a conceptual model to assess the impact of such tax benefits. In lieu of actually executing that study, the BBR reviewed relevant literature to assess how and whether income tax incentives are related to settlement and migration of retired military personnel. One recent study examined the potential impact that various tax incentives might have upon retirement and settlement patterns of veterans.<sup>139</sup> The study examined whether taxes on military retiree pay impacted the number of military retirees living in each state in the U.S. The analysis utilized regression techniques to test the relationship and to also control for relevant factors such as the size of active duty installations, home prices, climate, job opportunities, and employment rates. The analysis demonstrated that the tax rate of military retiree income did exert a significant impact on the number of DoD military retirees living in a state. Specifically

---

<sup>139</sup> Fermian Business & Economic Institute. (2018). Ending Taxation of Military Retiree Pay in California: An Analysis of the Costs and Benefits. Available: <http://www.moaa.org/taxstudy/>

higher tax rates had a significant, negative relationship with the number of DoD military retirees in a state. The analysis also showed, however, that several other factors were significant predictors of the number of DoD military retirees in a state; these factors included the size of active duty installations, home prices, climate, job opportunities, and employment rates. The analysis did not allow for the comparison of the relative effect of these factors upon the number of DoD military retirees.

**Figure 12. State Income Tax Exemptions for DoD Military Retiree Payments**



The study, therefore, provides some evidence linking the presence of retiree pension tax exemptions to the presence of a greater number of military retirees. The study does not, however, consider the impact that such tax exemptions have on the budget of a given state. Obviously, exempting DoD military retiree income payments will decrease income tax revenues in a state. But if a state with an exemption is able to better attract retirees, then there will likely be other benefits in the form of increased property tax revenues, sales tax revenues, and other general economic activity that can supplant the negative effects of income tax exemptions upon state revenues.

**Additional Methods to Grow the DoD Military Retiree and Veteran Population in Nebraska.**

Professional incentives come in the form of employment opportunities with local businesses which may have made a strategic decision to recruit individuals as they exit military service. As described above, many local businesses would be interested in the skills developed during military service. Personal incentives are even more prevalent. New veterans with school age children have an incentive to allow their children to continue to study in the same school system, particularly after the periodic moves that may have been required during military service. The spouses of new veterans also may have found a good job match while their spouse was serving at a nearby military base. A new veteran may have even married a civilian who lives in the area during their period of service at a local base. Each of these factors would be expected to lead to a concentration of military retirees and other veterans in the

communities and states surrounding large military bases. There are several other ways in which the veteran and retiree population in the state might grow.

**Attracting Military Missions.** In contrast to preparing for the prospect of another BRAC round, states and localities are increasingly taking a proactive approach to securing additional military missions to supplement and grow existing military installations. Such efforts obviously have the potential to attract active duty personnel to an area and hold the potential to grow the number of DoD veterans and retirees in an area.

The recent decision to locate the Army Futures Command in Austin, TX is seen as illustrative of the modern criteria used by military leaders to select sites for new commands and missions. As noted in an *Austin American-Statesman* report on the site selection of Austin, leadership chose the city because of “quality of life, innovation, civic support, higher education facilities” that comprise a unique, existing ecosystem in the community.<sup>140</sup> While the decision to stand up the Futures Command is somewhat unique, the lessons learned from that process may be valuable as Nebraska looks toward the future in attracting new DoD missions to the state.

Such location-based considerations may become extremely relevant in coming years as the DoD looks to possibly expand. In August, 2018, Congress passed and President Trump signed the John S. McCain National Defense Authorization Act for Fiscal Year 2019. The Act authorizes \$717 Billion for DoD operations, including an increase of 15,600 service members, including active duty, national guard, and reserve personnel. It is unclear whether or how the FY 2019 Defense Authorization will impact Nebraska, but it sets the stage for potential increases in personnel inside the state’s borders.

Beyond short-term increases in DoD budgets and personnel, the services are looking to further expand upon current capabilities for future threats. For example, the Air Force recently assessed current capacity in relation to expected threats from adversaries by 2025 to 2030. The Air Force concluded that it needs 74 additional operational squadrons by 2030.<sup>141</sup> By 2023, the Air Force hopes to grow by about 15,000 active duty airmen, Guardsmen, Reservists and civilians. By 2030, the Air Force hopes to grow by an additional 40,000 airmen and civilians, for a possible total of 55,000 new personnel. The mix and location of such personnel have not been decided. However, it is expected that Command, control, intelligence, surveillance and reconnaissance (C2ISR) squadrons; tanker squadrons; bomber squadrons; and space squadrons would see some of the largest growth.<sup>142</sup> It is possible that Offutt Air Force Base and USSTRATCOM might be considered for the location of new squadrons or the growth of existing units or missions.

It is clear that the DoD is looking to factors such as education, licensure rules, other community amenities, and overall quality of life as it looks to make decisions about where to locate human capital and make investments in infrastructure. Partnerships between the military, state and local

---

<sup>140</sup> Dinges, Gary. (2018). Army: Quality of Life, Tech Culture helped Austin Land Futures Command. *Austin American-Statesman*. Available: <https://www.statesman.com/news/20180714/army-quality-of-life-tech-culture-helped-austin-land-futures-command>

<sup>141</sup> U.S. Air Force. (2018). The Air Force We Need: 386 Operational Squadrons. Available:

<https://www.af.mil/News/Article-Display/Article/1635070/the-air-force-we-need-386-operational-squadrons/>

<sup>142</sup> Losey, Stephen. (2018). Air Force Calls for 74 more Squadrons to Prepare for Possibility of War Against Major Power. Available: <https://www.airforcetimes.com/news/your-air-force/2018/09/17/air-force-calls-for-74-more-squadrons-to-prepare-for-possibility-of-war-against-major-power/>

governments, and community organizations have the potential to impact basing and staffing decisions into the future.

**State Policies Related to Attraction and Retention of Veterans and Transitioning Service Members.**

Both states and businesses are now competing for veterans and transitioning service members.<sup>143</sup> With unemployment rates at historic lows in 2018, a recent article suggests that employers are now viewing military veterans as prime candidates to fill technical and managerial jobs. The article provides an example of a partnership in Santa Clara, CA, with over 50 businesses attempting to attract veteran employees. As noted throughout this report, states are also increasingly competing for veterans and transitioning service members, as they see the potential benefits of attracting and retaining these separated personnel.

Table 32 below presents some of the efforts currently being undertaken by states in order to attract and retain veterans and transitioning personnel. As the table indicates, many of the programs are related to employment and job readiness assistance. However, several states offer more comprehensive programs aimed at bringing together many different types of services to offer veterans and transitioning service members. The examples listed in this table are not intended to be comprehensive; rather these examples were chosen as they are illustrative of the types of programs being offered through the states.

<b>Table 32. State Programs to Attract and Retain Veterans and Transitioning Service Members</b>	
<b>State</b>	<b>Policy Summary</b>
Arkansas	Appropriates \$300,000 for job counselling and workforce readiness training to veterans and other employment challenged persons.
California	Established a transition assistance program by July 1, 2015, for veterans discharged from the Armed Forces or National Guard. The program would provide California-specific information on education benefits, job training, small business resources, health care and mental health programs, housing, etc.
Colorado	10- point hiring preference for state jobs offered to veterans receiving VA compensation for service-connected disabilities and career assistance to all veterans.
Illinois	Illinois Discharged Servicemember Task Force to investigate the re-entry process for service members returning to civilian life from active duty. Topics include PTSD, homelessness, and disabilities, among others.
Iowa	Home Base Iowa helps connect veterans and transitioning service members with career opportunities, as well as resources to assist in the transition from active duty service.
Michigan	Michigan Veteran Resource Center launched 2 programs: <ol style="list-style-type: none"> <li>a. A 24/7, 365-day hotline service designed to provide a “no wrong door” customer service experience to veterans and their family members.</li> <li>b. Veterans Action Team program to create an integrated service network to help inspire cooperation among communities and offer the best combination of state, federal, philanthropic and non-profit community resources.</li> <li>c. The Veteran-Friendly Employer Certification Program: a multi-level designation that informs the veteran job-seeker that select companies are interested in</li> </ol>

<sup>143</sup> Sisk, Richard. (2018). With Economy in Upswing, Employers now Fighting to Hire Skilled Veterans. Available: <https://www.military.com/daily-news/2018/10/03/economy-upswing-employers-now-fighting-hire-skilled-veterans.html>

<b>Table 32. State Programs to Attract and Retain Veterans and Transitioning Service Members</b>	
<b>State</b>	<b>Policy Summary</b>
	<p>attracting veteran talent to Michigan (companies like GM, Roush Industries, Quicken Loans and Whirlpool Corporations attract veterans using this program).</p> <p>d. The Private Sector Veteran Employment Council: Founded by the MVAA and hosted by VFE members, the PSVEC meets on a quarterly basis to trade best practices and discuss challenges and obstacles to attracting veteran talent to their companies.</p> <p>The why Michigan Talent Attraction Team: Collaboration between state agencies like the MVAA, the Michigan Economic Development Corporation (MEDC), MiWorks! and partner public/private sector employers. Available: <a href="https://automationalley.com/Blog/2016/November-2016/3-Ways-to-Attract-Veterans-to-Michigan's-Technolog.aspx">https://automationalley.com/Blog/2016/November-2016/3-Ways-to-Attract-Veterans-to-Michigan's-Technolog.aspx</a></p>
Missouri	The Show-Me-Heroes program offers on-the-job training for returning National Guard members, reservists and recent active duty service members.
North Dakota	North Dakota Cares, improving collaboration and coordination on behavioral health services for veterans
Oregon	The state agencies require to partner with Military Department to provide reintegration services for veterans through regional strategies.
Rhode Island	Veterans Services Strategic Plan Advisory Committee maintains a 5-year state-wide plan addressing access to benefits, education, employment, health care and homelessness.
Tennessee	Has a statewide support to aid Veterans in transitioning from military service to enrollment at public and private nonprofit institutions of higher education.
Texas	Program called Veterans Land Board, giving Texas Veterans the opportunity to borrow up to \$150,000 to purchase land at competitive interest rates while typically requiring a minimum 5% down payment for tracts of one acre or more.
Utah	<ol style="list-style-type: none"> <li>Utah's program focuses on veterans who want to or have already started a business, offering education about the services available to veterans to help them open their company.</li> <li>Two statewide conferences were held in the last year to teach universities and their staff about veterans and resources available to help them, this was done to improve the educational attainment of veterans.</li> </ol>
Virginia	Virginia Values Program designed a program to develop a program that is dedicated to educating and training employers on the skills veterans can bring to the table. The state developed a series of training programs (based on nationally recognized best practices), to show businesses how they could improve their performance by hiring vets ( <a href="https://dvsv3.com/about">https://dvsv3.com/about</a> ). Result: More than 275 companies have been trained in this practice. They have realized that there's a valuable talent pool of veterans. The companies participating in this program have pledged to hire 11,700 veterans and 9000 have been hired. This is the first program of its kind; different States have approached Virginia to learn from its experience.
Wisconsin	<ol style="list-style-type: none"> <li>Launched a \$1.9 million national marketing campaign to encourage military personnel and their spouses who are transitioning to civilian life to live and work in Wisconsin once they leave the service.</li> </ol>

<b>State</b>	<b>Policy Summary</b>
	2. Another marketing campaign of \$6.8 million was launched, which aimed at attracting talent to address Wisconsin’s current and future workforce needs. This is a comprehensive talent attraction campaign aimed at military personnel and spouses.
<p>Note: Much of the information for this table was derived from the National Council of State Legislatures website on Military and Veterans Affairs, Summary of State Help for Returning Veterans. Where applicable, additional links to information have been provided in the table above. The NCSL website provides a more comprehensive discussion of these and other programs offered by states: <a href="http://www.ncsl.org/research/military-and-veterans-affairs/state-help-and-benefits-for-returning-veterans.aspx">http://www.ncsl.org/research/military-and-veterans-affairs/state-help-and-benefits-for-returning-veterans.aspx</a></p>	

### **Impact of Base Closures and Loss of Military Missions**

It is impossible to discuss the growth and presence of military personnel and veterans in a state without also considering the potential for base closures, realignments, or the shifting of missions across military installations. As noted in the first chapter of this report, the need to identify efficiencies in the force has led Congress and DoD to consider the closure and realignment of bases over the past several decades. The BRAC process is fraught with political and economic considerations. Most prominent among the concerns of a base closure or relocation of mission is the immediate impact upon a local economy. The closure or relocation of a base holds the potential for major population loss, a decrease in business activity, and a resulting loss in tax revenue.

As the prospect of base closures and realignment has ebbed and flowed over the years, academic and applied research has sought to better understand the potential impacts that base closures and relocations might have on a local area. Both anecdotal evidence and existing research has shown that base closures may pose a threat to those cities, states, and regions that are at risk of a base closure. However, the evidence in the research literature appears to be somewhat mixed. A RAND Corporation study examined three communities in California in which base closures took place during the 1990s. The research showed that real estate vacancy rates and unemployment increased slightly in two of the communities, and one community experienced a slight drop in population, school enrollment, and a minor increase in unemployment. The authors concluded that base closures in the three communities were not as dire as predicted, at least in the short-term. A working paper from the National Bureau of Economic Research (NBER) found that base closures across the nation led to job loss in those industries more closely associated with military service, but with little impact upon per-capita income. A Congressional Research Service (CRS) report found that base closures did not have the extreme local consequences that many feared. Though, the report noted that rural areas may experience more severe results, with economic recovery taking longer. This finding has implications for Nebraska where many National Guard and Reserve facilities are located in rural areas of the state.

In order to facilitate a better understanding of the existing literature on the impacts of base closures, a summary table of studies examining the issue has been included in a table in the appendix. The articles and reports included in the table are the result of a systematic, but non-comprehensive search of works on the topic (e.g., research analysts did not use advanced meta-analytic search techniques to find the total universe of studies related to base closures and their impacts). The studies included provide a solid

foundation for further understanding the myriad ways in which base closures and realignments may or may not impact a local economy.

## 6. Special Studies

### Property Value and Property Tax Impacts

Nebraska military bases impact property values in the state. This impact occurs for several reasons. First, military and civilian employees at military bases spend their income on housing or at businesses which utilize commercial property. Second, the presence of major employers, such as military bases, yields a general increase in property values in a region. More employment means stronger demand, which tends to push up the overall price level. Both types of property value impacts are explored in this section. Further, property value impacts are used to estimate the resulting annual property tax revenues. Finally, in this section we explore the possibility that military bases have an especially large impact on the prices of nearby properties, since commuting to a job at a base may be least costly for nearby homeowners.

The first source of property value impact results from the economic impact of Nebraska military bases. Recall that the economic impact was partly reflected in increased employee compensation (wages, salaries, benefits) in the state. That compensation goes to Nebraska households and is spent on all of the components of household spending including on mortgages and rent. Mortgage and rent payments in turn lead to taxable residential property in the state.<sup>144</sup> Further, household spending at retail stores, restaurants, grocery stores, banks, medical offices, insurance agencies and other commercial businesses supports commercial property values.

The property value impact can be estimated by examining the relationship between the annual flow of income in Nebraska and the stock of taxable property in state. Statewide, there is a ratio of \$1.47 dollars in taxable property for each \$1 of annual income. This ratio can be multiplied by the annual employee compensation impact of Nebraska military basis to yield the property value impact. In Chapter 4, the economic impact of Nebraska military bases in terms of employee compensation was \$1.31 billion, implying a \$1.92 billion property value impact.

This calculation is shown in Table 33 below. The Table also estimates the annual impact on property tax revenue. The average property tax rate in Nebraska excluding farmland was 1.96% in 2017. The rate excluding farmland is most appropriate for application to property value derived from employee compensation. The annual property tax revenue impact from this source was \$37.58 million in 2017. These property value and annual property tax impacts would occur all over the state as National Guard and Reserve bases are located throughout the state and Guard and Reserve members are located in every county.

---

<sup>144</sup> Apartment buildings are often officially classified as commercial rather than residential property.

<b>Table 33. Property Value and Annual Property Tax Impact of Employee Compensation at Nebraska Military Assets on the State</b>	
	Statewide Impact
Annual Employee Compensation Impact (Millions of \$)	\$1,307.1
Statewide Ratio Taxable Property to Income	1.47
Property Value Impact (Millions of \$)	\$1,921.4
Statewide Average Property Tax Rate (cents per dollar)	.019557
Annual Property Tax Impact (Millions of \$)	\$37.58
Source: BBR calculations	

These taxable property and annual property tax revenue impacts refer to the properties purchased or rented by employees of military bases or employees of business which gain customers due to the multiplier impact. The jobs supported at military bases, however, have an even broader impact on all types of property. In particular, economic research has identified that the presence of large employers, such as military bases, have a ripple impact on the value of property throughout the surrounding region. For example, Bartik (1991) considered the empirical relationship between employers and property values within a regional economy<sup>145</sup> and found that higher employment levels lead to a general increase in the value of property.

Table 34 shows a calculation for the general property value increase in several Nebraska regions housing a large military base, based on Bartik (1991). That research found that each 1% increase in regional employment yielded a 0.2% increase in general property values. The analysis for Offutt Air Force Base shows the general increase in property values in the Nebraska portion of the Omaha Metropolitan Area in 2017.<sup>146</sup> Offutt had direct employment of 9,621 plus an estimated 1,983 in employment in the area due to service contracts, for a total employment of 11,604. This represents approximately 2.79% of the total employment of 428,300 in 2017 in the Nebraska portion of the Omaha Metropolitan Area. Based on Bartik's (1991) research, this employment based generated a 0.56% increase in general level of property values in the Omaha area. The 2017 value of taxable property in the Nebraska portion of the Omaha Metropolitan Area was \$62.00 billion. The 0.56% increase implies that the employment opportunities at Offutt yielded a \$343.41 million increase in the general level of property values. Given that the average property tax rate (excluding farmland) is 2.30% in the Omaha Metropolitan Area, that increase in property values would yielded an additional \$7.89 million in property tax revenue during 2017.

<sup>145</sup> Bartik, Timothy J., 1991. Who Benefits from State and Local Economic Development Policies, W.E. Upjohn Institute for Employment Research. Available: [http://research.upjohn.org/up\\_press/77/](http://research.upjohn.org/up_press/77/)

<sup>146</sup> Douglas, Sarpy, Cass, Saunders and Washington Counties.

Base	Employment	Share of 2017 Regional Employment	% Increase in Property Values	2017 Property Values Excluding Farmland (\$ Millions)	Increase in Property Values (\$ Millions)	Increase in Annual Property Tax Revenue (\$ Millions)
Offutt Air Force Base	11,604	2.79%	0.56%	\$61,998.54	\$343.41	\$7.89
Nebraska National Guard	1,257	0.73%	0.15%	\$25,293.59	\$36.60	\$0.72

Source: BBR calculations

Table 34 also includes an estimate for the Nebraska National Guard Base in Lincoln, Nebraska. That base had a total of 1,257 full-time employees in the Lincoln area in 2017, or 0.73% of Lincoln area employment. Based on Bartik’s (1991) research, this level of employment would support a 0.15% increase in general property values. Given \$25.29 billion in taxable property excluding farm land in the Lincoln Metropolitan Area, a 0.15% increase implies \$36.60 million in additional property value. At prevailing property tax rates for Lancaster and Seward Counties, 36.60 million in taxable property would yield a \$0.72 million in additional annual property tax revenue.

Large military bases, as major employers, may have an especially large influence on the value of nearby properties due to commuting costs. In particular, daily commuting costs rise as distance from a major employment center such as a military base increase. Home prices may reflect these commuting costs, causing home prices to fall as distance from the employer rises. While not all homeowners will work at the major employer, there will be enough bidders on homes who do work at the employer to influence home price patterns. Consistent with this argument, economic models of home prices predict that home prices will fall as distance from a major employer, such as a military base, rises.<sup>147</sup>

Such home prices changes are often difficult to detect in housing market data, however, since the housing market is often responding to multiple employment centers. Employment levels at Offutt Air Force Base are large enough that it should be feasible to identify its influence on home prices in the surrounding Bellevue neighborhoods. A sample of 299 homes in the vicinity of Offutt Air Force Base were analyzed to assess the relationship between distance to a gate of Offutt Air Force Base, home characteristics and the assessed value of a home. The average assessed value of the homes was \$162,589 (standard deviation = \$74,435), while the average distance of homes from Offutt Air Force base was 3.13 miles (standard deviation 1.32 miles).

A linear regression was used to assess the impact of distance to Offutt and the other characteristics. Note that a variable also was included to reflect distance to Offutt Air Force Base squared. This structure allows us to capture a non-linear relationship between distance and assessed home value. For example, the assessed value of homes could initially rise with distance from the Base, just as it would rise with distance to a commercial airport, before assessed values begin to fall.

<sup>147</sup> This prediction assumes that the size of the home is held constant.

The results of the regression are shown in Table 35 below. The key results for distance from Offutt Air Force Based are marked in bold. Looking first at other results, coefficient estimate values indicate that an additional square foot adds \$117 to the assessed value of a home, and newer homes are worth more. These findings are statistically significant with 99% confidence.<sup>148</sup> Each acre of land adds \$21,730 to the assessed value of a home. For a given size home, dividing the home space into additional bedrooms reduces its assessed value and increasing the number of bathrooms has no influence on the value. The adjusted R-squared for the regression is 0.65, suggesting that the model accounts for a significant share of the variation in the assessed value of homes in the sample.

**Table 35. Relationship Between Distance to Offutt Air Force Base and Home Assessed Value**

Variable	Coefficient Estimate	Standard Error	t-value
Constant	-273,500	92,020	-2.97**
Acres of Land	21,730	4,424	4.91***
Total Square Feet of Home	117	8	14.54***
Year Built	161	46	3.46***
Bedrooms	-28,580	4,935	-5.79***
Bathrooms	8,739	6,319	1.38
<b>Distance from Offutt</b>	<b>14,410</b>	<b>9,467</b>	<b>1.522</b>
<b>(Distance from Offutt)<sup>2</sup></b>	<b>-2,703</b>	<b>1,401</b>	<b>-1.93*</b>

N=299, adjusted R<sup>2</sup> = 0.65  
 \*= Significant at 90% confidence, \*\* = Significant at 95% confidence, \*\*\* = Significant at 99% confidence  
 Source: BBR calculations

The coefficient on the variable for “distance from Offutt squared” is statistically significant at the 90% confidence level. The coefficient on the variable “distance from Offutt” (un-squared) is not statistically significant at the 90% confidence level but would be significant at an 80% confidence level. These levels of significance are sufficient to interpret the coefficient values. The coefficient values for distance and distance squared variables, however, need to be interpreted together, considering the coefficient of both distance and distance squared at each location.

Table 36 shows the influence of distance on home values at 6 specific distances from Offutt Air Force Base. After accounting for home and lot size, home age, and other factors included in the previous table, assessed values for homes rise with distance from Offutt Air Force Base. Assessed home values peak at a distance of 3 miles from the Base. The influence of distance from Offutt Air Force Base remains positive up to 5 miles but turns negative by 6 miles.

<sup>148</sup> Implying that there is just a 1% chance that the true (rather than estimated) influence of square feet and year build are zero rather than positive.

**Table 36. Relationship Between Distance to Offutt Air Force Base and Home Assessed Value**

Distance (Miles)	Implied Change in Home Value
1	\$11,707
2	\$18,008
3	\$18,903
4	\$14,302
5	\$4,475
6	-\$10,848

Source: BBR calculations based on regression results

These results suggest that assessed home values rise rather than decline with distance from Offutt Air Force Base, in contrast to the predictions of economic theory that home prices should decline with distance from a major employer. This result may simply reflect that proximity to other employment centers in Bellevue, La Vista, or even downtown Omaha improves for homes located further away from Offutt Air Force Base. In any event, we can say that we did not find evidence that commuting cost savings, for jobs at Offutt Air Force Base, were a source of higher property values in the Bellevue area.

While there was no influence due to commuting costs, recall that we did find other evidence that employment military bases increases property values in the surrounding region. This occurs in part due to the income earned by military and civilian workers at military bases. A portion of that income is spent on housing or at businesses which utilize commercial property. Either type of spending increases property values in the region. In addition, employment at military bases also supports a general increase in regional property values, as noted in the research of Bartik (1991).

### **Impact of Nebraska National Guard in Grand Island**

National Guard and Reserve bases located throughout Nebraska have an impact on local economies. This section explores the economic impact of one such base, the Nebraska National Guard Readiness Center located in Grand Island, Nebraska. The base’s annual economic impact on the Grand Island Metropolitan Area economy is estimated in Table 37 below.

There are 259 individuals assigned to units stationed at the National Guard Readiness Center in Grand Island. The *Nebraska National Guard 2017 Economic Impact Report* indicated National Guard payroll of \$2.04 million to the City of Grand Island. This is the estimate of employee compensation. Output estimates regarding the Nebraska National Guard in Chapter 4 had a ratio of operating costs to payroll of 44% implying operating costs of \$0.90 million. Operating costs are added to payroll to yield an estimate of total output of \$2.9 million for the Nebraska National Guard Readiness Center in 2017.

Table 37 shows the direct employment, employee compensation and output impact of the Readiness Center during 2017. The multiplier impacts occur in the 4-County Grand Island Metropolitan Area<sup>149</sup> and the total impact is the sum of the direct impact and multiplier impact. The total annual economic impact of the Nebraska National Guard Readiness Center on the Grand Island Metropolitan Area was \$4.3 million during 2017. This impact included \$2.4 million in employee compensation spread over 270 jobs. The employment multiplier impact was small because most of the National Guard employment

<sup>149</sup> Hall, Hamilton, Howard and Merrick Counties.

was part-time. Results show the types of significant economic impact which regional National Guard and Reserve Bases have on local economies throughout Nebraska.

<b>Table 37. The Annual Economic Impact of the Nebraska National Guard Readiness Center on the Grand Island Metropolitan Area</b>			
	Direct Impact	Multiplier Impact	Total Impact
Output (Millions of \$)	\$2.9	\$1.3	\$4.3
Employee Compensation (Millions of \$)	\$2.0	\$0.4	\$2.4
Employment	259	11	270
Source: BBR calculations using IMPLAN			

### **Future Studies**

Future studies will continue to shed light on the positive impacts that active duty military, retired DoD personnel, and veterans have on the Nebraska economy. In order to continue moving forward with this goal in mind, the BBR and the Commission on Military and Veteran Affairs have identified several potential future studies.

First, we recommend a study that would consider the impacts of additional wealth that retired DoD personnel contribute to the state when they settle in Nebraska during retirement. Specifically, we propose to examine the impact of retirement savings, 401k accounts, and other investments that retirees draw upon and spend while living as retirees in the state. Current analyses have only considered the DoD and VA contributions to the retirement spending of this population. In addition, it is possible to account for the number of retired DoD civilian personnel living in the state. This would further improve our ability to estimate the impact of DoD spending in the state.

Second, to better understand the factors that might drive the settlement of separated military personnel and paid DoD military retirees who decide to remain in the region, we propose a profile analysis. The profile analysis would outline the scenarios that a separated Airman or military retiree if he or she decided to live in Sarpy County, Nebraska or Harrison County, Iowa after leaving the service. The profile would examine the impact of state income tax exemptions, income taxes, property taxes, sales taxes, and other taxes that the individual would encounter in the two locations. In addition, analysts would consider cost of living in each area, and access to amenities. Finally, analysts would consider access to services as a result of tax payments.

Third, a supply chain analysis would provide important information about Nebraska businesses that provide goods and services to the Department of Defense and the U.S. Department of Veterans Affairs. In particular, the analysis would provide a more detailed look at the businesses that currently serve Department of Defense and the U.S. Department of Veterans Affairs, and potentially identify ways to leverage existing business relationships and expand their business to grow Nebraska.

## Appendix A. Literature Search on Effects of Base Closures

<b>Table 38. Studies on Effects of Base Closures</b>			
<b>Title</b>	<b>Research Question</b>	<b>Methods Used</b>	<b>Results</b>
Beatty, Thomas, C. (2016). <i>Characterizing the Effects of Military Base Closures on the American Education System</i> . Montana State University, Bozeman, Montana.	Does closures of Military Base have an Impact on the American Education System?	Regression	The results indicate that the impacts of military base closures on the pupil-teacher ratios, student population, and teacher populations of nearby elementary schools are very real but also that they are small in magnitude
Bradshaw. Ted, K. (1999). <i>Communities Not Fazed</i> , <i>Journal of the American Planning Association</i> , 65, 193-206.	Why military base closures may not be catastrophic?	Case study	Closure of a military base is not catastrophic to its local community because even fully operating bases have weak links to the community and the economy in which they are located, and because several compensating factors work to mitigate some of the losses which do occur.
Broniarczyk, K., Wadsworth, S,M. (2014). <i>Measuring Our Communities: The State of Military and Veteran Families in the United States</i> . <a href="http://measuringcommunities.org/report_standard.php">http://measuringcommunities.org/report_standard.php</a>	What is the state of Military and Veteran Families in the United States?	Measuring Communities (online social indicators project aimed at shaping community efforts to support military and veteran families).	Understanding the well-being of military and veteran families using the data available.
Cheney, Phil. <i>Working with Military Bases: Examining Base Closure</i> . Available: <a href="https://implanhelp.zen-desk.com/hc/en-us/articles/115009542347-Working-with-Military-Bases-">https://implanhelp.zen-desk.com/hc/en-us/articles/115009542347-Working-with-Military-Bases-</a>	Does base closing activity result in shifting of jobs from one region to another?	5 case studies	Closing a base results in a loss of employment from one region, while other surviving bases gain employment.

<a href="#">Examining-Base-Closure-Case-Study-</a>			
Cowan, Tadlock. (2012). <i>Military Base Closures: Socioeconomic Impacts</i> . Congressional Research Service. Available: <a href="https://archive.org/details/RS22147MilitaryBaseClosureSocioeconomicImpacts-crs">https://archive.org/details/RS22147MilitaryBaseClosureSocioeconomicImpacts-crs</a>	Do Military Base Closures have any socioeconomic impacts on the communities?	Drawing from existing studies	Base closures and realignment might create socioeconomic distress in communities initially, but research has shown that they have not had the dire effects that communities expected.
Dardia, M. McCarthy, K.F. Malkin, J. Vernez, Georges. (1996). <i>The Effects of Military Base Closures on Local Communities (A short term Perspective)</i> . Published by RAND. ISBN: 0-8330-2354-3	Do Military base closures have any effects on Local Communities (3 communities)?	Analytical Approach (multiple measures of the effect of closure and multiple standards of comparison)	The effects were not catastrophic and not as severe as forecasted.
Grieco, J.L, (2017). <i>Brac and Crime: Examining The Effects of an Installation's Closure on Local Crime</i> . Naval Postgraduate School Thesis.	Do BRAC activities have any effect on a community's crime rate?	Difference- in-difference estimation strategy (difference in crime rates before and after a city had a BRAC relative to comparable control cities without such closures)	Does closure of BRAC have any effect on a community's crime rate?
Hawkins, K, E. (2005). <i>Military – Base Impact on a Local Economy: A case study of three military bases in two metropolitan statistical areas</i> . University of Florida.	Do Military bases have an impact on urban and regional economic growth?	Spatial Analysis and multiple regression (95% confidence level)	The significance of base impact on economic-growth was negligible in all cases (Spatial Analyses showed discernible impact on the economic growth rates of the study areas. Regression analyses showed positive and negative causes for economic-growth rates of the study area).
Hooker, Mark, A. Knetter, Michael, M. (1999). <i>Measuring the Economic Effects of</i>	What is the Economic Effect of Military Base Closures?	Newly constructed dataset is used to analyze the county-level employment and	Employment costs are mostly limited to the direct job loss associated with military

<p><i>Military Base Closures.</i> NBER Working Paper No. 6941</p>		<p>personal income effects resulting from closures of military bases during 1971-1994</p>	<p>transfer out of the region, and per-capita income is little affected by closures on average</p>
<p>Hooker, Mark, A. Knetter, Michael, M. (2001). <i>Measuring the Economic Effects of Military Base Closures.</i> Economic Inquiry. Western Economic Association International.</p>	<p>Do closures of Military bases have any effect on the county-level employment and personal income effects?</p>	<p>Input-Output method (this method is used to extrapolate indirect job loss from a given reduction in military and civilian jobs on base).</p>	<p>Military base closures have not caused significant economic damage to their communities.</p>
<p>Hultquist, Andy. Petras, Tricia, L. (2012). An Examination of the Local Economic Impacts of Military Base Closures. <i>Economic Development Quarterly</i>, 26, 151-161.</p>	<p>Do Military Base Closures have any Local Economic Impact?</p>	<p>Method of Estimation (annual change in employment in a particular county is expressed as a function of annual changes in military base employment within that county, annual changes in military base employment in neighboring counties, a vector representing local economic controls, a vector representing base closures designated through BRAC policy, a county- specific fixed effect, and a time-specific fixed effect.)</p>	<p>Changes in Military base employment have a statistically significant impact on local non- base employment, both within the same county and in neighboring counties.</p>
<p>Joyner, D,L. (2012). <i>Financial Impacts of Military Base Closures on Local Community Property Values.</i> Doctoral dissertation. Nova Southeastern University. Retrieved from NSUWorks</p>	<p>Do Military base closures have any effect on the real estate value?</p>	<p>Examines an area that has not received sufficient research</p>	<p>Military base closures affect real estate values will have implications for real estate investors, developers, city and country government planners, and budget directors from local school districts to state government</p>

<p>Lee, Jim. (2018). The Regional Economic Effects of Military Base Realignment and Closures. <i>Defense and Peace Economics</i>, 29, 294-311.</p>	<p>Do military base realignments and closures have any impact on regional economic activity?</p>	<p>Base-Line regression</p>	<p>Only contractor type of base employment generated economically and statistically meaningful impacts on local employment. Strong evidence of asymmetric effects between military buildups and drawdowns.</p>
<p>Myers, Elizabeth, M. (2010) <i>Cleaning Up the Mess: The Economic, Environmental, and Cultural Impact of U.S. Military Base Closures on Surrounding Communities</i>. Law Student Publication. University of Richmond. Available: <a href="https://scholarship.richmond.edu/cgi/viewcontent.cgi?article=1055&amp;context=law-student-publications">https://scholarship.richmond.edu/cgi/viewcontent.cgi?article=1055&amp;context=law-student-publications</a></p>	<p>Do U.S. Military base closures have any Economic, Environmental and Cultural impact on the surrounding communities?</p>	<p>Case study research design.</p>	<p>Surrounding communities should look at BRAC as a positive means for saving the federal government money and improving the efficiency of the US military. It has high costs of environmental cleanup and confusion, but the benefits outweigh the costs. Therefore, with right attitude and proper planning, local communities can work with federal government to make military base closures under BRAC beneficial for everyone.</p>
<p>Poppert, Patrick, E. (2001). <i>Base Closure Impacts and the General Effects of Military Installations on Local Private Employment</i>. Doctoral Dissertations. University of Tennessee, Knoxville. Available: <a href="https://trace.tennessee.edu/utk_graddiss/3640/">https://trace.tennessee.edu/utk_graddiss/3640/</a></p>	<p>Do Military base closure and Military Installations have any effect on Local Private Employment?</p>	<p>Employment Impact Analysis of Military Base Labor Forces on Local Stateside Communities in general, and more specifically the impact of base closures resulting from the 1 988, '91, '93 and '95 closure rounds. The product of this analysis will be empirically derived military base employment multipliers.</p>	<p>1. The effects of employment build-up are equal, but opposite in sign to those of job removal. 2. Asymmetrical relationship between military personnel level changes, and local community employment.</p>

<p>Rand Corporation. (2017). <i>Military Base Closures: The Impact on California Communities</i>. Available: <a href="https://www.rand.org/pubs/research_briefs/RB7511/index1.html">https://www.rand.org/pubs/research_briefs/RB7511/index1.html</a></p>	<p>What Impact did the Military Base closure have on California Communities?</p>	<p>Case Study (investigated communities surrounding 3 of the largest bases closed in California since 1988)</p>	<p>The effects of base closure are difficult to predict beforehand and are not as negative as people would assume.</p>
<p>Webster, Sean T., (2004). <i>National Patterns and Community Impacts of Major Domestic U.S. Military Base Closures</i>. Master of Science (Applied Geography). University of North Texas.</p>	<p>Do U.S. Military Base Closures have any impacts on National Patterns and Community?</p>	<p>Comparative Case study and analytical techniques</p>	<p>Community impacts have been more positive than predicted at the outset of each BRAC round. Job recovery times are short and are getting shorter as the time period. Communities have benefited from conveyances, allowing for a smoother and cheap redevelopment process.</p>

**Appendix B. About the University of Nebraska-Lincoln Bureau of Business Research**

## **The Bureau of Business Research**

The Bureau of Business Research is a leading source for analysis and information on the Nebraska economy. The Bureau conducts both contract and sponsored research on the economy of Nebraska and its communities including: 1) economic and fiscal impact analysis; 2) models of the structure and comparative advantage of the current economy; 3) economic, fiscal, and demographic outlooks, and 4) assessments of how economic policy affects industry, labor markets, infrastructure, and the standard of living. The Bureau also competes for research funding from federal government agencies and private foundations from around the nation and contributes to the academic mission of the University of Nebraska-Lincoln through scholarly publication and the education of students.

### **Key Personnel**

#### **Dr. Eric Thompson**

Dr. Eric Thompson is the Director of the Bureau of Business Research and an Associate Professor of Economics at the University of Nebraska-Lincoln. Dr. Thompson has conducted a broad group of economic impact studies including impact studies of Nebraska agriculture, Sandhill Cranes migration, the Nebraska child care industry, the Omaha Zoo, the Nebraska horseracing industry, Husker Harvest Days, and the UNL Athletic Department. Dr. Thompson also works on demographic projections and analyses of economic development programs for Nebraska and cities in Nebraska. He also has conducted numerous economic impact studies for the Lincoln Department of Economic Development, the Omaha Chamber of Commerce, the Nebraska Department of Economic Development, various Nebraska industries, and Nebraska tourism attractions. Dr. Thompson's research has received support from the United States Department of Labor, the Robert Wood Johnson Foundation, the Center for Economic Analysis, the Nebraska Health and Human Services System, as well as Lincoln, Omaha, and Nebraska organizations and agencies. In his previous employment, Dr. Thompson served as the Director of the Center for Business and Economic Research and a Research Associate Professor of Economics at the University of Kentucky. Dr. Thompson received his Ph.D. in agricultural economics from the University of Wisconsin-Madison in 1992. His research fields include regional economics, economic forecasting, and state and local economic development. His research has been published in *Regional Science and Urban Economics*, the *Journal of Regional Science*, the *American Journal of Agricultural Economics*, and the *Journal of Cultural Economics*.

#### **Dr. Mitchel Herian**

Dr. Mitchel Herian serves as a Research Associate through the Bureau of Business Research, a faculty fellow at the University of Nebraska Public Policy Center, and an adjunct professor in the Political Science department at UNL. Dr. Herian has worked for agencies such as the U.S. Army, the U.S. Air Force, the National Aeronautics and Space Administration (NASA), the Nebraska Supreme Court, the Nebraska Department of Education, and the Kansas Department of Corrections. His research has received support from agencies including the National Science Foundation and the National Institute of Justice. Dr. Herian's research has been published in a variety of peer reviewed journals including the *Journal of Public Administration Research and Theory*, *American Review of Public Administration*, *Policy Studies Journal*, *State and Local Government Review*, and *Ecology & Society*.

#### **Mr. Phillip O'Donnell**

Mr. Phillip O'Donnell serves as the first Military Affairs Liaison for the State of Nebraska's Commission on Military and Veteran Affairs. Mr. O'Donnell graduated with merit from the U.S. Naval Academy before serving as a surface warfare officer in the U.S. Navy with engineering, operations, and intelligence assignments in Japan, Bahrain, and Washington DC. After completing his active duty

service, Mr. O'Donnell earned a Master of Arts degree in International Relations and International Economics from the Johns Hopkins University's School of Advanced International Studies (SAIS) and a Master of Business Administration degree from the University of Nebraska-Lincoln. Mr. O'Donnell has worked for both large and small consulting firms in the defense industry and continues to serve in the Navy Reserve at the U.S. Strategic Command.

# ~~NEBRASKA~~

**COMMISSION ON MILITARY  
AND VETERAN AFFAIRS**