



## SHAPING THE FUTURE... TOGETHER

### EXECUTIVE SUMMARY

#### Focus: Key Actions, Key Impacts, Key Mitigations

The Socioeconomic Impact Assessment Study (SIAS) was prepared as a stand-alone study to the EIS/OEIS regarding the military buildup on the island of Guam as well as the Commonwealth of the Northern Marianas Islands (CNMI).

The SIAS's purpose is to provide reliable estimates of the proposed military relocation's impact on the social and economic condition on Guam and within the CNMI. The following components of the relocation are addressed in the SIAS:

- Marine Corps relocation from Okinawa to Guam
- Construction of facilities for training and operations on Tinian in the CNMI
- Aircraft Carrier Berthing at Guam
- Army Air and Missile Defense Task Force facility development
- Various "connected actions" (i.e., utilities and roadways).

Using the most current and best available data for the islands, the SIAS provides estimates for issues such as construction conditions, military personnel numbers, and project implementation schedules. However, adjustments to these impact figures might undoubtedly come about due to changes in planning, scheduling, and federal legislative activities.

## GUAM AND CNMI MILITARY RELOCATION DRAFT EIS / OEIS VOLUME 9: SOCIOECONOMIC IMPACT ASSESSMENT

Serving as a technical interface between the Office of the Governor and the EIS/OEIS/SIAS Consultant team, the Financial/Fiscal Advisory Consultant (FA Consultant) is tasked with analyzing a series of economic factors including housing, labor shortages, and/or inflation. A summary of our review and analysis of the SIAS is provided in this Executive Summary.

### Key Actions

The SIAS was prepared as a response to public concerns voiced during public scoping meetings for the EIS/OEIS. Impact Analyses conducted for this SIAS were focused on socioeconomic issues in the following four categories: population change, economic activity, public services, and socio-cultural issues.

### Key Impacts

The SIAS provides two main scenarios, reflecting different assumptions about potential constraints regarding the Territory and its size and capacity. The Unconstrained Scenario is a maximum-impact approach that assumes no blockages will interfere with a full realization of the military buildup. The Constrained Scenario, on the other hand, is a minimum-impact approach that assumes there will be blockages such as island size and capacity that will limit the pace and scope of the military buildup.

Three particular periods are emphasized during the military relocation (with each period having its own mitigation emphasis).

- Baseline (FY2010): relates to current GovGuam economic conditions
- Peak Load (FY2014): relates to the peak year in terms of net direct, indirect, and total impacts resulting from **project-related construction activity** and military personnel relocation
- Steady State (FY2017 and beyond): relates to the **operational phase** of the proposed military relocation (i.e., after construction-related effects have subsided)

### Key Mitigations

Construction efforts related to the military buildup are expected to begin in 2010 (Baseline) and reach its peak in 2014 (Peak Load), bringing about an unprecedented increase to the island's population. At Peak Load, the unconstrained total increase in Guam residents from off-island might be as much as 79,178 people. In fiscal 2017 and beyond (Steady State), the population influx is expected to drop off, possibly reaching a level 58% below the peak (33,608).

In contrast, constrained figures are more reasonable in terms of the population influx as certain blockages that exist on the island have been considered. Under this scenario, an estimated 53,786 additional people will arrive on the island at the buildup's peak, and this number would fall to 30,209 during the steady state.

**Note:** All analysis performed by the Advisory Consulting Team (ACT) summarized in this document relate only to impacts for the island of Guam and not the CNMI.

## Key Observations

| Observation/ Issue  | Comment   |
|---|---|
| <p><b>Population Increases</b></p> <ul style="list-style-type: none"> <li>• Military Personnel</li> <li>• Dependents</li> <li>• Civilians</li> </ul>                                | <p>A worst-case scenario analysis puts an additional 80,000 to 85,000 people on the island as a result of the military buildup. The majority of this population increase, however, will come not from military personnel themselves. Instead, civilians who migrate to the Territory in search of work will make up this majority.</p> <p>Therefore, in planning for population increases, demographics of the average civilian (not the average Marine) need to be accentuated.</p>  |
| <p><b>Increased Immigration</b></p> <ul style="list-style-type: none"> <li>• Primarily from Micronesia and F.A.S.</li> </ul>  | <p>In-migrants looking for jobs will increase Guam's population. Many will also bring along dependents of their own.</p> <p>Ideally, Guam residents will be given precedence over in-migrants in terms of filling open job positions. However, the question is raised of whether or not Guam residents possess the required skills for these jobs, in order to receive such precedence. In addition, the same question applies to the skill-sets of the incoming migrant workers.</p> |
| <p><b>Hawaii Input-Output Model</b></p> <ul style="list-style-type: none"> <li>• Hawaii I-O multipliers applied to current Guam figures</li> </ul>                                  | <p>While Guam and Hawaii are both island economies, both rely upon different factors to keep their respective economies afloat. Therefore, applying multipliers from the Hawaii I-O Model to forecast impact figures for the military buildup on Guam might not be appropriate, and may distort the actual economic impacts upon Guam.</p>  |
| <p><b>GovGuam Agencies/Departments</b></p> <ul style="list-style-type: none"> <li>• Additional personnel requests</li> </ul>  | <p>To accommodate for the increase in population, all GovGuam agencies will need additional personnel to keep the same status quo for services provided by the agency or department.</p> <p>Finding qualified individuals to fill such positions might pose a problem, depending on what kind of applicants migrate to Guam during the buildup.</p>   |
| <p><b>Federal Agencies/Departments</b></p> <ul style="list-style-type: none"> <li>• Additional requests from Guam</li> </ul>  | <p>Increased activity on the island of Guam might result in longer negotiation process for establishing proposed actions. As the volume of requests from the island increase, it will take longer and longer for Federal Agencies to respond with appropriate actions.</p>  |
| <p><b>Lack of Data</b></p> <ul style="list-style-type: none"> <li>• Agency/Department personnel figures</li> <li>• Supply costs</li> </ul>  | <p>Data collection has been inconsistent due to budget cuts, interrupted data collection and analysis, and publication issues.</p> <p>There is a possibility of skewed or inconsistent data in the SIAS report due to the aforementioned faults in data collection and/or data availability.</p>  |
| <p><b>Labor Issues</b></p> <ul style="list-style-type: none"> <li>• Availability of local trained labor</li> </ul>  | <p>Many employers will only be looking for temporary construction help. For other operations-related positions, however, more in-depth training will be necessary.</p> <p>Agencies and departments in need of more advanced skill sets might have trouble providing adequate training methods for their new employees. In addition, who pays for this training?</p>   |
| <p><b>Housing Impacts</b></p> <ul style="list-style-type: none"> <li>• In-migrants housing demands</li> <li>• Temporary housing possibilities</li> <li>• Initial funding</li> </ul> | <p>Who will be responsible for providing housing for in-migrants as well as their dependents?</p> <p>What will be done with housing created for temporary in-migrant workers after the buildup is complete?</p> <p>How will this housing be financed?</p>   |

| Observation/ Issue   | Comment  |
|--|--|
| <p><b>Constrained Scenario</b></p> <ul style="list-style-type: none"> <li>Minimum-impact approach</li> </ul>   | <p>Assumes that blockages such as size and capacity requirements of the island will interfere with a full realization of the military buildup.</p> <p>This probably is the more realistic scenario, even though “worst-case” impacts are not addressed.</p>  |
| <p><b>Unconstrained Scenario</b></p> <ul style="list-style-type: none"> <li>Maximum-impact approach</li> </ul>   | <p>Assumes that no blockages will interfere with a full realization of the military buildup.</p> <p>Realistically, however, blockages will undoubtedly arise during the buildup process due to unforeseen circumstances.</p>   |
| <p><b>Direct Impact</b></p> <ul style="list-style-type: none"> <li>Impacts that from direct expenditures</li> </ul>                                      | <p>Refers to expenditure impacts by construction contractors and military only.</p> <p>Direct impacts will peak during the Peak Load state of the military buildup.</p>  |
| <p><b>Indirect Impact</b></p> <ul style="list-style-type: none"> <li>Impacts that come from indirect expenditures</li> </ul>                             | <p>Effects that occur when the first businesses to receive outside money spend some of it to buy things from other businesses.</p> <p>Indirect impacts will linger well past the Peak Load state of the military buildup, mainly from operations related impacts.</p>  |
| <p><b>Unemployment Rate</b></p> <ul style="list-style-type: none"> <li>Decreasing unemployment rate over the past 8 years</li> </ul>                     | <p>The possibility exists for the unemployment rate to continue to decline (amongst Guam locals) as more jobs are created as a result of the military buildup. Some “discouraged workers” who gave up looking for a job might be pulled back into the labor market.</p> <p>In contrast, the possibility also exists that the unemployment rate will increase as there might be too many “in-migrants” on the island than there are new jobs available.</p> |
| <p><b>Leakage</b></p> <ul style="list-style-type: none"> <li>Money that “leaks” away to sellers outside the local economy</li> </ul>                     | <p>Historically, Guam has had high leakage rates, as their geographic location and low production capacity has forced the island to be reliant upon imports.</p> <p>During the military buildup, the Guam economy will continue to experience low “capture rates” in terms of new construction and operational expenditures spent in the local Guam economy.</p> <p>Not many options exist to mitigate these effects.</p>                                  |
| <p><b>GovGuam Revenue Sources</b></p> <ul style="list-style-type: none"> <li>Gross Receipts Tax make up only 4% of revenue for the Territory</li> </ul>  | <p>At such a small percentage of overall revenue, Guam cannot expect increased GRT revenue to cover a significant amount of military buildup costs. For example, an added \$1 billion in federal spending (if fully captured under GRT) would result in only \$40 million in added revenue to GovGuam.</p>   |
| <p><b>Baseline Figures</b></p> <ul style="list-style-type: none"> <li>Inconsistent baseline years used for different agencies and departments</li> </ul> | <p>Numbers provided by GovGuam agencies and departments do not necessarily reflect “ideal” figures. Most agencies are currently understaffed and underfunded.</p> <p>The SIAS report did not address this issue and used these current ratios provided by each agency. Therefore, SIAS figures will not solve the current problem of understaffing or underfunding.</p>  |

