



ECONOMIC IMPACTS OF FORT CAMPBELL ON THE STATE OF TENNESSEE

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Introduction and Executive Summary

Fort Campbell supports one of the largest military populations in the Department of Defense and is home to several of the military's elite units. Located on more than 105,000 acres in Northern Middle Tennessee and Southern Kentucky, the base is home to the 101st Airborne Division, the 160th Special Operations Aviation Regiment, the 5th Special Forces Group and many other support team elements. The base and its large military population are an economic engine for the region that provides a significant economic impact for the State of Tennessee. In addition to the 26,800 military members working at the base, approximately 4,400 civilians are employed at Fort Campbell working in both military and non-military capacities.

The Clarksville area is recognized as a great place to work and raise a family with its low cost of living and high quality of life. This positive environment has helped create a home for thousands of military family members both on and off base, with an estimated 70 percent of soldiers and their families living off the installation. In addition, Clarksville's high quality of life has prompted over 68,000 retired military personnel to remain in the area to live and work. The Fort Campbell community helps support local businesses and thousands of jobs in the region.

The Center for Economic Research in Tennessee (CERT) conducted an analysis to estimate the economic impacts of Fort Campbell—including the impacts of individuals employed at Fort Campbell and their family members (part 2), and of veterans (part 3)—on the State of Tennessee. This includes Tennessee jobs and incomes the base supports, in addition to economic output the base generates for the Tennessee economy. CERT also analyzed the fiscal benefits for the State of Tennessee. These benefits include the generation of new taxable sales for Tennessee businesses and state tax revenues including sales, franchise, excise and miscellaneous taxes and user fees.

- During FY16, over 26,800 military personnel were stationed at Fort Campbell. Approximately 25,000 of these personnel are installation or Tennessee residents.
- In FY16 there were more than 4,400 civilians employed at the installation, which includes civilians working both for the military and not for the military. An estimated 3,970 of these civilian workers live in Tennessee.
- CERT estimates the base supported a total of 58,411 Tennessee jobs in FY16. This includes the base's active military personnel and civilian employees living in Tennessee or on the installation. It also includes 29,479 indirect and induced jobs that have been created in the regional economy to support Fort Campbell's military personnel, civilian workforce and their families.
- The base supported Tennessee earnings of \$5.2 billion during FY16. This includes earnings of Fort Campbell military personnel and civilian employees, as well as earnings generated in the Tennessee economy through indirect and induced employment
- The economic impact of the installation and its employees support activity across virtually every sector of Tennessee's economy. During FY16, the installation and its employees supported \$5.2 billion in value added (contribution to the gross state product) and \$10.1 billion in total economic output.
- Fort Campbell supports approximately 68,000 veterans in Tennessee and Western Kentucky with an estimated 61,300 settling in Tennessee. Military retirees living in the state earn \$1.5 billion in retirement benefits each year, which significantly impacts local businesses.
- Approximately 42,165 of Fort Campbell's retired veterans (18 to 64 years of age) are estimated to be employed in Tennessee. These veterans create additional economic impacts for the economy above the impacts generated by retirement benefits. Employed veterans

earned an estimated \$1.54 billion over the one-year time period, in addition to their retirement benefits.

Data employed for this analysis was provided by the United States Army for the 2016 fiscal year. Economic and fiscal impacts reflect projections occurring over a one-year time period.¹ This analysis evaluates the impact of those living in Tennessee; off-installation Kentucky residents are excluded from the analysis.

I. History of Fort Campbell and Major Tenants Units

Established in 1942 as Camp Campbell, the installation was named after William B. Campbell, former Governor of Tennessee and Brigadier General of the United States volunteers during the Civil War. In the years leading up to the installation's establishment, the United States was facing an increasing likelihood of war. The federal government moved to create mobilization camps to increase the nation's ability to face the growing threats from abroad. In the years leading up to the U.S. involvement in World War II, the federal government acquired the land in Northern Middle Tennessee and Southern Kentucky for the construction of the new military facility. The camp would later transition to the modern Fort Campbell Military Installation, including the current headquarters of the 101st Air Assault Infantry Division, the Army's only Air Assault Division. Since its founding, Fort Campbell has operated on a continuous basis for a variety of military activities.

Initially activated in August 1942 at Camp Claiborne, Louisiana, the 101st Airborne Division has recorded a proud history over 75 years and has continually been called to go where the need was "immediate and extreme". The Division's first Commanding General, Major General William C. Lee promised upon its founding that even though the 101st had no history, it had a "rendezvous with destiny". This has been demonstrated over several decades, beginning with the Division leading the way into Normandy with its night drop prior to the D-Day invasion. It was during this drop that the 101st became the first Allied Soldiers to set foot onto occupied France. Other campaigns during the Second World War include the Rhineland, Ardennes-Alsace, and Central Europe. The Division has also seen campaigns in Vietnam, Desert Shield/Storm, Iraq (Operation Iraqi Freedom), and Afghanistan.²

Since June 1988, Fort Campbell has also been home to the 5th Special Forces Group (Airborne). Their mission is "to organize, equip, train, and validate forces to conduct full spectrum special operations in support of USSOCOM, Geographic Combatant Commanders, American ambassadors, and other governmental agencies."³ Since relocating to Fort Campbell, the 5th Special Forces Group (Airborne) has performed missions in numerous countries around the globe. These missions include the 5th SFG (A)'s operations against Taliban and Al Qaeda forces in Afghanistan becoming the first American unit deployed to the country as part of Operation Enduring Freedom. For their achievements during Operation Iraqi Freedom, the group was awarded Presidential Unit Citation.

The 160th Special Operations Regiment (Airborne), created in 1981, is also headquartered at Fort Campbell. This Regiment's mission is to "organize, equip, train, resource and employ Army special operations aviation forces worldwide in support of contingency missions and combatant

¹ Model Information: This analysis utilizes a customized impact model developed and supported by economic consulting firm Impact DataSource. CERT's analysis relies on prospective estimates that may not be realized. The economic impact estimates are based on multipliers derived from Economic Modeling Specialists Intl. (EMSI).

² <http://www.campbell.army.mil/web/DEV/Pages/default.aspx>

³ Source: <http://www.campbell.army.mil/Tenant/Pages/5th.aspx>

commanders.”⁴ Due to their ability to excel at nighttime operations, the 160th are known as Night Stalkers. The Regiment provides helicopter support and employs “highly modified Chinook, Black Hawk, and assault/attack configurations of Little Bird Helicopters.” The Regiment “continues a sustained and active forward presence in the U.S. Central Command area of operations at multiple locations in support of operations Enduring Freedom.” In addition, the 160th Special Operation Regiment crews provide support to U.S. Southern, Pacific, Africa, and European Commands.

Other major tenant units headquartered at Fort Campbell include U.S Army Medical Activity, TN Valley District Corps of Engineer, Veterinary Command and U.S Army Dental Activity. In addition, Fort Campbell is a leader in military cyber operations and defense with approximately 140 cyber warriors located at the installation.

By operating on a continual basis for over 75 years, the Fort Campbell installation has played a pivotal role in the protection of our country’s citizens and its interests around the globe. In addition to the role in safeguarding our nation, the installation, its military personnel and civilian workers have been an economic engine for northern middle Tennessee and south central Kentucky. This area is enjoying substantial economic growth and Fort Campbell has played an important role in supporting the success of the region and its residents.

II. Impacts of Military Personnel and Civilian Employment at Fort Campbell

Fort Campbell, its large military population and civilian employees have a substantial impact on Tennessee’s economy generating direct, indirect and induced economic benefits for the state.

During FY16, over 26,800 military personnel were stationed at Fort Campbell. This includes approximately 8,000 active military personnel living on the installation,⁵ and nearly 17,000 living in nearby Tennessee communities.⁶ In addition, Tennessee’s military personnel have family members living in the region. Using data provided by Fort Campbell, CERT estimates that 36,640 military family members live in and around the installation, which includes 11,625 school aged children.

In FY16 there were more than 4,400 civilians employed at the installation, which includes civilians working both for the military and not for the military.⁷ An estimated 3,970 of these civilian workers live in Tennessee.⁸

CERT estimates the base supported a total of 58,411 Tennessee jobs in FY16. This includes the 25,000 active military personnel and 3,970 civilian employees living in Tennessee or on the installation. This figure also includes 29,479 indirect and induced jobs that have been created in the regional economy to support Fort Campbell’s military personnel, civilian workforce and their

⁴ Source: <http://www.campbell.army.mil/Tenant/Pages/160th.aspx>

⁵ Military personnel living on the installation reside on federal property and it is difficult to determine the state of residence. For this analysis, CERT estimates the 8,000 personnel are living in Tennessee as they make most of their off-installation purchases in Tennessee.

⁶ Approximately 70 percent of soldiers and families live off the installation, according to estimates by Fort Campbell and the local community. Among those living off the installation, 90 percent live in other Tennessee communities. Previous research suggests similar estimates for the retiree population.

⁷ Civilians working at the installation include civilians working for the military (not federal employees) and civilians not working for the military.

⁸ CERT used the same estimates for the percentage of Tennessee residents that was applied to military personnel and the retiree population.

families. Indirect jobs include individuals employed at supplier organizations to Fort Campbell—such as organizations which provide facilities management services, equipment and supplies. The installation’s direct and indirect economic impacts induce additional economic activity in the region, supported by workers spending parts of their salaries in the state. Induced impacts in the region can be seen in industries such as retail stores, real estate, and healthcare practitioners.

Salaries generated totaled \$1.44 billion in FY16 for Fort Campbell military personnel living in Tennessee, while civilian workers earned approximately \$309.0 million in wages during the one-year time period. An additional \$3.45 billion was earned in the Tennessee economy through indirect and induced employment. In total, the base supported Tennessee earnings of \$5.2 billion during FY16.

Direct Employment Impact (1-Yr Impact)				
	Military Personnel	Civilian Employees	Indirect and Induced Impacts	Total Impacts
Jobs	24,962	3,970	29,479	58,411
Incomes	\$1.44B	\$309.0M	\$3.45B	\$5.2B
Economic Output	\$3.9B	\$488.3M	\$5.7B	\$10.1B

The installation and its employees helped to generate \$10.1 billion in economic output⁹ through direct, indirect, and induced economic activity in the state over the one-year time period. The economic output (or value of goods and services) generated includes \$4.4 billion in direct activity created by military members, civilian employees and their families. The installation and its employees during the one-year time period generated approximately \$5.2 billion in value added, or contribution to gross state product.¹⁰ The value of these goods and services produced occurs across several industries in the state.

The direct, indirect, and induced employment occurring across the state will generate various taxable sales and purchases. Taxable sales and purchases include activity associated with purchases made at local businesses by worker spending in the community. CERT estimates that over \$641.9 million in taxable sales will be generated in the state over the one-year period in this analysis. Taxable sales include purchases by direct and indirect workers on food and general items in the state.

Taxable sales are projected to generate \$33.8 million in new state sales tax collections and fees. Direct taxable sales and purchases in the community by military personnel and their families are partially offset by their ability to make retail purchases on base free of sales tax at the installation’s Post Exchange. Therefore, estimated sales tax collections from personnel and their families may not be fully realized in the state.¹¹

CERT estimates that other fiscal benefits, including franchise, excise and miscellaneous taxes and user fees, will result from economic activity of the installation’s workforce. These fiscal benefits

⁹ Economic output is the value of goods and services produced in the state as a result of these residents. Economic output can be thought of as the new revenue generated by direct business and spin-off businesses.

¹⁰ Value added is defined as gross output (total value of goods and services produced by an industry) less intermediate inputs (goods and services used up by an industry in the process of producing its gross output). The sum of value added across all industries is equal to gross domestic product for the economy. (Sources: Impact DataSource and U.S. Bureau of Economic Analysis).

¹¹ Tax collections by the state from purchases made by military personnel and their families may be offset by tax-free purchases on the installation. CERT does not have data available estimating the amount of purchases made on the installation compared to in the community.

include approximately \$25.5 million in indirect franchise and excise tax collections and \$10.8 million in miscellaneous taxes and user fees across Tennessee. Local benefits, including property taxes generated are not included in the analysis.

Of note, the state does incur costs for providing government services to local residents, including those workers employed at the installation and their families. Costs are also incurred for providing services to indirect and induced workers whose job is supported by installation activities, military personnel and civilian employees working on the installation. These services include transportation and infrastructure, education, law and safety services, health and social services, and other government services. These costs will slightly offset the fiscal benefits mentioned above. The cost is however difficult to quantify and not reflected in this paper.

III. Impacts of Veteran Population in Tennessee

Fort Campbell supports approximately 68,000 veterans in Tennessee and Western Kentucky with an estimated 61,300 settling in Tennessee. According to Fort Campbell officials, approximately 500 soldiers transition out of the base each month with 30 percent choosing to live in the state. The veteran population selecting Tennessee as their home—some of which enter the workforce and others which do not for school or other reasons—have a substantial impact on the Tennessee economy.

Fort Campbell retirees living in the state earn \$1.5 billion in retirement benefits each year. This spending has a significant impact to local businesses in a variety of industries—including real estate, healthcare and financial services, restaurants and retail. Veterans’ spending in the state supports jobs and earnings of Tennessee workers, generating economic output in the regional economy and tax revenues for state and local governments.

After retiring from the military, some veteran residents will enter the civilian labor force. Veterans’ high rates of labor force engagement and educational attainment are an important asset to Tennessee’s economy and highly valued amongst regional employers. CERT applied 2017 Census data, to estimate 42,165 of the retired veterans (18 to 64 years of age) are employed in the state. These veterans create additional economic impacts for the state above the impacts from their retirement benefits. Employed veterans earned an estimated \$1.54 billion over the one-year time period, in addition to their retirement benefits.

In total, an estimated 57,429 indirect and induced jobs have been created in the regional economy to support the 61,300 Tennessee retiree residents.¹² This supporting workforce earned an estimated \$3.72 billion during FY16.

Veteran Population (1-Yr Impact)				
	Direct Impacts (Employed Veterans)	Direct Impacts (Retirees)	Indirect and Induced Impacts	Total Impacts
Veterans and Supporting Jobs	42,165	19,097	57,429	118,691
Incomes	\$2.57B	\$469.4M	\$3.72B	\$7.68B
Economic Output	\$6.58B	\$2.59B	\$11.93B	\$21.11B

¹² For retired veterans that are not currently employed, the analysis excludes indirect impacts (which result from business-to-business spending patterns); however, does incorporate induced impacts of retirees’ spending in the Tennessee economy. For employed veterans, both indirect and induced impacts are incorporated.

The retired military population and their families helped to generate \$21.1 billion in economic output through direct, indirect, and induced economic activity in the state over the one-year time period. The economic output includes \$9.17 billion in activity created directly by the 61,300 former military personnel and their families. The retired military population generated approximately \$10.7 billion in value added through direct, indirect, and induced economic activity in the state over the one-year time period, or contribution to gross state product during the FY16.¹³ The value of these goods and services produced occurs across several industries in the state.

Tennessee's Fort Campbell veterans and the workforce supported indirectly by the base's operations made taxable sales and purchases totaling \$1.16 billion in FY16. This includes \$875.7 million in taxable sales generated by soldiers that have transitioned from Fort Campbell into employment, and \$289.3 million in sales generated by other veterans of Fort Campbell that have made Tennessee home.

The economic impacts of Fort Campbell's retired military population generate fiscal benefits and costs for the State of Tennessee. Fiscal benefits include the generation of new state tax revenues each year including sales, franchise, excise and miscellaneous taxes and user fees. CERT estimates Tennessee's Fort Campbell veteran population generated \$62.7 million in state sales tax collections and fees in FY16 through worker spending. This includes spending by Tennessee's 61,300 Fort Campbell veterans living in Tennessee, and by the 57,429 Tennessee workers which Fort Campbell's veteran population supports. In addition, CERT estimates the 42,100 soldiers which have transitioned to Tennessee's workforce supported \$37.7 million in franchise and excise tax collections and \$15.7 million in miscellaneous taxes and user fees across Tennessee. Local benefits, including property taxes generated, are not included in the analysis.

Fort Campbell's retired military population and their families do create a need for the state to provide additional government services, as do all citizens of the state. The services and costs provided by the state for its citizens include education services, law and safety services, health and social services and the costs of infrastructure assets and maintenance. These fiscal costs are not outlined in this paper, however should be considered when analyzing the fiscal net benefits for the State of Tennessee.

IV. Installation Purchases in the Regional Economy

Fort Campbell's active military, civilian workers and retired military population have a significant economic and fiscal impact for the state. Another major component of the installation's impact on Tennessee's economy comes from capital expenditures at the base and purchases from Tennessee businesses. These capital investments and in-region purchases help to generate both direct and indirect economic benefits for the state.

In FY16 Fort Campbell purchased over \$900,000 in supplies and services from Montgomery County businesses. These purchases help to support local jobs, generate new salaries for Tennessee workers, and increase sales tax collections. In addition, the installation purchased utilities in

¹³ Value added is defined as gross output (total value of goods and services produced by an industry) less intermediate inputs (goods and services used up by an industry in the process of producing its gross output). The sum of value added across all industries is equal to gross domestic product for the economy. (Sources: Impact DataSource and U.S. Bureau of Economic Analysis).

Tennessee and Kentucky, helping to support local power, water, and gas providers. Purchases made from Tennessee-based utilities totaled \$558,000 over the fiscal year.

V. Educational and Employment Support for Veterans¹⁴

When a member of our nation's military chooses to transition back to civilian life, it is vital that they receive educational assistance and work-based training to support their entry into the state's labor force. Fort Campbell and the State of Tennessee provide educational and workforce assistance to retired veterans living in Tennessee through a variety of programs.

Veterans are an important part of Tennessee's labor force with higher levels of educational attainment and lower levels of unemployment compared to other members of the labor force. Approximately 506,000 Tennessee residents are veterans, of which 246,000 are engaged in the state's labor force. The percentage of the state's veteran population over 25 years of age with a high school diploma (including equivalency) or higher is 92.3%, which is 5.2% above Tennessee's total population over 25 years of age. In addition, an estimated 61.8% of veterans have some college, an associate's degree, or a higher credential; approximately 11.9% above the state's similar aged population.¹⁵

The GI Bill was updated to provide enhanced educational benefits to Veterans with active military service after September 10, 2001. The enhanced benefits cover additional educational expenses, providing veterans with a living allowance, money for books and the ability to transfer unused educational benefits to spouses or children. These benefits may be used at colleges, universities, trade schools, on-the-job training, apprenticeships, and flight schools. As of April 2017, there were 10,852 veterans, reservist, and service members using G.I. Bill benefits in Tennessee.¹⁶

In 2014, Tennessee passed into law a new program targeted at assisting veterans furthering their education. The Tennessee Veterans Education Transition Support (VETS) Act establishes a program of recognition for higher education institutions which allocate resources for veterans' successful transition from military service to college enrollment. In the Fall 2016, over 6,700 veterans were enrolled at community colleges and four-year universities across Tennessee.¹⁷

Veteran Reconnect

Across the state, there are an estimated 83,000 veterans with some college credit that have not received a certificate or degree.¹⁸ The Veteran Reconnect program was created to support the transition of veteran and service member students into higher education while increasing their likelihood of receiving a postsecondary certificate or degree. The program was initiated as a part of Governor Haslam's Drive to 55 initiative, which seeks to increase the percentage of Tennesseans with a higher education certificate or degree to 55 percent by 2025. Veteran Reconnect Grants provide additional funding and program support to grantee higher education institutions in their support of veteran and service member students. Since 2015, over 40 Veteran Reconnect grants have been awarded to higher education campuses throughout Tennessee. Grant funds have created

¹⁴ US Department of Veterans Affairs – www.va.gov

¹⁵ US Census Bureau American Community Survey

¹⁶ Note: This number is based on payments and includes degree and certificate seeking students at all public and private institutions, to include for profit schools.

¹⁷ Tennessee Higher Education & Student Assistance Corporation

¹⁸ Tennessee Higher Education Commission

increased internship and employment opportunities for veteran students, enabled the construction and furnishing of veteran centers and lounges on campuses, and developed standardized systems of tracking enrollment, retention, and graduation of student veterans. In 2018, the Tennessee Higher Education Commission awarded Veteran Reconnect grants to 14 colleges and universities across the state. The \$900,000 in 2018 grant awards are focused on improving the assessment of prior education for student veterans pursuing postsecondary education. This assessment will examine prior military training of veteran students to grant them college credit with the goal of accelerating the completion of receiving postsecondary degrees.¹⁹

Operation Stand Down Tennessee

For 25 years, Operation Stand Down Tennessee (OSDTN) has focused efforts toward helping veterans and their families through a variety of services. The non-profit offers eligible participants living in ten Middle Tennessee counties access to employment assistance, VA benefits assistance, networking, life skills programs and housing. To be eligible for the organization's housing program, Supportive Services for Veteran Families (SSVF), veterans must earn less than 50% of the area median income and be in danger of losing their housing or are homeless and want housing. SSVF can provide or facilitate several types of assistance including financial empowerment training, job readiness training, assistance with utilities, legal aid, and employment assistance.²⁰

Fort Campbell Strong

The Fort Campbell Strong Defense Alliance was created in 2015 as an economic development initiative to support the needs of the six-county region around the installation. In October 2018, the U.S. Department of Labor awarded the Fort Campbell Strong initiative a two-year grant of up to \$7.7 million to support a career center for transitioning military personnel stationed at Fort Campbell. Grant dollars will help fund internships, on-the-job training, and other assistance as the military personnel transition to the civilian labor force. The Northern Middle Tennessee Workforce Board is partnering with the West Kentucky Workforce Board in the development of this initiative.^{21,22}

VI. Conclusion

For over 75 years, Fort Campbell has been a source of pride to Tennessee and Kentucky residents. The heroic actions of men and women stationed at the installation have helped preserve our nation's freedom while gaining our appreciation through their brave service to our country. The installation creates significant economic and fiscal impacts throughout the state's economy and is a major economic driver for Tennessee. Fort Campbell helps to create thousands of jobs for Tennessee workers, generate income, grow infrastructure, increase economic output, and raise state and local tax collections. This analysis estimates that 58,400 direct, indirect, and induced jobs exist in the state because of the installation's presence in the Clarksville area. These jobs generated \$5.2 billion in salaries during the 2016 fiscal year, which created economic activity from workers spending parts of their salaries in the state. In addition, Fort Campbell supports an estimated 61,000 veterans in the state with projected retirement earnings of \$1.5 billion in the 2016 fiscal year. Over 42,100 of these retired veterans are estimated to have remained in the workforce, which generated an additional \$1.54 billion in new salaries over the one-year time period. In addition, to jobs and

¹⁹ Tennessee Higher Education & Student Assistance Corporation

²⁰ Operation Stand Down Tennessee - <http://osdtn.org>

²¹ <https://clarksvillenow.com/local/executive-director-hired-to-lead-bi-state-fort-campbell-defense-alliance-effort/>

²² http://www.kentuckynewera.com/web/article_f595b618-cd11-11e8-bc9b-23f2e785c1d0.html

Economic Impacts of Fort Campbell on the State of Tennessee

salaries, Fort Campbell also generates significant economic impact for the state. The installation helped to generate \$10.1 billion in economic output through direct, indirect, and induced economic activity in the state over the one-year time period. These estimated impacts clearly show how vital Fort Campbell is to our state's economy. Throughout its history, the installation has played a significant role in the prosperity of the Clarksville area and the development of the region as a top location for economic development.