

BASE BENEFICIARIES

New Soldiers to the Fayetteville Area Offer an Economic Opportunity

Through 2013, the region around Fayetteville, N.C., is expected to gain an extra 25,600 people beyond previous forecasts. The growth spurt is attributable to a confluence of three U.S. Department of Defense initiatives, all targeted at Fort Bragg.

Fort Bragg is already the nation's largest army base with about 55,000 employees, but it will add 4,647 active-duty military personnel, 1,893 military civilians, and 616 contractors. Another sort of army — thousands of construction workers, retailers, health care professionals, additional contractors — will follow to support the increased population. In all, it adds up to 25,600 new residents in the 11-county area surrounding Fort Bragg, according to a preliminary study.

Fort Bragg's biggest influx of people comes courtesy of the Base Realignment and Closure Commission (BRAC) process, which wrapped up in 2005. (Also boosting the number of soldiers at Fort Bragg, though to a lesser degree, are two other Army initiatives — the Army to Modular Forces and the Grow the Army programs.) While many communities are adjusting to smaller or shuttered military bases, the Fayetteville area is one of the beneficiaries of BRAC. In fact, the adjacent Pope Air Force Base was slated to lose about 4,000 jobs; even so, the region overall is gaining.

The size of the incoming population will require expansions of infrastructure and many public services, including those to schools and health care facilities. An extra 4,145 children of soldiers are moving in, for example, forcing communities to find or build classroom space.

But aside from the usual headaches associated with "growth management," the population shift to the Fayetteville area has some obvious upsides. "We view it as a major opportunity for economic transformation," says Wayne Freeman, president of Training & Development Associates, the local firm that was tapped to conduct the economic impact study.

Part of Freeman's optimism stems from the caliber of jobs moving to Fayetteville. Ten of the incoming soldiers are generals. (When they arrive, Fort Bragg will have about 45 generals, more than anywhere in the country but the Pentagon.) An expected 779 are field grade officers who make between \$102,000 and \$142,000 a year (including housing and food allowances). In addition, contractors formerly located in the Atlanta area near Fort McPherson are expected to relocate to Fayetteville to serve Army commands now moving to Fort Bragg.

"We see a transformation of the economy and the work force to meet the needs of the emerging industries associated with defense, and less of a reliance on the declining indus-



In September 2007, the 82nd Combat Aviation Brigade ran four miles to commemorate the 9/11 tragedy.

tries in the areas of textile, tobacco, and agriculture," says Paul Dordal, a retired Air Force general now serving as executive director of the BRAC Regional Task Force at Fort Bragg.

It's an exaggeration to say that Fayetteville and its surroundings constitute a boom town. The metro area around Fayetteville comprises some 1 million people, so adding another 25,000 won't be so much a revolution as a mini-makeover.

The Fayetteville housing market is a good example of how the opportunities for new business may be limited. Freeman's study concludes that existing housing — including several developments that recently broke ground in anticipation of the Fort Bragg influx — may be adequate to accommodate the inbound residents. "We think housing is going to be one of those instances where the market is prepared," Freeman says. This expansion at Fort Bragg will eliminate much of the slack in the market right now."

— DOUG CAMPBELL

WELFARE MAKEOVER

Riding the Express to the Middle Class

Overweight, depressed, and can't find a job? Wake County, N.C., is launching a pilot program in April that aims to remove these and other obstacles to deliver poor but motivated individuals and families to the middle-class ranks within five years.

The program, called Middle Class Express, aims for a holistic approach, says the county's human services director Ramon Rojano. Not only will this initiative provide job assistance, but also advice on how to save money, buy a home, and plan a healthy lifestyle — the characteristics that typically define the middle class. A personal coach will help partici-

pants develop a life plan as well as guide their progress over five years.

While there's no conclusive evidence that this comprehensive middle-class coaching will work, results from other programs suggest that it should help, says Margery Turner, the director of the Metropolitan Housing and Communities Policy Center at the Urban Institute, a think tank based in Washington, D.C. "It reflects our best understanding now of the challenges that families face," Turner says.

For instance, families may work hard to earn a living but still pay bills late and lack decent health care. Families also may be forced to move frequently, and so housing assistance is a crucial component of success. Finding an affordable home in a safe neighborhood allows a household to balance its budget every month and stabilize family life.

Families can face big hurdles. "For folks with lower skills, it's not an easy path to the middle class," says Susan Gewirtz, program manager for the Center for Working Families at the Baltimore, Md.-based Annie E. Casey Foundation. They may need help finding and accessing public benefits like the Earned Income Tax Credit. Or they may not know how to save money, and so are vulnerable to expensive financial services such as high-cost loans.

But Turner worries that middle-class status may not be easy to reach within five years. Although families can achieve much in that time, it's a big step from a low-skilled job to a higher-paying job that can propel families to the middle class. "The gap in skills and experience is big," Turner says.

Obstacles like drug or alcohol addiction can block these families, too, says Douglas Besharov, a scholar on social welfare studies at the American Enterprise Institute. "A program that's trying to undo these behavioral problems has a much bigger challenge than just trying to get people a job or a little more job training," he says. He thinks that the success of such a program depends on the quality of the people and resources invested.

One advantage for Wake County is that its human services department handles not only social services but also physical and mental health, job training, child support, housing, and transportation services. Rojano says they are the only county in North Carolina with this approach to integrated human services. The program will use this structure to transform itself into a true one-stop guidance center.

After all, every family is unique. And that's what makes this comprehensive approach so attractive.

— VANESSA SUMO

BANDWIDTH BONANZA

Spectrum Auction Uses Experimental Design

When television broadcasters dump analog signals in 2009 to bring shows like "American Idol" to viewers in high resolution, a precious portion of the airwaves will

be vacated. So what's the best way to distribute this reclaimed space? Auctions have long been the Federal Communications Commission's solution, but a University of Virginia economist recently contributed research that makes spectrum auctions even more efficient.

Wireless firms ponied up more than \$19 billion in March for licenses to use these frequencies, with AT&T and Verizon coming out on top. The industry wants the licenses because signals in this piece of the electromagnetic spectrum have a valuable characteristic: They travel farther, faster, and penetrate buildings more easily than those in the higher-frequency band currently used for mobile phones.

Spectrum is sold by band (frequency range) and geographic area. Since the airwaves belong to the public, it's important to distribute them as efficiently as possible if they're used by private firms. Auctions reveal spectrum value. The widest portion, the "C" block, was auctioned in a way that allowed participants to bid on a package rather than on many individual licenses. The format was designed by University of Virginia economist Charles Holt and a colleague, Jacob Goeree of the California Institute of Technology. The design was tested by university students in an economics lab.

Although auctions can allocate spectrum effectively, it's hard for a firm to buy the mix of local licenses that would establish or complete a national or regional footprint. Customers like getting coverage over a wide area, and firms like it, too, because they can operate efficiently and make more money. If firms don't win key parts of an area in the auction, the licenses end up being worth less than they otherwise would be.

"This is known as the 'exposure problem,' which, if anticipated, can result in lower bids and inefficient allocations," according to Holt.

This "package bid" design lets firms bid on license combinations. It also solves a "free riding" problem for participating small, regional providers. Those firms might wait for others (or free ride) to outbid a national company on multiple licenses in a given area. But they might lose out if they wait. Also, this new auction design provides base prices for each license, according to the prior round's bids.

"Prices tell bidders how high they need to go to get into the action and win a particular license," according to Holt.

Careful auction design can also make a difference because auctions raise money for the public. The auction's proceeds will be handed over to the U.S. Treasury by June 30, and spent on public safety and digital television transition efforts, according to the FCC.

This particular set of airwaves attracted more than 200 participants, including all the major players in communications. Google did not post a winning bid, but they still provided a valuable contribution. They successfully pressed the FCC for rules to force the industry to open wireless networks to a wide variety of phone equipment and Internet applications.

— BETTY JOYCE NASH