

**UPDATE 2019:**

***ECONOMIC IMPACT  
OF THE  
U.S. COAST GUARD TRAINING CENTER  
AT  
CAPE MAY, NJ***



**PREPARED BY:**

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**INTRODUCTION:**

In 2013, the United States Coast Guard Training Center Cape May applied for Coast Guard Community status through the Coast Guard Foundation. This status was granted on May 8, 2015, an honor claimed by only 18 cities and one other county in the nation. The designation, which is confirmed by the United States Congress and United States Coast Guard, is recognition of a strong and special relationship between the people of Cape May County and local Coast Guard personnel.

In support of that application, the author provided a document illustrating the economic impact which the activities at the Center bestow on the host County of Cape May. In order to renew the Coast Guard Community designation in 2020, this update is being provided using data from 2019 as provided by the staff of the Center. The author's qualifications are reported at the end of the document.

**BACKGROUND:**

The United States Coast Guard Training Center Cape May, N.J., is the nation's only Coast Guard Recruit Training Center. In 1948, all entry level training on the east coast was moved to the U.S. Coast Guard Recruit Receiving Station in Cape May. The Coast Guard consolidated all recruit training functions in Cape May in 1982.

The economic impacts of the Center are substantial. It provides year-round employment in a regional economy which is seasonal in nature. In addition, the employment opportunities are unique to the area with wages that are much higher than the region's average. **As a federal institution, the host community realizes large economic impacts as the capital, operational and personnel expenses are funded directly by dollars imported into the region. But for the location of the Center in the County, these dollars would not be present in the local economy.**

The economic impacts are derived from the following facts about the operations of the Center:

1. The Coast Guard is the largest employer in Cape May County, employing almost 614 military and civilian personnel totaling approximately \$39.5M in

annual salary costs.

2. The annual operational expenses, not including military and civilian wages, equate to \$27.5M.
3. There is an average annual capital expenditure of \$5.3M. In the past five years several large projects were completed.
4. At any point in time, roughly 500 recruits are on base. That average figure equates to a total annual salary cost of close to \$14.5M for recruits.
5. In addition, Training Center Cape May hosts approximately 45,000 visitors annually. These visitors come here from every corner of the United States.

### **MEASURING ECONOMIC IMPACTS:**

The economic impacts of any large institution depend upon a number of established facts and estimates. In the case of military bases, the method for turning this information into impacts is well-practiced and follows that of most economic impact studies.

**In order to resist the overestimation of economic impacts where some variables have not been directly measured – especially visitor spending, for which survey results of visitors to the region were used - the most conservative methods were used.** While this has most likely also resulted in conservative overall impacts, the results can be used for audiences that need clear evidence of results.

#### ***Types of Impacts:***

The spending by the Center as well as visitors creates impacts that are both **direct and indirect**. The direct impacts are generally due to expenditures paid for both goods and services needed to operate the Center. Indirect impacts are those expenditures that are attributable to the direct impacts and are often referred to as spin-off or secondary effects. For instance, recruits may purchase food at stores in Cape May City or the local mall. The **total impacts are the sum** of these and give a complete picture of the economic value of the Center to the County's economy.

#### ***Model:***

In order to provide measurements of these impacts, the U.S. Department of Commerce, Bureau of Economic Analysis' most often used economic impact model was used. The *Regional Industrial Multiplier System*, RIMS II, uses multipliers derived from the economic structure of Southern New Jersey as the primary tool. It gives estimates of

economic impacts that are consistent with those of other large projects and events. The multipliers are directly measured from past transactions that can be traced using the government's tax and revenue accounts. They are specific to the Cape May County region and are updated on a regular basis by the Bureau of Economic Analysis.

While the employment (jobs) and wage impacts are easily interpreted because they measure variables that most people are familiar with, the output impacts are broader and not as easily understood. For a region, this is the overall level of economic activity attributed to the spending connected to the Center and its employees (Type II multipliers). In more popular terms, these incorporate the "spin-offs" from the dollars spent directly by the Center and its employees.

### *Comparing the Model Information for the 2020 Update and the 2013 Original Study:*

**Two significant changes occurred in the multiplier tables issued in the 2016 benchmarked model compared to the 2010 benchmark used in the 2013 study.** First, the model now includes multipliers for government institutions such as the Center. In 2013, the multipliers used were for the broader industry group of educational institutions. The former is much more appropriate for the Center and how it treats recruits.

Second, the employment and wage multipliers are much larger in the 2016 tables for this industry group. This indicates that there is much less leakage of wages and salaries from the local economy. This makes a great deal of sense in the case of the Center and where it is located. The commutes to neighboring counties are a minimum of 25 miles and the center operates on a 24/7 schedule.

### **ESTIMATES OF THE CENTER'S ECONOMIC IMPACT:**

The estimates provided are based on the following assumptions:

- Of the Center's 614 direct employees, 80% (491) live in the County earning \$31.6M in wages. Also, 500 recruits with \$14.5M in wages are on the base at any one time. Therefore, direct employment of 991 and direct wages of \$46.1M were used.
- From an operational budget of \$27.5M, a conservative estimate of 60% is spent in Cape May County. As a federal institution, this is a smaller portion than a local institution would spend. Therefore, \$16.5M was used as local spending.
- Construction projects of \$5.3M are budgeted. This is substantially lower than the lower than the \$9M annual capital expense used in the 2013 impact study.

- Finally, the 45,000 visitors are assumed to act like other typical visitors to Cape May County and spend an average of \$685 per visit per party of 2.25 people. This amounts to \$11.9M in spending each year.

The resulting economic impacts indicate that the Center is a very large contributor to the economy of the region, here defined as Cape May County. As the table below reports, Direct spending by the Center totaled approximately \$80M in 2019. This spending caused a secondary impact of an additional \$68M as vendors, staff, construction workers, and recruits in turn spend the dollars they receive from the Center. The total amount of economic activity created in the County is \$148M for 2019 and will recur on an annual basis.

<b>U.S. COAST GUARD TRAINING CENTER</b>			
<b>ECONOMIC IMPACT ESTIMATES: 2019 Update</b>			
<b>TOTAL IMPACTS</b>			
<b>R. Perniciaro, Ph.D. - Consultant</b>			
	<b>DIRECT</b>	<b>INDIRECT</b>	<b>TOTAL</b>
<b>SOURCE</b>	<b>IMPACT</b>	<b>IMPACT</b>	<b>IMPACT</b>
<b>ECONOMIC ACTIVITY (MILLIONS)</b>	\$79.8	\$68.1	\$147.9
<b>WAGES (MILLIONS)</b>	\$46.1	\$47.7	\$93.8
<b>EMPLOYMENT</b>	991	1,540.7	2,531.9

One of the most important components of the economic activity is employment and the resulting wages from it. The base directly employs an estimated 991 workers living in the County (including recruits). The non-recruit workforce earns an average of \$65K per year, well in excess of the average earnings in the County.

Finally, in addition to the 991 county residents employed by the Coast Guard, the spending of their wages and salaries supports 1,541 secondary jobs in local stores, offices and other business establishments. As a result, the Center is responsible for the employment of 2,532 total residents of the County. This provides stability to the local economy, especially in the off-season months.

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**\*Author’s Qualifications:**

Richard C. Perniciaro, Ph.D. ([phdrcp@gmail.com](mailto:phdrcp@gmail.com)) served as the Director of the *Center for Regional and Business Research* at Atlantic Cape Community College for 18 years and is currently continuing this work as an economic consultant. He has performed studies

similar to this **Update** for federal, state and local agencies as well as for private concerns. See, for example:

The Atlantic City Expressway, 50<sup>th</sup> Anniversary:

[https://www.sjta.com/acexpressway/time\\_capsule\\_items/Celebrating%2050%20Years%20-%20The%20Regional%20Economic%20Impact%20of%20the%20ACE%201964-2014.pdf](https://www.sjta.com/acexpressway/time_capsule_items/Celebrating%2050%20Years%20-%20The%20Regional%20Economic%20Impact%20of%20the%20ACE%201964-2014.pdf)

Expansion of Teligent's pharmaceutical manufacturing facility:

<http://www.teligent.com/assets/groundbreaking-4pg-lr.pdf>

The ten-year economic impact review for the FAA's William J. Hughes Technical Center:

<http://www.tc.faa.gov/its/worldpac/techrpt/tctn15-45.pdf>

Dr. Perniciaro holds a doctorate in Economics from Temple University, a MA degree from the London School of Economics and a BA degree from Columbia University.