

SOME ASPECTS OF THE ECONOMIC IMPACT OF CLOSING
SCHILLING AIR FORCE BASE, SALINA, KANSAS

by

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INTRODUCTION

Reports of this kind have been done on a variety of subjects and, indeed, at least one is in progress on the subject of this paper. It is hoped that this one will be different to the extent that it is intended to be a more immediately digestible glimpse of the impact picture than is usually found in the more complex studies of this kind.

The purpose is to spotlight the problems encountered by a community when confronted with the loss of its major economic activity and the measures taken to ease the repercussions of the economic loss.

Nearly all of the material which appears on these pages has been obtained through interviews with businessmen in Salina, Kansas, who were closest to the problem and who took an active part in remedial planning.

In an effort to come to grips with the problems engendered by the closing of Schilling Air Force Base, the areas of inquiry have been broken down into the two most observable segments of the economy, real estate and retail sales. These segments have been examined individually without dwelling upon the probable effects of one on the other. In this way there can be obtained a relatively uncluttered, yet essentially accurate, view of the impact and the problems it created in each segment.

By virtue of the fact that this report has been compiled from six to eleven months after closing of the base, a truer

picture of the actual impact can be painted than would have been possible during the period before the base closed. This was a period of uncertainty which included dire forecasts for the Salina economy in general and a great deal of apprehension on the part of businessmen in particular.

In order to provide a better understanding of the degree of dependency on military activity and some of the rationale behind the decision to close the base, Chapter I begins with a resume of the history of the military community and a discussion of Department of Defense policy.

Chapters II and III then take up the analysis of the impact on the Salina real estate market and the effect on retail sales levels during the critical period by means of a month by month comparison with what may be considered more normal times.

Chapter IV is a discussion of the measures adopted to reverse the declining economic trend. Much space has been devoted to this subject because the writer feels that it is the most significant component of the total effect on the community.

Chapter V summarizes the total effect of the events depicted in the preceding chapters and outlines conclusions drawn by the writer.

The excellent cooperation, receptiveness, and contributions of all those who gave of their time in granting interviews is gratefully acknowledged.

CHAPTER I

EVENTS LEADING TO THE CLOSING OF THE BASE

Section 1 History of the Military Community in Salina

For some twenty-two years the Salina economy had been receiving injections of Federal money through its military installations. This adjunct had become so thoroughly ingrained and taken for granted as a part of the total Salina market that scarcely a single business plan or decision was made that did not rely on the presence of the military. The huge sums spent on facilities and the declaration of Schilling as a permanent base further heightened the economy's reliance upon the militarily bolstered market. Thus the impact of closing the base was considerably more severe than it might have been with a more tenuous military occupancy.

Salina first became a military community in April 1942 with the opening of Smoky Hill Army Air Field and Camp Phillips.¹ Camp Phillips was an infantry staging area which was phased out in 1945 when the need for infantry troops declined with the end of World War II. Smoky Hill Army Air Field continued to function and became the first operational base for the B-29 in late 1944 and continued in this function until 1946. The base became Smoky Hill Air Force Base in 1947 when the Air Force became a separate branch of the armed

¹Interview with John Schmiedeler, Assistant Managing Editor, The Salina Journal, Apr. 4, 1966.

forces under the provisions of the National Defense Act. Then the base was closed in 1949, only to be reactivated on 1 August 1952 during the height of the Korean War. In March 1957, the base was renamed Schilling Air Force Base and declared a permanent installation by the Department of Defense.¹ Such a declaration merely means that there is no programmed useful life or closing date established. The use of the word permanent is perhaps unfortunate since it implies the dictionary meaning rather than the absence of a planned demise.

Since its designation as a permanent installation, Schilling had operated as a major Strategic Air Command B-47 base with ever increasing responsibilities and missions. On 13 September 1962, a twelve site Atlas Intercontinental Ballistic Missile unit was declared operational. This complex was two and one-half years in the making at a cost of \$250,000,000.² Later the same year a \$2,500,000 modernization program was begun to prepare the base for the arrival of the B-52G bomber and the attendant KC-135 aerial refueling tankers.³ Small wonder, then, that the announced closing was a surprise and a shock to the community of which the base had become such an integral part! Partial quotes from the area newspapers give some indication of how the closing of the base was looked upon by the community.

¹Ibid. ²Ibid. ³Ibid.

From The Manhattan Mercury:

Dateline: Salina, Kansas

"City spokesmen estimate the annual Schilling payroll at about \$20 million, some \$5 million less than military estimates."¹

From The Kansas City Star:

Dateline: Salina, Kansas

"Driving along Santa Fe Ave, the main street, you feel an effrontery in the giant Christmas bells and wreaths strung across the roadway. The decorations began going up Friday, the day after word was received that Schilling Air Force Base, its 5,000 airmen, their 8,000 dependents, and its 20 million-dollar annual payroll were lost.

"The bells seemed to echo the sentiment expressed in a Page 1 note in the newspaper which said, 'Merry Christmas to you, too, Secretary McNamara!'

"Five thousand airmen and 8,000 dependents add up to more than one-fourth of the Salina population. One out of four persons you see here will be gone by July."²

From The Topeka Capital-Journal:

Dateline: Salina, Kansas

"Many reacted to the news like realtor Paul Adrian -

'Salina has had the crash of '31-- only ours will come June 30, 1965.'

"Salina's present population is about 43,000 persons, about 15,000 of whom are servicemen and their families. The annual economic loss to Salina is calculated at \$25 million.

¹The Manhattan Mercury, November 20, 1964, p. 1.

²The Kansas City Star, November 20, 1964, p. 1.

This would be a blow to almost any city, but it's a karate chop to Salina's collective pocketbook."¹

Aside from an occasionally optimistic note, the general atmosphere was one of grim foreboding and dire predictions. Some of the hard feelings and ruffled feathers would perhaps have been a little less so had there been general recognition of the reasons behind the shut-down decision. Section 2 of this chapter attempts to outline the more significant factors which ultimately led to such drastic action.

Section 2 Department of Defense Objectives and Philosophy

In order to provide a basis for a deeper understanding of the decisions which led to the closing of Schilling AFB, it is necessary to analyze briefly the changes in defense strategy and the technological changes which affected the decision making process.

Over the years the nation's defense strategy has progressed from the general policy of containment (which is still being pursued to some extent) to massive retaliation, and finally to deterrence. Perhaps one of the key decisions which ultimately spelled doom for Schilling was the rejection of the B-70 as a weapons system. Had this aircraft been developed into a full blown strategic weapon, the need for airfields such as Schilling would have continued for an extensive period of time. Instead, it was decided that

¹The Topeka Capital-Journal, November 29, 1964, Sunday Magazine.

reliance should be on the intercontinental ballistic missile (ICBM). Along with this decision it was believed that the probability of a manned bomber attack by an enemy force was considerably reduced. This plus the decreased reliance on the manned bomber force led to the acceptance of a low intensity dispersal concept. In effect this meant that the existing bomber force was to be dispersed to thirty-six sites in place of forty-one. Dispersal was originally accomplished to provide security from attack.

Thus it would appear that the ICBM function at Schilling would certainly continue. The Atlas missile, however, was becoming obsolete because of the delay necessitated by the time required to fuel the craft and because of a comparatively large circular error (impact miss distance). The replacement second and third generation missiles (Titan and Minuteman) were replacing the Atlas as they became available. The facilities needed to house and fire these missiles are not compatible with those required for the Atlas and therefore the second mission of Schilling became surplus to the need.

The evolution of policy to the present concept of deterrence was brought about primarily through technology in the form of the Minuteman missile which engendered no fueling delay. This, of course, spelled the beginning of the end of the manned bomber force insofar as a deterrent role was concerned. Thus the change in concept made obsolete the primary mission of Schilling as well. Further, the B-47 aircraft then in use at Schilling were already being phased

out and the programmed B-52's were not yet in place. It is possible that the life of the base may have been extended had the B-52 aircraft actually begun operating from the base because they are still part of the active inventory and probably will continue to be for some years to come.

Much vilification has been heaped upon the head of Secretary of Defense McNamara, not only for the decisions themselves but also for the way in which they were made. It is not the purpose, or intention, of this paper to comment on the validity of the decisions which have been made, but it appears that Secretary McNamara displayed considerable political courage in shouldering the responsibility for the reduction. His action has taken the burden from military leaders who have long been known to shudder at the political consequences of doing what is thought should be done.

The actual selection of the bases to be closed or reduced in function (some 95 in number) has been wreathed in accusations that the motivations were primarily political in nature. Assuming that some reduction of military facilities was mandatory, the base closures were allegedly selected to minimize the loss of congressional support and the loss of votes which may result from such closures. The reasoning contends that these losses are minimized in areas where the incumbent party had very little support in any case. (See further comments on this in Chapter V.) To these accusations, Mr. McNamara has replied, "Absolute baloney."¹

¹The Manhattan Mercury, November 20, 1964.

In the absence of concrete information, one way or the other, this point is left for others to debate. National defense facilities should be sited and built for purely military reasons, not as political prizes, and if this is indeed the direction in which this planning is moving, these efforts should certainly be applauded. It is agreed that there may be other motives to consider in siting military bases (such as the desire to bolster economically depressed areas), but these considerations should be served after the purely military requirements are satisfied. What does it profit a nation to locate bases for political or economic satisfactions if such location is militarily undesirable or unwise?

The controversial Mr. McNamara in this sweeping move stands a chance of receiving the plaudits or condemnation of history, but surely all would agree that impartial judgment is the keystone of applied wisdom.

In September, 1965, the House Armed Services Committee approved a plan to give Congress thirty days notice and a full report on military base shutdowns.¹ The committee worked out the new proposal with the administration after President Johnson vetoed a military construction bill containing a more sweeping limitation on the Pentagon's authority to close military installations. The proposed bill contains the following passage:

¹The Topeka Daily Capital, September 1, 1965, p. 1.

"No camp, post, station, base, yard, or other installation under the authority of the Department of Defense shall be closed or abandoned until after the expiration of 30 days from the date upon which a full report of the facts, including the justification for such proposed action, is submitted by the secretary of defense (sic) to the committees on armed services of the Senate and House of Representatives."¹

This proposed legislation may provide the future means of minimizing the controversy which inevitably arises as a result of unilateral decisions to close military installations.

The stage has thus been set for the further discussion of the effect of closing the base in terms of the two selected segments of the economy, the real estate market and retail sales.

¹ibid.

CHAPTER II

A STUDY OF THE IMPACT ON REAL ESTATE VALUES AND FINANCING

Section 1 Effect on the Real Estate Market in General

The remarks in this chapter are predicated on a comparison between circumstances existing before the announcement of the base closing, and the actual closing of the base some seven months later.

Prior to 17 November 1963 (the date on which the base closing was announced), the real estate market was briskly active as is customary in a community which includes a military installation.¹ This brisk activity is brought about by the constant arrival and departure of like numbers of military and, to a smaller extent, civilian personnel. Commanders of military installations are required, under a Department of Defense Order, to keep ninety-seven percent of available government base housing occupied at all times. As long as this requirement is met, newly arriving personnel have the option of occupying government or civilian quarters. Since the number of government quarters can accommodate only a small percentage of eligible military personnel, on-base quarters are frequently not available, hence the continuing need for civilian housing. This continuing need for housing stimulated both the rental and sale of property on a

¹Interview with J. D. Trickett, Executive Vice President of the Salina Chamber of Commerce, and Director of Economic Development, Nov. 24, 1965.

relatively constant basis. Builders found tract development on a speculative basis to be a profitable operation. Banks and savings and loan associations financed these operations either for a selected group of houses or one house at a time.¹ Equities sold easily and sellers in most cases were able to get their asking price.² FHA and FHA in-service loans as well as VA loans were easily obtainable, and financial institutions were eager to lend a readily available supply of funds. In general, then, the real estate market during this period was healthy and responsive to a recurring stimulus.

From the date of the announcement of the closing of the base, a downward trend in the market began.³ Most of the service personnel who had purchased off-base houses decided to put them up for sale as early as possible and before the market became flooded with houses.⁴ Between December 1964 and June 1965, some twenty-seven hundred houses were placed on the market.⁵ Speculative building came to a halt and efforts to sell houses already built in this category were generally unsuccessful.⁶ Because of the great number of houses for sale and the resulting decline in prices (\$1,000 to \$2,500), many sellers tried to rent properties which in turn deflated the rental market.⁷ Rents on rental property

¹Interview with William F. Grosser, President of Security Savings and Loan Association, Salina, Kansas, Nov. 24, 1965.

²Trickett, loc. cit. ³Ibid. ⁴Ibid. ⁵Ibid.

⁶Grosser, loc. cit. ⁷Trickett, loc. cit.

already occupied had to be reduced in order to keep tenants which resulted in a decline in rental property income production. Those military personnel transferring to other bases found themselves unable to sell or rent their properties and also unable to continue the mortgage payments because of the need to pay for housing at their new locations. The resulting defaults and impending foreclosures spurred the FHA and the VA to step in and take possession of the defaulted properties.¹ The down payments and equities built up by the purchasers were lost in the process since both FHA and VA paid off only the amounts outstanding on the existing loans. These liquidations took the form of cash settlements or the issuance of twenty year three and one-eighth to four and one-eighth percent callable debentures.² Both the VA and the FHA placed these properties on the market at a fair market appraisal value. The properties were offered at three percent down initially but as of October 1965 were being offered with no down payment.³ Sales of real estate have been at a standstill since January 1965. Many of those who had bought new homes during the period under discussion had done so because of the excellent opportunity to buy higher priced houses for less and they moved into more expensive homes than they could previously afford.⁴

¹Grosser, loc. cit.

²Ibid.

³Trickett, loc. cit.

⁴Grosser, loc. cit.

These events led to a marked decrease in the propensity of financial firms to invest further in home loans which made loans on favorable terms more difficult to secure. Prospective buyers who formerly would have had no difficulty financing the purchase of a home were not able to do so and this further contributed to a declining market.¹

The impact on the total real estate market overshadowed previous periods of difficulty and brought about more adverse conditions than had occurred at any previous time.² It is interesting to note that the number of defaulted loans and the deflated market prices could have been ruinous for the lending institutions had it not been for the actions of the FHA and VA. It is true that if the government agencies had not intervened, the lending institutions could have secured deficiency judgements against the service personnel affected but returns from such actions would have been slow and, for the most part, unrewarding. In addition, the judgements would have been issued only after foreclosure and subsequent liquidation of the affected properties. It seems reasonable to assume that these actions would require a great deal of time because of the slow rate at which the foreclosed houses would, of necessity, have sold. The longer this time period, the greater the shrinkage in net proceeds to the lending institutions and the larger the dollar amounts of deficiency judgements to be recovered from defaulted purchasers.

¹Trickett, loc. cit.

²Grosser, loc. cit.

The foregoing remarks provide an overall view of the real estate market and set the tone and framework within which can be discussed the specific segments of the total market: the construction business (Section 2), and the home loan financial institutions (Section 3).

Section 2 Effect on the Construction Business

This section deals with an analysis of the effect of the base closing on the home construction activities in and around the Salina area.

It was pointed out in Section 1 that speculative building came to a halt almost immediately after the announcement of the closing of the base. The reason for this cessation was twofold: first, the home loan lending institutions were no longer interested in financing such speculation; and second, the builders themselves began to suspect that housing of this type would be extremely hard to move.¹ As a result the activity in the construction of homes in the price range below \$13,500 ceased entirely except on a custom built basis. The market for homes above the \$20,000 price level was relatively unaffected since nearly all of this construction was on a "to order" basis anyway. As of this writing (June 1966), there are two thousand houses on the market in the \$11,500 to \$14,000 bracket.² Most of these are held by the VA and the FHA. It appears that some considerable period of time (5 to 7 years) must elapse before this excess quantity will

¹Grosser, loc. cit. ²Trickett, loc. cit.

be absorbed and the construction activity resumed.¹ This time period is likely to be extended slightly when the remaining two hundred fifty military personnel (caretakers and closing cadre) leave the base. About twenty percent of these remaining personnel are occupying civilian housing and half of these have bought homes, the other half being renters.²

The number of surplus buildings on the base which are available on very favorable terms is likely to further restrict new construction in areas other than home building. Many of these buildings are already earmarked for use by the community but some ninety-seven are still available for purchase at nominal fees.³ The construction of these units permits them to be moved with comparative ease and at a much lower total cost than new construction.

The dollar value of building permits applied for changed from a high of \$248,000 in July 1964, to a low of \$12,200 in December 1964, or roughly an eighty percent decline in new construction.⁴ Some of this decline was due to a normal seasonal drop in construction activity, but the December 1964 figure cannot be explained by seasonal fluctuation alone. The December figures for previous years indicate the presence of another factor (as illustrated in Figure 1 on the following page).

¹Ibid. ²Ibid. ³Ibid.

⁴"Salina's Business," Salina Chamber of Commerce, Salina, Kansas, Vol. 3, Nos. 9, 10, 11, 12, and Vol. 4, Nos. 1, 2, 3, 6 and 7.

Figure 1

Dollar Value of Building Permits
Issued in the Month of December

1961	\$162,500
1962	248,500
1963	91,500
1964	12,200
1965	167,290

Source: Salina Chamber of Commerce,
Salina, Kansas, June 1966.

Building permits issued surged to \$216,175 in September 1965.¹ Most of the construction represented by this figure is reflected in a new bank building and other non-residential construction.² From these figures and the information given, it can be seen that the home building sector of the construction business has been significantly affected for both the present and a considerable time to come. Section 3 presents additional contributing factors on the construction business problems under the heading of home loan activities.

Section 3 Effect on Home Loan Financial Institutions

The analysis of the effects in this section is based on observations, personal interviews with executives of three home loan institutions, and data obtained from the Salina Chamber of Commerce. The financial institutions selected for interview are leaders in the field of home purchase financing in Salina and the assumption is made that the impact on them has been generally true of most of the others, thus

¹ Ibid.

² Trickett, loc. cit.

giving a fair representation of the total picture.

The events described in Sections 1 and 2 have set the stage for viewing the effects on the financial segment of the real estate market. Among the factors having significant effect were the levels of demand and time deposits held by banks and savings and loan associations and the relationship between the two. Demand deposits remained relatively constant but there was a marked fluctuation in the levels of time deposits. Home loan financing is, of necessity, long term in nature and therefore time deposits play a significant role in determining availability of funds for financing home ownership. It follows then, that in addition to the obvious deterrent of an uncertain real estate market, the level of time deposits also played a vital role in the propensity to invest. The chart on page 19 shows this relationship for the significant period and points up the fluctuation in time deposits which led to an insecure investment position. It will be noted that the large shift from time to demand deposits took place in December 1964, one month after the announced base closing. There was a fifty percent decline in time deposits between November 1964 and December 1964.¹ Part of the decline in time deposits was due to the transfer of funds by departing military personnel and their need to use savings to prevent home loan defaults. There is, of course, some normal seasonal decline in time deposits during

¹"Salina's Business," loc. cit.

PLATE I

DEMAND AND TIME DEPOSITS

Period	Demand Deposits	Time Deposits	Total Deposits
<u>1964</u>			
July	\$37,821,254	\$21,242,402	\$59,063,656
Aug	38,990,370	23,651,064	62,641,434
Sept	39,142,355	21,499,079	60,641,434
Oct	37,328,125	22,219,514	59,547,639
Nov	39,145,471	22,546,972	61,692,443
Dec	54,755,171	10,617,211	65,372,382
<u>1965</u>			
Jan	\$36,042,673	\$16,970,785	\$53,013,458
Feb	36,301,118	22,177,899	58,479,017
Apr	36,979,979	22,480,509	59,460,488
May	35,874,776	22,220,553	58,095,329
Sept	37,305,524	24,848,092	62,153,616

Source: "Salina's Business," Salina Chamber
of Commerce, Salina, Kansas

the Christmas season. This decline is normally small (10 to 20%) because Christmas fund deposits are not included in time deposit totals.¹ Further, the dividend periods for savings and loan associations occur in January and July and the interest compounding dates for banks are September and March. Hence, depositors are discouraged from making withdrawals in December.²

Between November 1964 and April 1965, some thirteen thousand people (military personnel and their dependents) left the Salina area.³ This represented approximately twenty-five percent of the total population of Salina and less than ten percent of these occupied government quarters.⁴ Thus about twenty-two and one-half percent of the community's residents living in civilian housing vacated both rental and purchased property. In spite of all this, foreclosures by home loan firms in Salina were few because of the actions of the FHA and the VA in taking over some two thousand five hundred homes. While this was a real boon to the mortgage holders, it represented a substantial loss of income to them because of the interest lost by early payoff. Consequently, losses sustained on the sale of properties were, for the most part, limited to unrealized interest income to the lending institutions and the down payments and equities accumulated

¹Interview with William F. Grosser, President of Security Savings and Loan Association, Salina, Kansas, June 20, 1966.

²Ibid. ³Trickett, loc. cit.

⁴Grosser, loc. cit., November 1965.

by the purchasers. The complete picture of losses on the sales of real estate cannot be assessed until the FHA and VA have disposed of the properties they now hold (some two thousand in number). It appears likely that the loss on these properties will be substantial because the government investment includes in addition to the liquidation price, refurbishing costs and caretaker expenses. Another factor which will have to be resolved before an analysis of losses on property disposals can be completed is the ultimate disposition of the family housing units on the base itself. At the moment these have been taken over by the Government Services Administration (GSA). These are being used to a considerable extent to house the dependents of the First Army Division personnel, lately of Ft. Riley, Kansas and now in South Viet Nam. If these units ultimately find their way into the civilian housing market, they would considerably extend the period of time during which the market would continue to be glutted. For the moment, at least, this added impact is forestalled and GSA has made no announcement regarding a status change.

While the levels of time and demand deposits appear to have stabilized, there is still a very low propensity to invest in home loans, especially on a speculation basis.¹ The loans that are being made are being carefully screened and

¹ Interview with Allen R. Dodge, President of Homestead Building and Loan Association, Salina, Kansas, Jan. 29, 1966.

conservatively chosen and probably will continue to be so for at least another year.¹

No discussion of impact on banks should fail to include the National Bank of America (NBA) of Salina. NBA had a branch bank on Schilling AFB and it is estimated that sixty percent of the base personnel used its facilities.² In the month of December 1964, time deposits decreased by twenty-three percent (using October 1964 as a comparison base), and in January 1965 this percentage increased to thirty-four percent.³ The bank's loss from this setback has apparently been offset by acquiring new depositors because its time deposits have returned to normal and a new downtown building is in progress.

It can be seen, by reference to Plate I on page 19 that time and demand deposit structures have reasserted the status of the period before the base closed. The excellent recovery of this segment of the market was achieved much more rapidly than had been expected.

The impact on the financial institutions, while sobering in terms of lost revenue, has been much less crippling than might have been the case without government intervention. The general atmosphere in Salina at this time is one of guarded optimism and confidence that home loan financing will ultimately return to normal.

¹Ibid.

²Trickett, loc. cit.

³Ibid.

CHAPTER III

A STUDY OF THE IMPACT ON RETAIL SALES

The second segment of the economy to be scrutinized by this report is retail sales and how they were affected by the closing of the base. Most Salinans felt that this would be the hardest hit portion of the economy. Estimates of the loss in sales ran from twenty to twenty-five percent of the total sales volume. That the actual loss was considerably less will be shown in the ensuing discussion. Some of the factors which may account for this unduly pessimistic outlook will be discussed in Chapter V.

In order to provide a basis for comparison of sales activity during the critical period, sales figures have been obtained for the years 1963, 1964, 1965, and part of 1966. Plate II arranges these figures by month for each year to provide a comparison which minimizes the large seasonal fluctuations. The base period may be considered to be 1963 and the first ten months of 1964 (the period prior to the announced closing of the base). The critical period occurs between November 1964 and July 1965, because it was during this time that the activities of the base and its contribution to the economy were declining. The recovery period encompasses those months subsequent to July 1965.

The annual totals show an increase in 1964 sales over 1963 which is characteristic of the relative boom which had

PLATE II

SALINE COUNTY RETAIL SALES BY MONTH

<u>Year</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>
1963	\$7,074,319	\$6,057,767	\$5,878,275	\$6,434,362
1964	8,208,160	6,468,089	6,298,845	6,646,082
1965	6,783,723	6,560,605	5,425,692	6,761,943
1966	<u>7,521,143</u>	<u>5,720,986</u>	<u>5,744,824</u>	<u>--</u>
Average	\$7,396,871	\$6,201,871	\$5,871,909	\$6,614,129
	<u>May</u>	<u>June</u>	<u>July</u>	<u>Aug</u>
1963	\$7,247,401	\$7,165,961	\$7,284,732	\$7,052,029
1964	6,921,703	7,492,120	7,751,078	6,696,294
1965	<u>5,724,770</u>	<u>6,511,642</u>	<u>7,188,399</u>	<u>6,280,988</u>
Average	\$6,631,291	\$7,056,574	\$7,408,069	\$6,676,437
	<u>Sept</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>
1963	\$7,627,416	\$6,972,082	\$7,191,240	\$7,361,932
1964	7,968,082	7,116,500	6,951,831	6,698,340
1965	<u>7,158,115</u>	<u>6,537,220</u>	<u>5,925,748</u>	<u>6,185,679</u>
Average	\$7,584,537	\$6,875,266	\$6,692,939	\$6,748,650
	<u>Yearly Totals</u>			
1963	\$83,347,521			
1964	\$88,667,124			
1965	\$77,044,524			

Source: Salina Chamber of Commerce, Salina, Kansas

started in January of that year.¹ The 1965 total shows a decline of thirteen percent from the 1964 total. However, only two months of the critical period are included in the 1964 total whereas seven months of the critical period are shown in the 1965 total. Taking the total sales figure (\$58,906,945) for the months of the critical period (November 1964 through July 1965) and comparing it with the total sales (\$64,339,249) of a like period (November 1963 through July 1964) it is found that the decline was nine percent. In this way the effect of closing Schilling is more nearly isolated from other fluctuations in economic activity and the true impact is more closely measured. Thus the actual decline in retail sales resulting from the closing of the base is found to be far less than was originally estimated and the five to nine percent decline quoted from other sources elsewhere in this paper is substantiated.

While the general overall loss in retail sales approximated five to nine percent,² the impact in some selected areas was much greater. The building trade suffered an overall decline of up to fifty percent and has almost completely recovered.³ Sales of used cars and receipts of bars and movie theaters declined twenty-five to thirty percent at the low point and have since started a recovery trend, although they are still below pre-November 1964 levels.⁴ The local

¹Interview with Leslie A. Matthews, Staff Manager, Salina Chamber of Commerce, Salina, Kansas, June 20, 1966.

²Ibid. ³Trickett, loc. cit. ⁴Ibid.

newspaper (The Salina Journal) lost 3,000 subscribers between November 1964 and July 1965. Circulation has since climbed to within 800 subscriptions of the pre-November 1964 level.¹ The Salina Chamber of Commerce reported three business failures: two pawn shops and a branch bakery.² The bakery failure appears to be unrelated to the base closing since its troubles date back to the period prior to November 1964.³

Other factors which had a less direct but nevertheless significant effect should be included to round out the discussion. A vacancy survey was made in September 1965 which revealed that over twenty-one percent of Salina's homes and apartments were vacant.⁴ This large number of vacancies suggests a much greater impact than the nine percent mentioned earlier, but the initial loss was partially offset by the increase in sales to the rural communities in and near Saline County.⁵ Some of this rural trade had drifted away from Salina because of Salina's merchants' preoccupation with and satisfaction from the richer military market.⁶ The impact on schools also had a marked effect because of the loss of some \$500,000 in government school aid funds which are paid to communities on behalf of military personnel who are not part of the school tax base.⁷ This figure represented about

¹Schmiedeler, loc. cit. ²Trickett, loc. cit. ³Ibid.

⁴Topeka Capital-Journal, October 17, 1965, p. 1.

⁵Matthews, loc. cit. ⁶Ibid.

⁷Topeka Capital-Journal, November 29, 1964, Sunday Magazine.

thirteen percent of the entire school budget and a substantial loss in spendable funds.¹ Had the base continued in operation, it would have been necessary to build additional school facilities to accommodate the steadily increasing number of students. With the closing of the base, the additional construction was no longer necessary.² This relieved the community of the need to increase debt by building new schools, but at the same time deprived the community of the income to be derived from new construction.

Because the total impact on sales was far less than originally anticipated, the businessmen in the community became more confident and more optimistic about the future of the community.³ Since March of 1965 (the low point in sales activity) businessmen have felt that the trend is slightly upward and that sales activity should surpass pre-November 1964 levels in about two years.⁴ This delay in total recovery is primarily due to the fact that the new activities in the economy are not yet in full operation and the total effect cannot yet be accurately measured.⁵

This chapter intentionally implies that the impact on retail sales is of less significance than expected and of less importance than the counteractive measures discussed in Chapter IV.

¹Ibid.

²Ibid.

³Matthews, loc. cit.

⁴Ibid.

⁵Ibid.

CHAPTER IV

A RESUMÉ OF MEASURES ADOPTED TO MINIMIZE
THE EFFECT OF THE ECONOMIC LOSS

As has been pointed out earlier, the general attitude, upon release of the information that the base was to be closed, was one of considerable pessimism. Many Salinans felt that the lack of sufficient notice was by far the most deplorable feature of the decision.¹ It is interesting to note that there has been an almost universal reversal of this attitude.² Most businessmen now feel that the closing of the base was a blessing in disguise and that the short notice was the spark plug that galvanized the citizenry into cooperative action.³ The rapidity of technological change casts considerable doubt on the future of any military installation, and particularly those whose major activity is centered on manned bombing aircraft. For this reason Salinans generally now feel that it is far better to shed the dependency on the presence of the military and concentrate on attracting industry which would be more permanent. The seven months between announcement and actual closing brought home more clearly than anything else could have, the desperate need for unified concerted actions. Factionalism largely disappeared and everyone was placed on the same team.⁴

¹Trickett, loc. cit.

²Ibid.

³Ibid.

⁴Ibid.

Thus the community was, at one and the same time, presented with a severe problem and the means for solving it. The work of the local government and citizen groups has been quite successful in averting a long term economic decline in most segments of the economy. The efforts expended, in fact, have been so effective (according to local opinion) that they have had a more significant effect on the economic community than the act which originated the problem.

The discussion which follows has been broken down into two segments. Section 1 deals with the actions taken by the Federal Government and Section 2 with the actions of state and local governments and other agencies.

Section 1 Actions by the Federal Government

The communities affected by the curtailment of military installations were not cut adrift by the Federal Government to fend for themselves. There may be those who would shout socialism, but acceptance of responsibility for one's own acts is, and should be, a well accepted principle. Many of the communities became associated with the military bases in their environs without having actively solicited them and even those who eagerly sought this form of Federal money infusion are surely deserving of a helping hand when the bonanza is summarily and unpredictably withdrawn. In any event, such was the case in Salina and the commendability of such a policy should become evident as the enumeration of Federal actions progresses.

In response to a call for help from the city and state, a committee was dispatched from Washington, D. C. to meet with local officials to discuss ways in which the economic loss could be offset. The committee was dispatched under the auspices of the Director of Economic Adjustment of the Office of the Secretary of Defense.¹ The outcome of this meeting was to clear the way for Salina to make use of Federal property at Schilling and to offer suggestions and assistance for making the best use of the facilities.² This meeting was instrumental as a departure point for much that was to follow.

One of the earliest acts of the government (Office of the Secretary of Defense for Manpower) was to impose a freeze on new hirings of civilian employees at military bases through February 28, 1965.³ This was done to provide job preference for 28,505 displaced workers. Permanent hiring for wage board jobs and promotions for GS-12 and higher civil service grades were temporarily halted. In addition, transportation expenses for moving employees to new areas was paid by the government. Computers at Dayton, Ohio were used to match displaced employees with the 12,000 job openings which occur each month.⁴ This action was of less direct benefit to the

¹The Topeka Daily Capital, December 15, 1964, p. 1.

²Grosser, loc. cit., November, 1965.

³The Air Force Times, December 9, 1964, p. 1.

⁴Ibid.

individual communities than it was to the nation as a whole except in those cases where new jobs were found in communities affected by base closings.

The Government Services Agency (GSA) cooperated to the extent of reducing the usual time lag involved in making surplus government property available for civilian use. This was probably partially due to the action of groups such as the one representing Salina in Washington. The reduction of time in the release of the facilities considerably enhanced the ability to plan for alternate uses and allowed the benefits of those uses to take effect at an earlier date.

As was mentioned in Chapter II, the action of the Veterans' Administration and the Federal Housing Authority in taking over properties which had either been defaulted or surrendered in lieu of default, was a considerable boon to the home loan institutions in Salina. Because of the unsatisfactory process of recovering investments through deficiency judgments and the inability to sell houses at an acceptable price in a glutted market, some loan institutions would have suffered serious losses. Commitments to depositors may have caused some agonizing reappraisals and a general wave of retrenchment. The effect of these events on the expectations of the general business community is difficult to measure but it appears reasonable to assume that it would have been far from beneficial. The economy in general and the loan institutions in particular might have been much

more severely affected had these government agencies not intervened.

Another action which was in the nature of direct assistance to the Salina economy was the use of the Capehart housing area at Schilling to house the families of Army personnel in Viet Nam.¹ The influx of families into the 400 housing units has provided a welcome boost to local retail establishments. The distance (some 65 miles) to the shopping facilities at Ft. Riley encourages use of local shopping centers for goods and services. The housing area is being operated as a sub post of Ft. Riley and is called Schilling Manor. Children of these families are attending Salina schools and as soon as their number increases sufficiently, the school on the base (grades 1 through 6) will be reopened. Eighteen civilians are employed to assist four officers and thirteen enlisted men in operating the complex. Irwin Army Hospital at Ft. Riley will open a dispensary at Schilling and thus add a few more personnel to those already in the area.

These actions of the government set the stage and provided impetus for the local organizations to broaden the scope of their activities, the results of which are discussed in Section 2.

¹The Manhattan Mercury, February 13, 1966, p. 15.

Section 2 Actions by State and Local Governments
and Other Agencies

Perhaps the single, most distinguishing feature of local action was the unanimity of purpose and the firm resolve to overcome the economic loss engendered by the closing of the base. The comment which has been made that the base closing was good for the community must be considered to spring from two sources: the end of dependence on the military, and the fostering of community spirit which was not very visible before the crisis.

Shortly after the announcement of the base closing, Salina businessmen met with Representative Bob Dole, Senator Frank Carlson, Salina Mayor Carl Rundquist, Schilling Commander Col. Roy Crompton, and Carl Engstrom, incoming Chamber of Commerce president.¹ This meeting was the beginning of the fruitful actions which were to follow although much of the agenda was devoted to unproductive recrimination and discussion of plans to protest the closing of the base if investigation proved such action to be unjustified.²

Then early in December 1964, a committee was appointed to present Salina's case in Washington. The committee consisted of the following persons:

Mayor Carl Rundquist
Carl Ramsey, Chairman of the Board of Saline
County Commissioners
W. M. Ostenberg, Superintendent of Salina
Public Schools

¹The Kansas City Star, November 22, 1964, p. 1.

²ibid.

Tom Lillard, Chairman of the Industrial
Development Committee, Salina Chamber of
Commerce
James Preston, Manager of the Salina Chamber
of Commerce
Whitley Austin, Editor of The Salina Journal
Norris Olson, Salina City Manager¹

The meeting took place on Monday, December 15, 1964 and in addition to the above listed delegation, Representative Robert Dole, Senator Frank Carlson, and Representative William H. Avery (Governor Elect of Kansas) were present. The group conferred with Secretary of the Air Force Eugene Zuckert, Deputy Secretary of Defense Cyrus Vance, and Director of Economic Adjustment Don Bradford. It was at this meeting that the arrangements were made to send the committee, referred to in Section 1, to Salina.²

As a result of the meeting, it became clear that there was no real hope of the base continuing in operation as it then existed. The Salina delegation did, however, secure a pledge that the possibility of other uses for the base would receive a "second look" and that if the base still could not be used, all the resources of government would be called upon in an effort to minimize the impact upon Salina.³

Having dispensed with the forlorn hope of continuing some military function at the base, the leaders of the community turned their attention to the task of attracting new

¹The Topeka Daily Capital, December 9, 1964, p. 9.

²The Topeka Daily Capital, December 15, 1964, p. 1.

³Ibid.

industry to fill the gap. The Washington, D. C. staff, headed by Don Bradford of the Office of Economic Adjustment, began working on plans to interest industry in possible use of the base and to determine whether or not any other government agencies might have a use for the facilities.¹ The Salina Chamber of Commerce estimated that some 3,000 new jobs would be needed to offset the economic loss.² Thus the planners had a clear cut goal on which to set their sights.

The community began the fight by launching an intensive campaign to recruit new industry to Salina. These efforts were supplemented by help from the Office of Economic Adjustment and the Kansas Economic Development Agency. This help was in the form of advice on the mechanics of recruiting industry and referring prospective industrial investors to Salina. It is interesting to note that no special inducements were offered beyond immediate availability of facilities (in those cases where the industry would locate at Schilling) and a tax base which would be stabilized at the going rate for five years.³ Rentals on leased facilities at the old base were set at levels which would not compete unfairly with the rest of the business community.⁴

The degree of success which was the result of industry recruitment efforts can, perhaps, best be illustrated in an enumeration of the new activities which are or soon will be employing people in Salina.

¹Ibid. ²Trickett, loc. cit.

³Schmiedeler, loc. cit. ⁴Ibid.

1. Westinghouse Incorporated has built a new plant to manufacture fluorescent lights. This new facility is expected to provide between 500 and 700 new jobs in the first year of operation.¹
2. Beechcraft Corporation has leased 375,000 square feet of building space on the base from the Salina Airport Authority. The new plant is to be used for modifying the Beechcraft King Air aircraft and is expected to provide 500 new jobs the first year.²
3. Funk Aviation has leased space on the base for a plant which will build aircraft for agricultural uses such as crop dusting. The company estimates it will employ between 30 and 50 persons initially.³
4. The Kansas Highway Patrol has established an alert facility and training school on the former air base.⁴
5. Schilling Institute, providing two year courses in engineering technology, has established a campus, complete with dormitories, classrooms and administrative offices on 90 acres of the old base. It is estimated that in five years 2,500 students will be enrolled. The purpose of the school is to create qualified technicians to staff Kansas industry.⁵

¹Ibid. ²Schmiedeler, loc. cit. ³Ibid.

⁴Ibid. ⁵Ibid.

6. The Dillon Supermarket chain opened a new store which was in the planning stage before the closing of the base. The fact that these plans were carried out in spite of the dire predictions went a long way toward dispelling the gloom.¹
7. The Kansas State Board for Vocational Education has established the Salina Vocational Center which is a vocational rehabilitation center for handicapped persons. The old base hospital and officers' club are to be turned over to the center and will accommodate 250 trainees.²

It is almost a certainty that this list will grow with the passage of time because the recruitment efforts have not diminished and may in fact even have been intensified.³

Even this list of impressive accomplishments does not encompass the sum total of rejuvenation efforts. The city has branched out in areas other than industry recruiting by establishing new enterprises from within its own resources.

The Salina Airport Authority was established to operate the municipal airport (which has moved to the old base) and to control the leasing of base property. The Airport Authority was established as a quasi corporate entity, owned by the city, and has worked closely with the Federal Aviation Agency, Government Services Administration and the Office of Economic Development in planning alternate uses for the base.⁴

¹Ibid. ²Ibid. ³Trickett, loc. cit.

⁴Schmeideler, loc. cit.

The Airport Authority has been given a limited taxing authority (up to 3 mills) on the property under its control and the authority to acquire government property.

The Salina Community Inn, Inc. was formed under the provisions of the Kansas Economic Development Act which authorizes the issuance of revenue bonds to finance community projects. The corporation will operate a downtown motor hotel which is designed for use as a convention center with facilities for 750 conventioners and 150 rooms. The project is to be financed by the sale of \$2,100,000 in class B bonds in two issues and \$900,000 of subscribed equity capital. The enterprise will be owned by the city, operated by the corporation and staffed by the Hilton Hotel chain.¹

Some of what might be called sub-standard housing, which is largely unsalable in the present real estate market, is to be razed for the development of an industrial park similar to the one developed by Presque Isle, Maine when Loring Air Force Base was closed.² This action should lend even greater impetus to the industrial recruitment program.

The full impact of these events cannot be assessed at this writing, but it is clear that a substantial portion of the loss to the economy, if not all, has been replaced with a far more reliable (because of diversification) group of industries and other activities than Schilling Air Force proved to be.

¹ ibid.

² The Topeka Capital-Journal, January 2, 1965, p. 1.

CHAPTER V

CONCLUSIONS

The information presented in the preceding chapters was designed to provide a general picture of the more significant aspects of closing Schilling Air Force Base and the efforts of Salina to convert from a military to a civilian community. There remains the task of assessing the ultimate effect of each of these factors on the actual economic loss and to outline what appear to be the future prospects of the community.

Except for the real estate market and the home construction business, the impact was far less than the early predictions indicated. Part of this difference arose from analytical errors which failed to probe deep enough into the information available. The fact that the military complement of the base represented twenty-five percent of the community's population led to the extension of the use of this percentage to quantify the magnitude of nearly every segment of economic activity. That this was an error becomes clear when it is realized that of the 13,000 military people only 4,000 were wage earners.¹ The rest were wives and children of the servicemen and thus there were only 4,000 family spending units, which is a vastly different thing than envisioning 13,000 full scale contributors to the economy. Further, a

¹Trickett, loc. cit.

substantial portion of the 4,000 wage earners were of the lower paid ranks with reduced spending abilities, different spending habits and a relatively low propensity to save. Thus the expected effect on bank deposits was incorrectly skewed to the pessimistic side. Some of the drop in economic activity, caused by the departure of the military, was offset by increased business with persons from the surrounding community who had avoided Salina as long as the military was there.¹ Lastly, estimates of declining economic activity were based on the \$20,000,000 annual payroll of Schilling being spent in Salina. This would be unrealistic in most similar situations but particularly so with military people who probably have more commitments in other areas of the country than any other representative group. The annual Schilling payroll was equivalent to about one-fifth of the total Salina annual income.

Since the levels of bank deposits have largely returned to normal, it appears that the recovery of the real estate market will not be delayed for lack of availability of loanable funds from the financial segment. When the market situation again makes such investment attractive, the funds and the willingness to invest will not be found inadequate.² The construction segment will be adversely affected in the home construction field for some considerable time to come. This is particularly true of low cost (from \$11,500 to \$14,000) housing because of the great number of units in

¹ ibid. ² Grosser, loc. cit., June 1966.

this category still on the market. The clearing away of some of the low cost housing to make room for an industrial park will somewhat ease the oversupply, but there will still be well over 1,500 units unsold and unsalable. Construction other than housing appears to be on the rise because of the new activities in the community.¹

The analysis of retail sales revealed a smaller impact than was originally supposed although a declining and then rising trend is discernible. The loss of business in general was expected to be twenty to twenty-five percent, but at least partially because of the factors described earlier the actual loss was between five and nine percent.² Retail sales have since returned to approximately their former levels and the outlook for the future centers around a rising trend which should surpass previous levels.³

In spite of the vehement denial by Secretary McNamara, there persists a strong feeling that political considerations played at least a minor role in determining which bases would be closed.⁴ Much of this sentiment stems from the fact that Kansas is predominantly a republican state although a cooler appraisal would recognize that base closures also occurred in predominantly democratic states such as Alabama, Georgia, and Texas. The real political significance of such

¹Interview with John Heline, Treasurer Smoky Valley Savings and Loan, April 4, 1966.

²Trickett, loc. cit. ³Ibid. ⁴Heline, loc. cit.

government actions lies in the uncomfortable position created for senators and representatives. Congressmen are squeezed between protecting the rights and interests of their constituents (on whom their political survival depends) and having to take a position which could be construed to be against the economical management of the Department of Defense. Efforts to resolve this uncomfortable dilemma have led to attempts to create legislation (see Section 2, Chapter I) requiring Department of Defense to give notice of impending base closures.

Legislation has been proposed which provides congressmen an opportunity to argue against contemplated base closings before they become matters of public policy and to take appropriate action if the decision appears to be unwarranted. The proposed bill may have its most telling effect by causing the Department of Defense to review carefully future actions with an eye to avoiding criticism entirely or by making sure that such decisions are completely defensible on military grounds. No doubt some congressional objections would be based on sectional interests, but these would surely be reduced to a minimum under the glare of public scrutiny. Congress has repeatedly clashed with Secretary McNamara over congressional authority in military matters and this proposal seems to be a step toward increasing the degree of cooperation between them. In any case it is to be hoped that the plan will diminish the hue and cry such as was raised by Senator Clifford P. Case (Republican, New Jersey). Senator

Case called for a complete investigation by the Senate Armed Services Committee to examine the latest list of closings.¹

The authority of the Department of Defense in these matters would in essence be somewhat diminished since congressional cognizance would be required whereas in the past it was not. The political and economic impact of such acts of the government point up the argument for controlling or at least dampening the authority of the Department of Defense. Consequently, there may be further efforts to accomplish this end in the form of congressional legislation.

The most important single aspect of closing Schilling Air Force Base insofar as economic impact is concerned has been the action of the community to counteract the seemingly inevitable long term economic decline. Other cities faced with similar problems in the near and distant future would do well to examine the measures adopted by Salina, Presque Isle, Maine, and York, Pennsylvania. It is largely due to Salina's tireless efforts that in place of what might have been a severely depressed area, there is a thriving, optimistic and growing economy. To have transformed spears into plowshares in such a relatively short time is a feat worthy of recognition. It is to be hoped that the other cities effected by the same Department of Defense Order will be able to follow Salina's shining example.

¹The Air Force Times, December 2, 1964, p. FT 1.

These totally unexpected events which occurred in Salina clearly point up the need for penetrating economic analysis on a continuing basis. Even those cities which feel quite secure in their economic position (as did Salina) would do well to develop an understanding of the community's economic structure in order to be able to adequately assess the impact of events such as have been discussed in this paper. Being forearmed with such knowledge would provide a better basis from which to cope with the problems engendered by severe economic loss. Much time can be saved and useless recrimination, which results from emergency deliberations, can be averted by a preconceived plan based upon sound analysis and knowledge of the activities on which the economy of the community depends. The burden of these activities must fall upon the shoulders of forward looking civic leaders and they would find advance preparation well worth the effort.

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SOME ASPECTS OF THE ECONOMIC IMPACT OF CLOSING
SCHILLING AIR FORCE BASE, SALINA, KANSAS

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INTRODUCTION

This report is intended to be a brief but readily digestible view of the impact of closing Schilling Air Force Base at Salina, Kansas. Most of the material has been gathered through interviews with Salina businessmen who were closest to the problem and is presented in reportorial fashion with conclusions drawn by the writer as they appeared to be appropriate.

This abstract presents a brief outline of the salient features of each chapter and the points having greatest significance.

CHAPTER I

EVENTS LEADING TO THE CLOSING OF THE BASE

For more than twenty years Salina has been a military community. This long association with economy boosting federal money made the community markedly dependent on the continued presence of the military, thus intensifying the impact of closing the base.

The evolution of military policy, changing defense strategy, and improving technology made both the primary and secondary missions of Schilling Air Force Base obsolete. Thus the closing of the base, from a purely military standpoint, appears to have been both desirable and necessary, notwithstanding the many accusations of political motivation.

CHAPTER II

A STUDY OF THE IMPACT ON REAL ESTATE VALUES AND FINANCING

The real estate market, particularly the home construction segment, was, by far, the hardest hit of any economic activity in Salina. The home loan financial institutions have already largely recovered thanks to the intervention of the Federal Housing Administration and the Veterans' Administration. The return to normal of the entire real estate market will not be delayed by any inadequacy of the financial sector.

The home construction activity has been less fortunate because there remain some 2,000 homes still on the market and it appears that they will be absorbed at only a very slow rate. Speculative construction in the \$11,500 to \$14,500 price bracket is at a standstill and will probably remain so for a considerable period of time.

CHAPTER III

A STUDY OF THE IMPACT ON RETAIL SALES

Perhaps the best barometer of economic impact is the level of retail sales activity. Statistical evidence reveals that the impact on sales was far less than had been expected (5 to 9% as opposed to 20%) in the period immediately after the announced closing of the base. Errors of pessimism and faulty statistical interpretation appear to be

the prime factors in the gloomy forecast.

Retail sales activities appear to have stabilized at or near the levels extant in the period before the base closed. This is at least partially a direct result of the action taken by the community as a whole which is detailed in Chapter IV.

CHAPTER IV

A RESUMÉ OF MEASURES ADOPTED TO MINIMIZE THE ECONOMIC LOSS

The complete unexpectedness and the very short notification time of the closing of Schilling actually welded the community into a cohesive unity capable of more effective action. The measures adopted by Salina to offset the economic decline had a far more decisive effect on the economy than did the closing of the base itself. Federal and state assistance coupled with local community action appears to have gone a long way toward converting Salina to a civilian community at an almost parallel level of economic activity.

Salina has been markedly successful in attracting new industry and other activities which will provide employment to as yet an undetermined number of people. Already a substantial portion of the estimated 3,000 jobs lost have been replaced by new activity. In addition to attracting new industry, the community has branched out into other enterprises designed to stimulate the economy. The success of

these remedial measures has created an air of optimism regarding Salina's future.

CHAPTER V

CONCLUSIONS

Except for the home construction segment of the real estate market, Salina's economy has largely returned to levels which existed before the loss of Schilling Air Force Base.

The most significant impact factor has been the community's ability to adopt successful counteractive measures which will soon allow the economy to grow beyond the point attained as a military community.

The substitution of permanent civilian industry for the rather unpredictable military economy has freed Salina from the military dependency yoke. The crisis precipitated by closing the base has created a new feeling of community spirit which in itself may prove to be the greatest boon to Salina and its citizens.

Other cities facing the same problems as Salina has faced would do well to examine the ways and means of averting a long term economic decline and to follow Salina's example.