



Defense Spending in Virginia
Tidewater Area Service Contractors
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Overview

- ▶ Defense Spending in Virginia: Economic Impact
- ▶ The Military in Hampton Roads
- ▶ Threats to Defense Investment in Virginia
- ▶ Protecting Defense Investment
- ▶ Conclusions



Economic Impact



Summary of Economic Impacts DoD Spending in the Commonwealth of Virginia, FY 2008 (billions)

Source	GSP ¹	Personal Earnings ²	Jobs ³
Direct Payroll	\$22.4	\$19.3	339,941
Contracting	\$33.6	\$23.9	537,258
Construction	\$1.4	\$1.1	25,786
Totals*	\$57.4	\$44.4	902,985

¹Contribution to Gross State Product (Total Virginia GSP is \$367.9 billion)

²Taxable income accruing to workers residing in Virginia

³Total direct and indirect jobs supported by spending type

*Sum of values may not equal totals because of rounding

What DoD Investment Means

- ▶ DoD spent **\$54.5** billion in the Commonwealth in FY 2008
 - ▶ *\$5,022 for every Virginian*
 - ▶ *More than 10% of all DoD contracting world-wide*
- ▶ DoD contributed **15.6%** of Virginia GSP
 - ▶ *More than any private industry sector*
- ▶ DoD contributed **17.4%** of Virginia personal earnings
 - ▶ *More than any private industry sector*
- ▶ DoD contributed **18.9%** of Virginia jobs
 - ▶ *DoD was Virginia's number one direct employer (187,000 workers)*
 - ▶ *DoD spending supported more than 900,000 jobs*
 - ▶ *Mostly highly-skilled workers making above mean salaries*

Sector Comparison

Comparative Contributions to the Virginia Economy, FY 2008 (billions of dollars)

Source	GSP ¹	Personal Earnings ²	Direct Jobs ³	Indirect Jobs ³	Total Jobs ³
DoD Spending	\$57.4	\$44.4	454,930	448,055	902,985
Manufacturing	\$59.4	\$37.0	261,586	418,384	679,970
Agriculture	\$5.04	\$2.63	65,039	35,772	101,081
Total Virginia (All Sectors)	\$367.9	\$254.45			4,786,916 ⁴

¹Contribution to Gross State Product (Total Virginia GSP is \$367.9 billion)

²Taxable income accruing to workers residing in Virginia

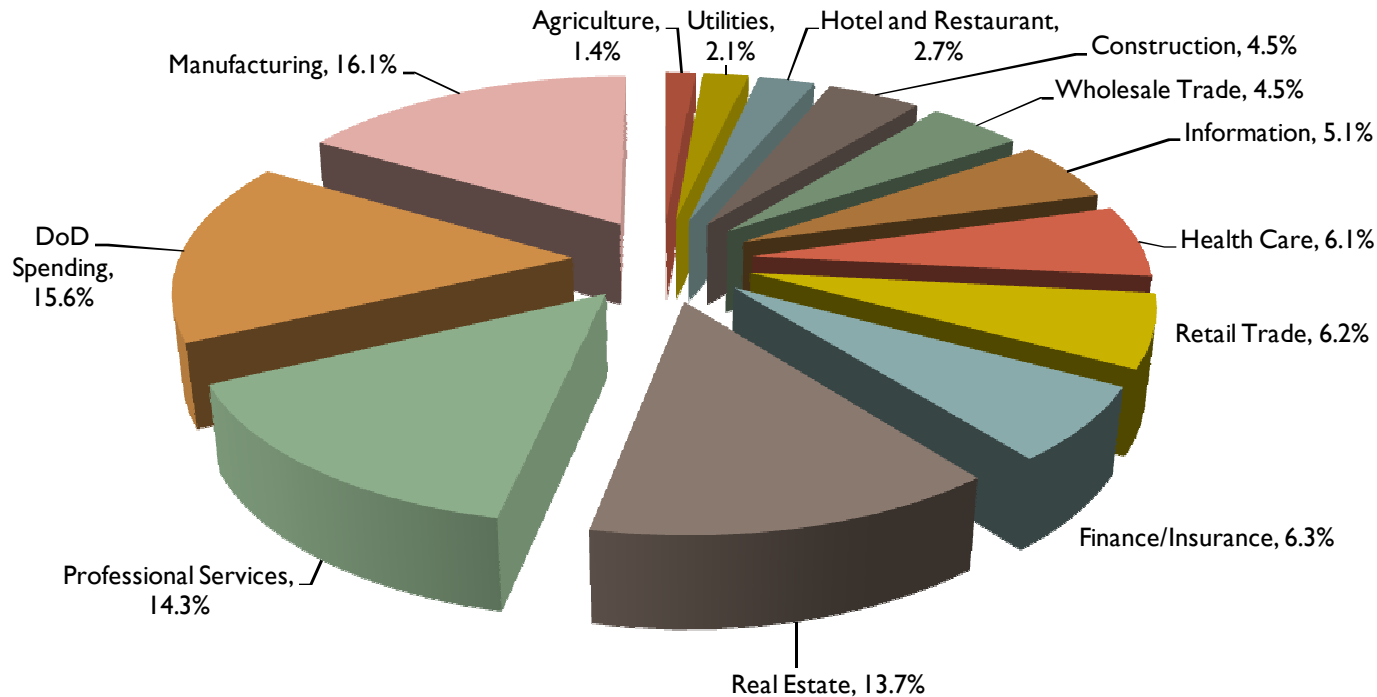
³Total direct and indirect jobs supported by spending type

⁴Includes both agricultural and non-farm payroll jobs.

Sector Comparison

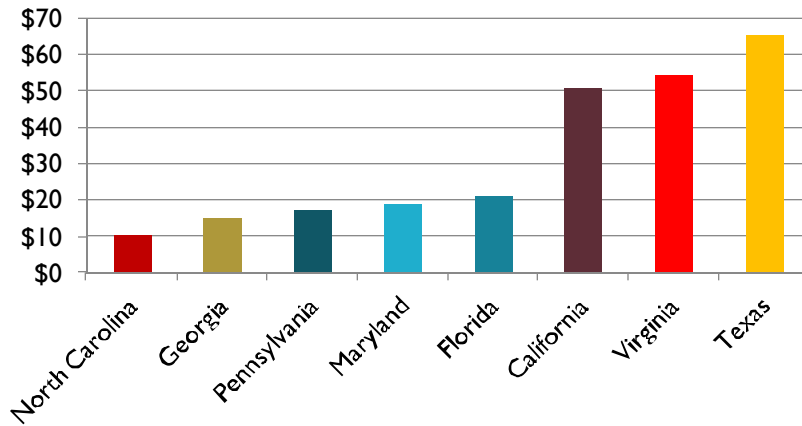
Percentage of Virginia GSP

- ▶ DoD spending in Virginia accounted for 15.6% of 2008 GSP
- ▶ DoD spending contributed to each of these sectors
- ▶ Manufacturing without DoD procurement would be 13%



State Comparison DoD Spending and Payroll

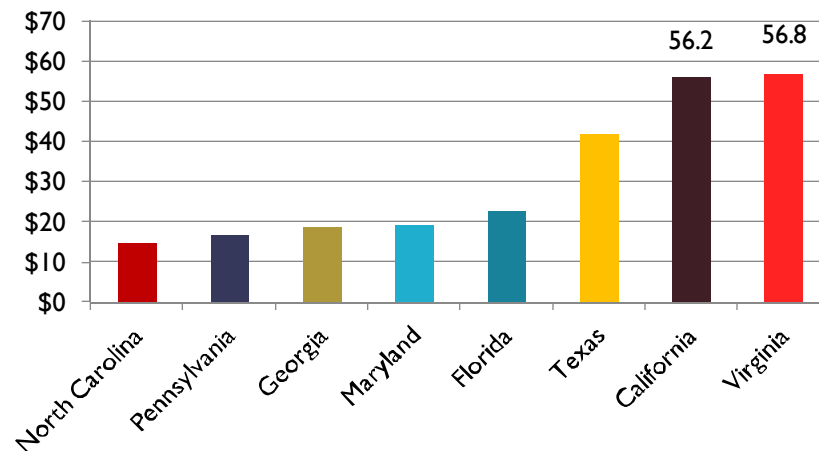
Total DoD Spending: Top 7 States & NC
 (billions of 2008 dollars)



► In 2008, Virginia second in aggregate DoD spending.

► By 2009, Virginia was first.

Total DoD Spending: Top 7 States and NC
 (billions of 2009 dollars)



Fiscal Impact

- ▶ \$2,849 - Average revenue generated per DoD worker
 - ▶ -\$1,000 - Average demand for state services per worker
 - ▶ =\$1,849 - Net fiscal benefit per worker
-
- ▶ With 592, 928 active duty, civilian, contractor, guard/reserve, and retiree workers in Virginia this generates:
 - ▶ **\$1.1 billion** in total net state revenue to Virginia
(does not include local taxes or revenues)

Threats to this Investment

- ▶ **Department of Defense Budget Reductions**
 - ▶ Reduced contracting dollars (\$102 billion by 2016)
 - ▶ Reduced flag officer corps (JFCOM)
 - ▶ Potential procurement cuts (CVNs?)
 - ▶ Army and Marine Corps Force Structure

- ▶ **Changing military strategy**
 - ▶ Shift away from manned aircraft
 - ▶ Shift away from large deck aircraft carriers
 - ▶ Shift from air power to special operations forces
 - ▶ Concerns about consolidation (especially Navy)

Virginia's Initiatives

- ▶ **Virginia National Defense Industrial Authority**
 - ▶ Successor to Virginia Commission on Military Bases
 - ▶ Board includes retired military leaders and top industry executives
 - ▶ Maintain a comprehensive understanding of defense investment in Virginia
 - ▶ Advise State and Federal legislative staffs, state agencies and secretariats
 - ▶ Ensure continuity of effort across administrations
 - ▶ Supported by staff and operations appropriation

- ▶ **Governor's Commission on Military Bases and National Security Facilities**
 - ▶ Reports directly to Governor McDonnell
 - ▶ Membership includes current and former elected officials
 - ▶ Committees on Defense and Non-defense Federal Investment
 - ▶ No staff or funding

Conclusion

- ▶ \$54.5 billion economic benefit (contribution to GSP)
- ▶ \$1.1 billion net fiscal benefit (increase in state revenue)
- ▶ Major jobs generator: over 900,000 jobs depend on DoD
- ▶ Helps protect Virginia's economy from recession
- ▶ Defense investment in Virginia will shrink
 - ▶ General contraction of Federal Government and Defense
 - ▶ Changes in military needs and strategy (Carriers, UAVs)
 - ▶ Threats to specific installations (Oceana)

Virginia is Proactive!