Office of Economic Adjustment

- Created in 1961 by SECDEF McNamara to assist communities impacted by DoD
- Help communities to help themselves to plan/carry out adjustment efforts to assist communities, workers, and businesses
  - Technical assistance – information and advice on developing and implementing projects that promote economic adjustment
  - Financial assistance – grants and cooperative agreements to develop strategies and base reuse plans, carry out other activities

- Major Programs:
  - BRAC/DoD Personnel Reductions
  - Compatible Use/JLUS
  - Defense Industry Adjustment
DEFENSE SPENDING BY STATE
FISCAL YEAR 2015

In FY 2015, DoD spent $408 billion on payroll and contracts nationwide – approximately 2.3% of U.S. GDP. This represents spending of $1,270 per U.S. resident.

In the first decade of the 21st century (FY2000-2010), U.S. defense spending grew at a strong pace of 66%. Spending on national defense has been in decline since FY2011:

- Draw downs in Iraq and Afghanistan
- Budget Control Act/sequestration forced significant cuts in defense spending

DoD procurement reductions total $89.7 billion or 34.5 percent, since FY2010

Defense dollars are not only spent near military bases – the contracts and supply chain spread out across the country.
## Top 10 States by Defense Spending

<table>
<thead>
<tr>
<th>Rank</th>
<th>State</th>
<th>Defense Spending (in billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Virginia</td>
<td>$53.0</td>
</tr>
<tr>
<td>2</td>
<td>California</td>
<td>$49.3</td>
</tr>
<tr>
<td>3</td>
<td>Texas</td>
<td>$37.9</td>
</tr>
<tr>
<td>4</td>
<td>Maryland</td>
<td>$20.5</td>
</tr>
<tr>
<td>5</td>
<td>Florida</td>
<td>$17.6</td>
</tr>
<tr>
<td>6</td>
<td>Pennsylvania</td>
<td>$12.7</td>
</tr>
<tr>
<td>7</td>
<td>Georgia</td>
<td>$12.6</td>
</tr>
<tr>
<td>8</td>
<td>Washington</td>
<td>$12.6</td>
</tr>
<tr>
<td>9</td>
<td>Alabama</td>
<td>$12.2</td>
</tr>
<tr>
<td>10</td>
<td>Massachusetts</td>
<td>$12.2</td>
</tr>
</tbody>
</table>

**Total for Top 10 States** $240.7

**Total for United States** $408.5

Sources: Defense Manpower Data Center and Chmura Economics & Analytics.
## Top 10 States by % of State GDP

<table>
<thead>
<tr>
<th>Rank</th>
<th>State</th>
<th>Share of State GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Virginia</td>
<td>11.2%</td>
</tr>
<tr>
<td>2</td>
<td>Hawaii</td>
<td>9.8%</td>
</tr>
<tr>
<td>3</td>
<td>Alaska</td>
<td>6.1%</td>
</tr>
<tr>
<td>4</td>
<td>Alabama</td>
<td>5.9%</td>
</tr>
<tr>
<td>5</td>
<td>Maryland</td>
<td>5.7%</td>
</tr>
<tr>
<td>6</td>
<td>District of Columbia</td>
<td>5.7%</td>
</tr>
<tr>
<td>7</td>
<td>Mississippi</td>
<td>4.9%</td>
</tr>
<tr>
<td>8</td>
<td>Maine</td>
<td>4.7%</td>
</tr>
<tr>
<td>9</td>
<td>Kentucky</td>
<td>4.7%</td>
</tr>
<tr>
<td>10</td>
<td>Connecticut</td>
<td>3.8%</td>
</tr>
</tbody>
</table>

Sources: Bureau of Economic Analysis, Defense Manpower Data Center, and Chmura Economics & Analytics.
### Top 10 Defense Spending Locations (Personnel and Contracts)

<table>
<thead>
<tr>
<th>Location</th>
<th>Spending (in billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fairfax County, Virginia</td>
<td>$17.0 B</td>
</tr>
<tr>
<td>San Diego County, California</td>
<td>$15.3 B</td>
</tr>
<tr>
<td>Tarrant County, Texas</td>
<td>$13.6 B</td>
</tr>
<tr>
<td>Los Angeles County, California</td>
<td>$7.5 B</td>
</tr>
<tr>
<td>District of Columbia</td>
<td>$7.2 B</td>
</tr>
<tr>
<td>Madison County, Alabama</td>
<td>$7.1 B</td>
</tr>
<tr>
<td>Honolulu County, Hawaii</td>
<td>$6.8 B</td>
</tr>
<tr>
<td>Newport News City, Virginia</td>
<td>$6.8 B</td>
</tr>
<tr>
<td>Middlesex County, Massachusetts</td>
<td>$6.1 B</td>
</tr>
<tr>
<td>Bexar County, Texas</td>
<td>$5.9 B</td>
</tr>
</tbody>
</table>
Defense Spending By State

CONTRACTS

By Type

- Construction: 3%
- Service: 40%
- Supplies & Equipment: 40%
- Research & Development: 17%

Top Contractors (Millions to Billions)

- Lockheed Martin: $4.6 B
- Boeing: $2.9 B
- Health Net, Inc.: $2.6 B
- McKesson: $2.1 B
- General Atomic Technologies: $2.0 B
- Northrop Grumman: $1.9 B
- The Aerospace Corporation: $1.2 B
- Raytheon: $1.1 B
- General Dynamics: $998.2 M
- Huntington Ingalls: $876.8 M

Value of Contract Awards Performed (Billions)

Fiscal Year 2015

$49.3 BILLION SPENT IN STATE

2.1% OF STATE GDP

12.1% OF TOTAL U.S. DEFENSE SPENDING

PER RESIDENT SPENDING $1,260

DEFENSE PERSONNEL

$14.6 Billion TOTAL PAYROLL

269,540 TOTAL PERSONNEL

Allocation, By Type

- Civilian: 23%
- Reserve: 26%
- National Guard: 21%
- Active duty: 50%

Top Personnel Locations by County

San Diego County
Los Angeles County
Santa Clara County
Orange County
Sacramento County
San Bernardino County
Ventura County
Kern County
Lassen County
Alameda County

Sources: Defense Manpower Data Center, U.S. Bureau of Economic Analysis, U.S. Census Bureau, and Chiuwa Economics & Analytics.
Office of Economic Adjustment – Defense Spending by State, FY2015
Defense Spending By State

**Contracts**

**By Type**
- Construction: 23%
- Services: 23%
- Supplies & Equipment: 65%
- Research & Development: 10%

**By Service**
- Other Defense: 20%
- Army: 61%
- Navy/Marines: 12%
- Air Force: 8%

**Top Contractors (M-millions)**
- General Dynamics: $332.4 M
- Amphenol Corporation: $70.2 M
- Avon Rubber: $69.2 M
- Interepublic Group of Companies: $66.1 M
- Peckham: $64.1 M
- L-3 Communications: $51.0 M
- AAR: $50.9 M
- Loc Performance Products: $49.8 M
- BAE Systems: $46.4 M
- General Electric: $35.2 M

**Value of Contract Awards Performed (Billions)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>08</td>
<td>$5.9</td>
</tr>
<tr>
<td>09</td>
<td>$5.5</td>
</tr>
<tr>
<td>10</td>
<td>$5.3</td>
</tr>
<tr>
<td>11</td>
<td>$5.0</td>
</tr>
<tr>
<td>12</td>
<td>$4.3</td>
</tr>
<tr>
<td>13</td>
<td>$3.1</td>
</tr>
<tr>
<td>14</td>
<td>$2.3</td>
</tr>
<tr>
<td>15</td>
<td>$1.8</td>
</tr>
</tbody>
</table>

**Fiscal Year 2015**

- $2.9 BILLION SPENT IN STATE
- #33 RANK
- 0.6% OF STATE GDP
- #49 RANK
- 0.7% OF TOTAL U.S. DEFENSE SPENDING
- PER RESIDENT SPENDING $295

**Defense Personnel**

- $1.1 Billion TOTAL PAYROLL
- 25,689 TOTAL PERSONNEL

**Allocation, By Type**
- Civilian: 36%
- Reserve/National Guard: 59%
- Active duty: 4%

**Top Personnel Locations**

- Macomb County: 5,871
- Oakland County: 3,804
- Wayne County: 1,991
- Ingham County: 1,776
- Kalamazoo County: 1,485
- Kent County: 1,003
- St. Clair County: 827
- Calhoun County: 827
- Jackson County: 827
- Eaton County: 827

Sources: Defense Manpower Data Center, U.S. Bureau of Economic Analysis, U.S. Census Bureau, and Chmura Economics & Analytics.

Office of Economic Adjustment – Defense Spending by State, FY2015
Appropriations Act Becomes Law
(Days after start of fiscal year)

- 2012
- 2013
- 2014
- 2015
- 2016
- 2017

May 5, 2017
day 217
Uncertain Future

Another CR?

Debt Ceiling debate?

What will DoD’s budget be?

Budget Control Act caps?
## DoD FY18 Base Budget Request by Title

<table>
<thead>
<tr>
<th>Title</th>
<th>Trump PB 2018</th>
<th>Obama FYDP 2018</th>
<th>% Change</th>
<th>Dollar Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family Housing</td>
<td>$1.4</td>
<td>$1.4</td>
<td>+4.1%</td>
<td>+$0.1</td>
</tr>
<tr>
<td>Military Construction</td>
<td>$8.4</td>
<td>$7.9</td>
<td>+6.6%</td>
<td>+$0.5</td>
</tr>
<tr>
<td>Military Personnel</td>
<td>$142.0</td>
<td>$137.9</td>
<td>+3.0%</td>
<td>+$4.1</td>
</tr>
<tr>
<td>Operation and Maintenance</td>
<td>$223.5</td>
<td>$219.0</td>
<td>+2.1%</td>
<td>+$4.5</td>
</tr>
<tr>
<td>Procurement</td>
<td>$115.0</td>
<td>$115.3</td>
<td>-0.2%</td>
<td>-$0.3</td>
</tr>
<tr>
<td>RDT&amp;E</td>
<td>$82.7</td>
<td>$75.2</td>
<td>+10.0%</td>
<td>+$7.6</td>
</tr>
<tr>
<td>Revolving and Management Funds</td>
<td>$2.1</td>
<td>$0.1</td>
<td>***</td>
<td>+$2.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$575.1</strong></td>
<td><strong>$556.7</strong></td>
<td></td>
<td><strong>+$18.4</strong></td>
</tr>
</tbody>
</table>

Note: Dollars in Billions
Procurement Reduction Program
Including Industry Adjustment

➢ Current program based on DoD procurement reductions
  ✓ $89.7 billion or 34.5 percent, since FY2010

➢ Supports communities to carry out strategies to retain critical workforce skills and business capacities
  ✓ Work with Federal, state, and local agencies to integrate regional project plans and identify specific actions to support regional cluster growth and job creation

➢ Significant state engagement with supply chains and response structures
Acting Assistant Secretary of Energy, Installations, & Environment:
“We have been putting ourselves into a hole. This budget gets us out of the hole a little bit or at least gets us on a glide path that could get us out of the hole, but there's a lot to be done.”

Assistant Chief of Staff for the Army Installation Management:
“Reduced resources, emerging requirements, missions, and increased operational tempo for more than a decade have resulted in nearly 22 percent or 33,000 facilities that are now in poor and failing condition, a deferred maintenance bill of $10.8 billion.”
BRAC Downsizing Program

- FY2018 President’s Budget includes a request for authorization of a BRAC round in 2021
  - If authority is enacted, advanced planning assistance/dual tracking will be offered

- Response to Army reductions continues
QUESTIONS?

Tara A. Butler, Esq.
Program Director for Intergovernmental Affairs
U.S. Department of Defense
Office of Economic Adjustment

Tara.a.butler4.civ@mail.mil