



## PRESIDENT'S CORNER

At one time, San Diego's economic fate hung solely on decisions issuing forth from the Department of the Navy. With a third of the region's economy dependent on military spending, one set of economic policies would mean the region booms while others meant catastrophe and collapse.

Those days have passed but the military continues to remain a vitally important sector of San Diego's regional economy. This is starkly evident today as Department of Defense and Department of Veteran Affairs expenditures are helping offset some of the decreases occurring in other parts of the local economy. Procurement, military payroll, and military construction have all increased during the past two years, bringing the total economic value of the military to the region to \$22.3 billion (including induced and indirect spending).

In this issue of the Economic Ledger we bring current estimates that had been previously been made in studies by the San Diego Regional Chamber of Commerce and the San Diego Military Advisory Council. We also disaggregate federal contracting data to show the specific areas where procurement dollars are being spent and identify San Diego's largest defense contractors and the particular DoD agencies that

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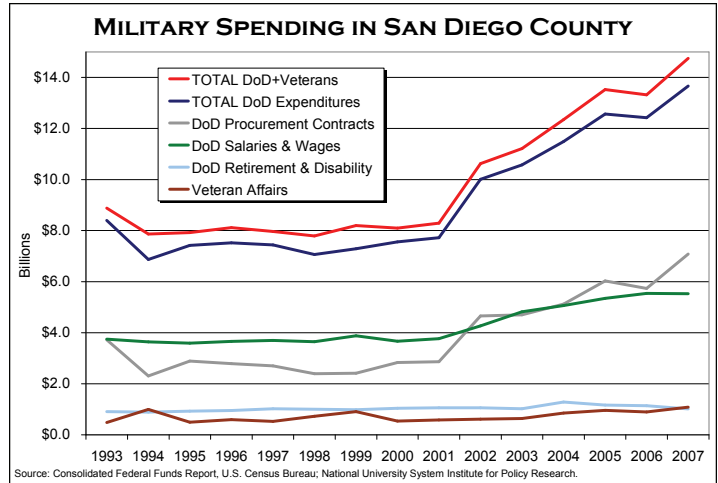
## Military Bolsters San Diego's Economy

For more than a century the military played the central role in San Diego's economic story. In recent years continued expansion of other sectors led to a more diverse economic base for San Diego. Nevertheless, the military still permeates and remains an important force of regional economic activity, as well as exerts a strong influence on San Diego's broader cultural and political landscape. In the midst of the worst economic downturn of the past half century, Department of Defense (DoD) expenditures continue to bolster the region's economy.

### \$14.7 Billion in direct spending

The latest reports for federal government spending shows DoD expenditures rising significantly in San Diego since 2001. Between 2001 and 2007, total military related expenditures increased nearly 78 percent in San Diego. Procurement defense contracts jumped 147 percent, military payrolls rose 47 percent, and Veteran Affairs expenditures rose 88 percent.

The impact from DoD spending is widely spread throughout the San Diego region, generating significant earnings and benefits for the local economy. During the fiscal year ending September 2007, DoD spending reached \$13.7 billion in San Diego County, a one year gain of \$1.2 billion or 10.0 percent



increase over 2006. By comparison, San Diego's total economic activity, as measured by the regional gross domestic product, rose only 3.9 percent.<sup>1</sup>

The percentage of San Diego's economy directly tied to defense spending increased from 6.9 percent in 2001 to 8.3 percent by 2007, reversing a decades-long slide. More recent reports of defense contracts shows spending continued upward in 2008 and the first half of 2009. For example, plans have been announced to spend some \$5 billion on construction projects for area base operations. Recent reports of procurement contract spending already reveal significantly greater spending over the past 1½ years. While not fully offsetting the overall impacts of the current

economic downturn, military spending has significant stimulative effects on the regional economy.<sup>2</sup>

Salaries of military personnel among San Diego's extensive network of base operations totaled more than \$5.5 billion in 2007. An additional \$1.0 billion was paid for retirement and disability payments.

Procurement contracts administered by the DoD and performed in San Diego by private companies totaled nearly \$7.1 billion in 2007. Annual spending for these contracts have grown by more than \$4 billion since 2001.

Spending by Department of Veteran Affairs (VA), administered separately from the DoD,

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### DIRECT FEDERAL MILITARY RELATED EXPENDITURES AND OBLIGATIONS IN SAN DIEGO COUNTY

Fund Program	2000	2001	2002	2003	2004	2005	2006	2007	Change	
	fiscal year ending September (millions of dollars)								07/06	07/01
<b>Total Military/Defense Expenditures</b>	<b>\$8,230.5</b>	<b>\$8,444.8</b>	<b>\$10,774.6</b>	<b>\$11,387.7</b>	<b>\$12,582.4</b>	<b>\$13,839.9</b>	<b>\$13,543.7</b>	<b>\$14,749.0</b>	<b>8.9%</b>	<b>74.7%</b>
<b>Department of Defense</b>	<b>7,559.6</b>	<b>7,717.3</b>	<b>10,008.4</b>	<b>10,572.7</b>	<b>11,491.0</b>	<b>12,564.8</b>	<b>12,423.5</b>	<b>13,661.6</b>	<b>10.0%</b>	<b>77.0%</b>
Procurement Contracts	2,829.1	2,863.2	4,654.6	4,697.8	5,117.7	6,029.7	5,735.2	7,082.1	23.5%	147.4%
Salaries and Wages	3,664.8	3,765.4	4,264.2	4,819.5	5,067.0	5,346.7	5,536.5	5,528.7	-0.1%	46.8%
Retirement & Disability Payments	1,039.9	1,062.5	1,062.0	1,022.2	1,286.2	1,161.7	1,141.5	1,017.9	-10.8%	-4.2%
Grants (Block, Formula, Project, and Cooperative Agreements)	25.8	26.3	27.7	33.2	20.2	26.7	10.3	32.9	219.4%	25.3%
<b>Department of Veterans Affairs</b>	<b>670.8</b>	<b>727.5</b>	<b>766.2</b>	<b>815.0</b>	<b>1,091.3</b>	<b>1,275.1</b>	<b>1,120.3</b>	<b>1,087.4</b>	<b>-2.9%</b>	<b>49.5%</b>
Direct Payments for Individual Veterans	414.6	445.5	477.8	545.8	624.8	815.1	742.0	652.2	-12.1%	46.4%
Department Contracts, Wages, Grants	132.4	149.3	152.1	178.8	238.1	314.2	226.3	256.6	13.4%	71.9%
Guaranteed/Insured Loans	123.8	132.7	136.3	90.3	228.4	145.8	152.0	178.6	17.5%	34.6%

Source: U.S. Census Bureau, Consolidated Federal Funds Report; National University System Institute for Policy Research.

## San Diego Military Economic Impact

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additionally totaled nearly \$1.1 billion in 2007.<sup>3</sup>

### How San Diego compares to other areas

The County of San Diego leads the nation for military spending by the U.S. government. San Diego is first in total DoD spending, military payrolls, and retirement and disability payments. The County is also fourth in spending for both DoD procurement contracts and the VA.

In respect to military spending by Metropolitan Statistical Areas (MSA), the San Diego-Carlsbad-San Marcos, CA MSA's \$14.7 billion (the same as the County) ranks behind the 7 county Virginia Beach-Norfolk-Newport News, VA-NC MSA's \$15.7 billion, as well as

Rank	Area, State	TOTAL Military Related Spending	Total DoD Expenditures/Obligations	Procurement Contracts	Salaries and Wages	Retirement/Disability Payments	Grants *	Total Veterans Affairs
	United States	\$537,677.9	\$430,466	\$294,025.5	\$96,038.7	\$36,542.8	\$3,858.7	\$107,212.3
1	California	55,072.1	47,433	33,383.6	10,215.6	3,398.1	435.6	7,639.2
1	<b>SAN DIEGO COUNTY, CA</b>	<b>\$14,749.0</b>	<b>\$13,662</b>	<b>\$7,082.1</b>	<b>\$5,528.7</b>	<b>\$1,017.9</b>	<b>\$32.9</b>	<b>\$1,087.4</b>
2	Los Angeles County, CA	13,836.1	12,360	11,631.8	425.0	235.2	67.6	1,476.5
3	Tarrant County, TX	11,238.4	10,738	10,344.8	134.4	251.4	7.0	500.7
4	Bexar County, TX	7,954.8	6,480	3,198.7	2,416.4	855.1	9.5	1,475.1
5	St Louis City, MO	7,766.4	7,534	7,388.7	111.8	29.4	4.5	232.0
6	Middlesex County, MA	6,909.6	6,489	6,041.1	327.0	69.0	51.7	420.8
7	Washington DC	6,598.1	5,636	4,085.4	1,450.1	57.9	42.6	962.1
8	Maricopa County, AZ	6,561.7	5,080	4,068.8	441.4	472.1	97.4	1,482.0
9	Norfolk City Area, VA	6,157.8	5,994	2,645.9	2,806.1	117.2	425.0	163.4
10	Honolulu City and County, HI	5,503.9	5,205	1,905.7	2,955.3	283.4	60.0	299.4
11	Santa Clara County, CA	5,405.8	4,956	4,715.9	111.7	87.3	41.4	449.5
12	El Paso County, CO	5,359.2	4,595	2,445.5	1,609.8	537.1	2.7	764.1
13	Pima County, AZ	5,339.3	4,691	3,947.9	471.1	263.0	9.3	647.9
14	Cumberland County, NC	4,698.1	4,084	1,002.6	2,811.5	270.3	0.0	613.7
15	Hartford County, CN	4,506.7	4,364	4,211.7	100.3	37.3	14.4	143.0
16	Bell County, TX	4,229.3	3,616	606.6	2,807.9	201.5	0.0	613.2
17	Dallas County, TX	3,836.2	2,821	2,468.3	207.5	131.2	13.5	1,015.7
18	Orange County, CA	3,507.0	3,271	2,872.6	174.7	188.4	34.8	236.4
19	Pierce County, WA	3,493.6	2,826	710.1	1,764.4	313.4	38.0	667.6
20	Harris County, TX	3,353.4	2,371	2,011.0	146.2	174.0	39.5	982.8
21	Virginia Beach City Area, VA	3,233.6	2,686	1,029.9	1,169.6	486.0	0.2	547.8
22	Newport News City Area, VA	3,195.8	2,998	2,496.1	389.3	113.1	0.0	197.3

\*Block, Formula, Project, and Cooperative Agreements.

Source: U.S. Census Bureau, Consolidated Federal Funds Report; National University System Institute for Policy Research.

## “San Diego leads the nation in total military expenditures, payrolls, retirement and disability payments, and fourth for procurement contracts and Veterans Affairs spending.

the two-county Los Angeles-Long Beach-Santa Ana MSA's \$15.6 billion. The consolidated five-county Los Angeles MSA (also including Riverside, San Bernardino, and Ventura counties), however, may lay claim for most total spending as a consolidated metro area at \$19.9 billion.

No other county has as diversified military spending as San

Diego, which ranks prominently in both DoD contract spending, military salaries and base expenditures.

### Military personnel, employment and income

The presence of 14 major installations and dozens of tenant commands in San Diego confers the County with the largest concentration of military activity

anywhere in the nation. Sixty-nine Navy ships call San Diego home – almost one-sixth of the entire U.S. Navy fleet and about one-third of the Pacific Fleet. Approximately 90,000 Navy personnel live in San Diego County. Close to 40,000 are married with total family member count of 129,000. Just over 35,000 Marine Corps personnel and 19,600 DoD civilian workers also call San Diego home.

Over the course of a year the number of military personnel actually residing in San Diego significantly varies. Depending upon deployments, training, and shifting assignments. Conversely, personnel may be in San Diego for training and exercises, but not actually assigned to a local base.

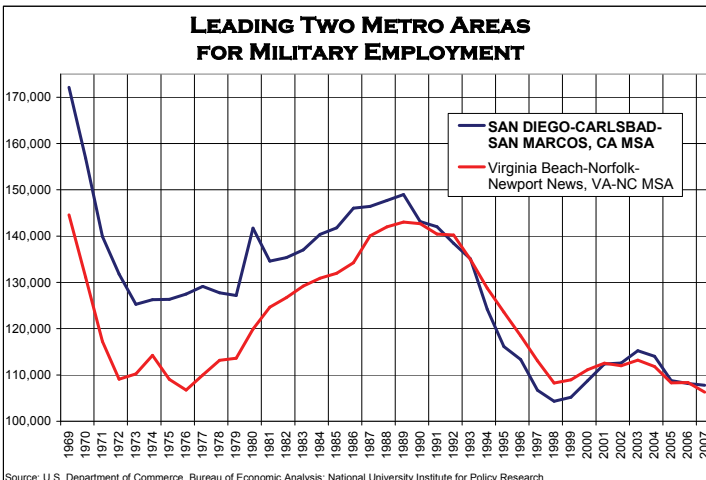
With those caveats in mind, according to the Bureau of Economic Analysis (BEA) there were 107,800 uniform personnel or jobs in San Diego were reported for 2007, representing 7.1 percent of all wage and salary jobs in the County.<sup>4</sup> San Diego used to be much more dependent upon the military. Military jobs numbered 172,100 in 1969, representing almost 30 percent of all wage and salary jobs in San Diego. Military numbers declined following the end of the Vietnam War, rebuilding some-

where through the Reagan Era, and ebbing again following the thawing of the Cold War and first Gulf war. San Diego's military personnel reached a historic low point of 104,302 in 1998, before rising again to 108,762 by 2005. As of 2007, 107,800 military personnel were located here in San Diego.

The Virginia Beach-Norfolk-Newport News, VA-NC metropolitan statistical area temporarily outnumbered San Diego for total military personnel from 1994 to 2001. San Diego subsequently regained and currently maintains the historical position of most military personnel anywhere in the nation by either county or metropolitan area ranking.

The BEA indicates compensation paid to military personnel in San Diego totaled \$8.98 billion in 2007. This is considerably higher than the CFFR report of DoD wage and salaries totaling \$5.53 billion in 2007. The major reason for the difference (in addition to the CFFR data reported on a fiscal year versus BEA data on a calendar year) is the CFFR data reflects military payrolls for personnel actually residing in San Diego, while the BEA data reflects military personnel based here irrespective

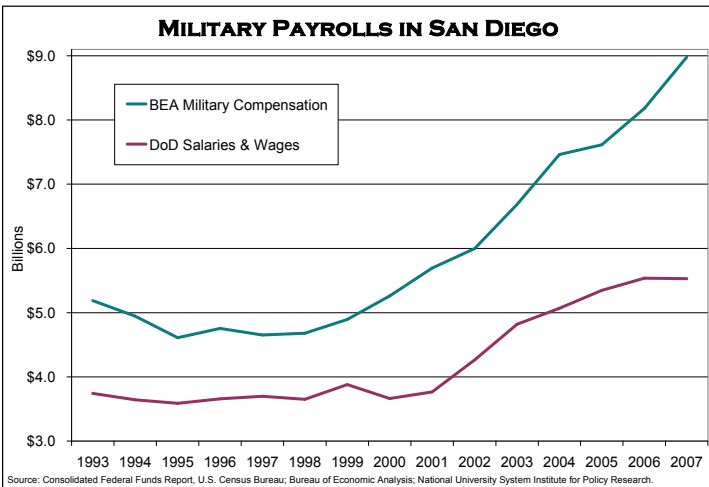
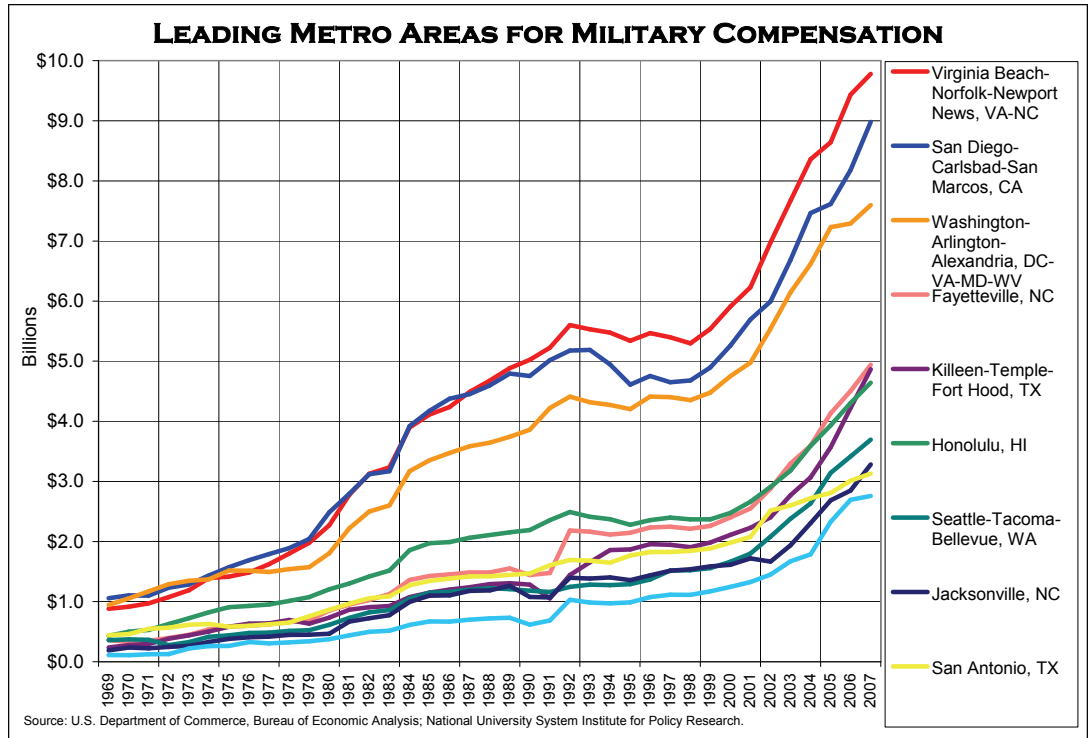
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of actually residing in the County at the time of the report.<sup>6</sup> The chart below illustrates the differences of CFFR and BEA reports for payrolls and shows the multi-billion dollar impact deployments can have on local military payrolls.

Federal government jobs of civilians employed by the DoD in San Diego number 19,600 in 2009, according to the California Employment Development Department (EDD). This number rose the past two years after declining to a low of 18,500 in early 2007. Before that year civilian DoD employment in San Diego steadily declined from 24,000 in 1990. Other federal government employment, which includes homeland security, such as the FBI and border patrol, also trended downward



prior to 2005, but has since recorded significant gains.

Despite San Diego's larger military numbers, and much higher cost of living, total compensation for military personnel in San

Diego is lower than in the Virginia metro area. San Diego's total military personnel compensation in 2007 was \$8.98 billion, compared with \$9.78 billion in the Virginia Beach-

Norfolk-Newport News MSA.<sup>7</sup> Part of the difference may reflect the relatively large number of Marine recruits in San Diego that begin military service on the low end of the pay scale.

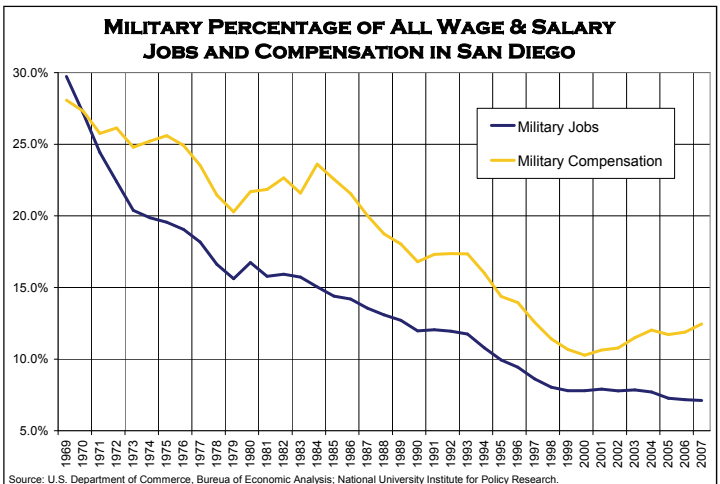
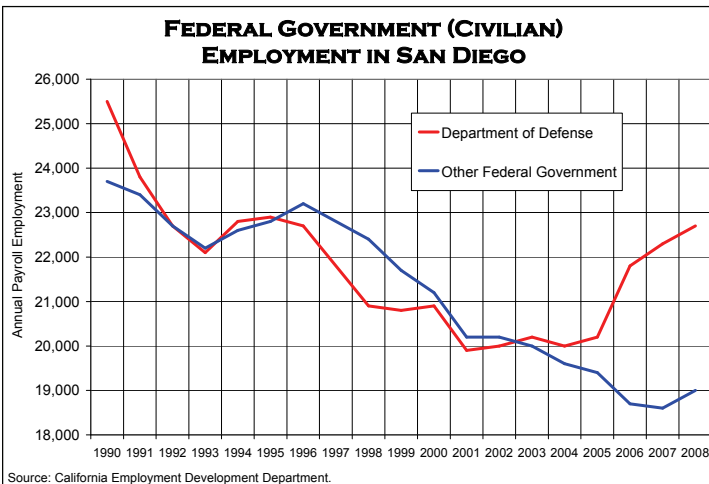
The military accounted for 29.7 percent of all San Diego wage and salary jobs in 1969, while military payrolls accounted for 28.1 percent of total wage and salary compensation. The military's dominance of employment and earnings in San Diego diminished considerably since that time. This is partly due to the downsizing of military personnel numbers. More importantly, it reflects the huge expansion of San Diego's civilian job numbers. While military employment declined 37.4 percent between 1969 and 2007, total

wage and salary employment expanded 161.5 percent.

Recent years have seen a reversal of this trend. Between 2001 and 2007 total military compensation rose 57.7 percent, while total wage and salary income in San Diego increased 37.4 percent.

This is an important indication of how the San Diego economy is currently benefiting economically from the strong presence of the military, especially in light of the economic struggles impacting the region in recent years. While San Diego's civilian employment numbers have decreased since 2007, military payrolls rose and bolster the weakened economy that would

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have suffered even greater setbacks without the military. As in past recessions, the military is proving to be an important force for preserving and sustaining San Diego's economic viability and employment base.

**Economic benefits for military veterans**

Retired military personnel and family survivors residing in San Diego County numbered 57,900 in 2007. More than \$1.0 billion in military retirement and disability payments benefits the region each year.

In total, some 267,000 veterans currently live in San Diego County, according to the VA department. Nearly \$1.1 billion is also spent each year locally from direct payments to individual veterans; spending, salaries and contracts to administer the VA; hospital, nursing care, and other grants; and guaranteed and insured home loan programs.

**Procurement contract spending**

While San Diego's military base operations, payrolls, grants and retirement and veteran benefits are extensive, these categories of expenditures represent less than one-half of annual local military based spending. Procurement contracts administered by the DoD and performed in San Diego by local businesses accounted for 52 percent of all DoD revenues received in the County during 2007. These contracts range from routine janitorial services to billion dollar shipbuilding contracts.

According to the Federal Procurement Data Center, the total value of DoD contracts performed in San Diego County grew significantly in 2007 and 2008 and continue to rise in 2009.<sup>8</sup>

DoD procurement contracts are aggregated by Congressional Districts according to the principle place of performance for the contract action. The data refers to the contractor's final manufacturing assembly point, processing plant, construction site, place where the service is performed, location of mines, or where the product is grown. Thus, a contract awarded to a defense contractor headquartered in Virginia but where the work is done in San Diego is classified as performed in San Diego districts.

The accompanying table summarizes the procurement contracts performed over the past three years among San Diego's five Congressional Districts.

Congressional District 53, en-

DEPARTMENT OF DEFENSE CONTRACTS PERFORMED AMONG SAN DIEGO CONGRESSIONAL DISTRICTS					
District	Year	Contracts	Obligations (millions)	Annual Change	Percent of Total
49	2006	5,279	\$215.5		2.7%
	2007	5,829	519.9	141%	5.7%
	2008	5,783	517.3	0%	4.6%
50	2006	12,692	\$4,889.2		61.8%
	2007	13,048	5,143.3	5%	56.3%
	2008	11,411	5,250.5	2%	47.1%
51	2006	3,242	\$148.1		1.9%
	2007	2,931	144.1	-3%	1.6%
	2008	2,863	120.7	-16%	1.1%
52	2006	3,853	\$1,077.9		13.6%
	2007	4,871	882.4	-18%	9.7%
	2008	4,825	835.5	-5%	7.5%
53	2006	8,737	\$1,582.9		20.0%
	2007	10,173	2,439.4	54%	26.7%
	2008	11,035	4,419.3	81%	39.7%
TOTAL County	2006	33,803	\$7,914		100.0%
	2007	36,852	9,129	15%	100.0%
	2008	35,917	11,143	22%	100.0%

Source: Federal Procurement Data System; National University System, Institute for Policy Research.

tracts performed in the region.

District 50, represented by Brian Bilbray includes the north county area where major defense contractors such as SAIC, BAE, General Atomics are located, is next with 20-25 percent of all contracts performed in the County.

The 49th district, represented by congressman Darrel Issa encompassing the northern end of San Diego County and parts of southwestern Riverside County, is 3rd with 11 percent, while east county's District 52 represented by congressman Duncan D. Hunter, accounts for 5-6 percent. District 51 covering National City, Chula Vista, southern border areas and Imperial County represented by Bob Filner, makes up the balance.

compassing the central part of San Diego, Coronado, Imperial Beach and Lemon Grove and represented by congresswoman Susan Davis, accounts for more than one-half of all DoD con-

tracts performed in the region.

DEPARTMENT OF DEFENSE CONTRACTS PERFORMED IN SAN DIEGO*					
NAICS Industry	2006	2007	2008	Annual Change	
	(\$millions)			07/06	08/07
<b>TOTAL CONTRACTS</b>	<b>\$7,913.7</b>	<b>\$9,129.1</b>	<b>\$11,143.2</b>	<b>15.4%</b>	<b>22.1%</b>
<b>11-21 Agriculture, Mining</b>	<b>5.7</b>	<b>34.9</b>	<b>2.3</b>	<b>517%</b>	<b>-93.5%</b>
<b>22 Utilities</b>	<b>5.3</b>	<b>6.4</b>	<b>2.4</b>	<b>20.4%</b>	<b>-61.8%</b>
<b>23 Construction</b>	<b>524.4</b>	<b>941.8</b>	<b>1,379.5</b>	<b>79.6%</b>	<b>46.5%</b>
<b>31-33 Manufacturing</b>	<b>2,416.8</b>	<b>3,150.9</b>	<b>4,354.0</b>	<b>30.4%</b>	<b>38.2%</b>
334 Computer, electronic products	549.6	1,331.9	1,011.0	142.3%	-24.1%
336 Transportation equipment	1,617.6	1,581.5	3,097.8	-2.2%	95.9%
3364 Aircraft, guided missiles	1,275.0	681.0	949.4	-46.6%	39.4%
3366 Ship and boat building, repairing	329.2	895.4	2,139.5	172.0%	138.9%
<b>42 Wholesale trade</b>	<b>101.0</b>	<b>116.2</b>	<b>80.2</b>	<b>15.0%</b>	<b>-31.0%</b>
<b>44-45 Retail trade</b>	<b>73.7</b>	<b>78.5</b>	<b>89.6</b>	<b>6.5%</b>	<b>14.0%</b>
<b>48-49 Transportation, warehousing</b>	<b>39.7</b>	<b>33.0</b>	<b>54.4</b>	<b>-16.9%</b>	<b>64.8%</b>
<b>51 Information services</b>	<b>406.1</b>	<b>489.3</b>	<b>413.1</b>	<b>20.5%</b>	<b>-15.6%</b>
<b>53 Real estate, rental, leasing</b>	<b>11.6</b>	<b>9.8</b>	<b>16.0</b>	<b>-15.7%</b>	<b>64.2%</b>
<b>54 Professional, scientific, technical</b>	<b>3,904.4</b>	<b>3,952.6</b>	<b>4,376.4</b>	<b>1.2%</b>	<b>10.7%</b>
5411-4 Legal, accounting, architecture	1,029.9	1,117.1	1,410.7	8.5%	26.3%
54133 Engineering services	1,027.1	1,109.6	1,407.9	8.0%	26.9%
5415 Computer programming, design, data processing & other related	574.7	3,151.2	3,341.1	448%	6.0%
5416 Consulting services (management, environmental, scientific, technical)	745.4	957.7	480.7	28.5%	-49.8%
5417 Research and development	1,199.2	1,178.5	1,422.7	-1.7%	20.7%
5418-9 Other professional services	355.2	173.7	288.0	-51.1%	65.8%
<b>56 Administrative and support</b>	<b>147.3</b>	<b>141.7</b>	<b>164.2</b>	<b>-3.8%</b>	<b>15.8%</b>
<b>57 Waste management and remediation</b>	<b>155.2</b>	<b>66.3</b>	<b>85.1</b>	<b>-57.2%</b>	<b>28.3%</b>
<b>61 Education and training services</b>	<b>25.5</b>	<b>19.1</b>	<b>27.5</b>	<b>-25.0%</b>	<b>43.9%</b>
<b>62 Health care</b>	<b>16.7</b>	<b>17.6</b>	<b>23.0</b>	<b>5.2%</b>	<b>31.2%</b>
<b>71-72 Accommodation, food services</b>	<b>4.0</b>	<b>10.7</b>	<b>17.4</b>	<b>169.1%</b>	<b>63.5%</b>
<b>81 Other services</b>	<b>63.8</b>	<b>56.5</b>	<b>36.7</b>	<b>-11.3%</b>	<b>-35.1%</b>
<b>92-9 Public administration</b>	<b>12.7</b>	<b>3.7</b>	<b>21.5</b>	<b>-70.5%</b>	<b>474.3%</b>

\*Among geographical areas covered by San Diego Congressional Districts: 49, 50, 51, 52, 53.  
Source: Federal Procurement Data Center, U.S. General Services Administration; National University System Institute for Policy Research.

DoD contract actions in San Diego continue to increase in 2009. According to FPDS data reported as of June 30, 2009, more than \$2.8 billion of DoD procurement contract actions were performed so far. Since FPDS data is subject to a 90-day delay this likely represents only one quarter's worth of spending.

Professional, scientific and technical services now dominate San Diego's defense industries, supplanting aerospace and shipbuilding, which led the local defense industry for much of the past century, and reflecting the overall shift of Pentagon spending priorities. The Defense Department is

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focusing more on high tech equipment and weaponry that can be used to fight insurgents in places such as Afghanistan, and spending less on ships, fighter jets and other large weapon systems designed for more conventional wars. "Technical services" in San Diego with military applications are led by computer programming, engineering, and other scientific research and development.

The procurement data shows just how important the establish-

ment locally has risen steadily and is anticipated to continue rising over the next few years. More than \$2.8 billion was already spent over the past three years on local military base operations and purposes, including housing, buildings, infrastructure and maintenance and repairs.

LARGEST DOD CONTRACTORS IN SAN DIEGO		
Rank	Company	2008 (millions)
1	Science Applications International Corporation	\$2,973.8
2	National Steel & Shipbuilding Company	1,857.9
3	General Atomics	1,018.2
4	Northrop Grumman	589.8
5	L-3 Communications - Titan Corporation	352.6
6	BAE Systems	295.4
7	Harper Construction Company, Inc.	237.5
8	Solpac Incorporated	223.6
9	Viasat Incorporated	153.1
10	Straub Construction Incorporated	121.1
11	RQ Construction Incorporated	101.9
12	Douglas E Barnhart Incorporated	97.9
13	Cubic Incorporated	90.2

Source: Federal Procurement Data System; National University System Institute for Policy Research.

private companies directly dependent upon defense contracting work, there are 296,400 jobs among San Diego's employed labor force directly tied to the DoD. Including induced and indirect employment resulting from this spending, there are another 178,500 jobs that can be traced to military and defense related spending.

### **"SAIC, NASSCO and General Atomics defense contracts account for 7.0 percent of San Diego's total economy."**

ment of the Space and Naval Warfare (SPAWAR) System in San Diego has been for the local economy. The SPAWAR Systems Center Pacific (SSC Pacific) is the U.S. Navy's research, development, test and evaluation, engineering and fleet support center. SPAWAR's mission, referred to as C4ISR—Command, Control, Communications, Computers, Intelligence, Surveillance, Reconnaissance—is to provide essential information technology resources for U.S. military operations in an "increasingly complex and hostile modern warfare environment." SSC Pacific is responsible for "development of the technology to collect, transmit, process, display and, most critically, manage information essential for successful military operations."

SPAWAR employs 3,400 civilian and military personnel in San Diego, with the majority of workers engineers, scientists and technicians developing the technologies to meet the Navy's information requirements of the future and support for keeping current information systems running.

Spending on military construction projects

The hundreds of millions of dollars spent by the DoD on supplies, equipment, and services benefit thousands of local employers enhancing revenues, income, and benefits throughout the region. San Diego's largest defense contractor, Science Applications International Corporation (SIAC), performed nearly \$3.0 billion of defense contracts in San Diego during 2008 alone. National Steel and Shipbuilding Company (NASSCO), owned by General Dynamics, recorded more than \$1.8 billion of shipbuilding and repair work, while General Atomics had \$1.0 billion

the past year. Just these three companies together accounted for nearly 7.0 percent of San Diego's total economy.

Additional companies with more than \$100 million of defense contracts performed in San Diego in 2008 include Northrop Grumman, L-3 Communications (including Titan divisions), BAE Systems, Viasat, Staub Construction, RQ Construction, Douglas Barnhart and Cubic corporations.

Not surprisingly, the U.S. Navy, which includes the U.S. Marine Corps, accounts for most DoD contracts in San Diego. The Army and Air Force spend considerable amounts in San Diego as well. A variety of other DoD agencies account for the rest.

#### **Multiplier impacts**

Based upon BEA's Rims II multipliers for San Diego, the \$14.7 billion in direct spending from military and defense based expenditures accounted for nearly \$22.3 billion total economic impact to the region in 2007. This was 13.6 percent of San Diego's overall economic activity during the year. More than \$1 of every \$7 generated within the region is traceable to the military.

In respect to employment, 107,800 active duty military personnel, 18,600 civilian DoD government workers, and an estimated 170,000 jobs among

The grand total of 474,900 military connected or dependent jobs represents 24.7 percent of the total 1,924,830 full and part-time jobs in San Diego County.

Two out of every five San Diegans have direct connections to the military, through current employment, veteran services, or a family member economically connected to the military. **While the San Diego economy has diversified, the military remains a vital and significant driver of the regional economy, employment, and way of life.**

<sup>1</sup>San Diego's gross metropolitan product is measured on a calendar basis, therefore comparison with fiscal years ending in September are approximate.

<sup>2</sup>To put this in context, San Diego's Gross Metropolitan Product in 2007 was estimated to be \$163.7 billion.

<sup>3</sup>DoD and Veteran Affairs spending are reported by the Census Bureau's *Consolidated Federal Funds Report* (CFFR). As a general rule, grants and procurement statistics represent obligated funds (some portion of which may not yet have been expended), while direct payments and salaries and wages represent actual expenditures or outlays during the given year. Additional reports for military and DoD spending are reported by the Bureau of Economic Analysis (BEA) and Federal Procurement Data Center (FPDC), which provide other details of San Diego's military and defense related spending.

<sup>4</sup>The estimates for active duty employment are based upon annual averages for 12 monthly observations in a given year from reports received from each branch of service including the Army, Air Force,

### **DOD CONTRACTING AGENCY SPENDING IN SAN DIEGO**

Rank	Contracting Agency	Contracts (Millions)
1	Department of the Navy	\$5,634.6
2	Department of the Army	2,509.9
3	Department of the Air Force	1,982.5
4	Defense Information Systems Agency (DISA)	510.5
5	Defense Logistics Agency	194.8
6	Defense Threat Reduction Agency (DTRA)	130.6
7	Defense Advanced Research Projects Agency (DARPA)	85.0
8	Defense Commissary Agency (DECA)	46.1
9	U.S. Special Operations Command (USSOCOM)	21.5
10	Missile Defense Agency (MDA)	13.4
	All others DoD agencies*	14.2

\*Includes Washington Headquarters Services, Defense Contract Management Agency, Defense Finance and Accounting Service, DoD Education Activity, Ustranscom, Defense Media Center, Uniformed Services University of the Health Sciences, Defense Microelectronics Activity, Defense Security Cooperation Agency

Source: Federal Procurement Data System; National University System Institute for Policy Research.

(continued on page 6)

## PRESIDENT'S CORNER

(Continued from page 1)

buy the most from local services. Furthermore, by placing military spending in context, we provide a fuller understanding of how the military fits into the overall regional economy as well as the extent to which increased military spending has helped offset some of the negative effects of the recession.

(Continued from page 5)

Navy, Marine Corps, and Coast Guard.

<sup>5</sup>The BEA employment data is a count of jobs by place-of-work measuring both full-time and part-time jobs by equal weight (no adjustment is made for full-time equivalent jobs).

<sup>6</sup>"Navy personnel assigned to ships and other mobile units and Marines assigned to Fleet Marine Force units are measured according to the units' home ports rather than their actual locations as of the reporting date." U.S. Department of Commerce, Bureau of Economic Analysis, "Local Area Personal Income and Employment Methodology" IX-7, April 2009.

<sup>7</sup>Estimates for wages and salaries of military services consist of cash wages (including allowances) for full-time personnel among the armed services (including the Coast Guard). Cash wage estimates for members of the Reserves, including the National Guard, and estimates of pay-in-kind received by the full-time and reserve enlisted personnel of the armed services are included among the military payroll numbers. Military reserve employment—including the National Guard—are confined to members of reserve units that meet regularly for training.

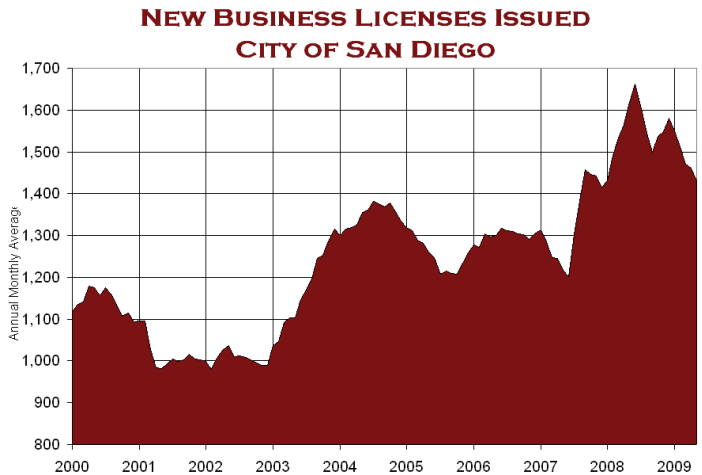
<sup>8</sup>The Federal Procurement Data Sys-

# Dashboard Observations—May 2009

By Kelly Cunningham,

The San Diego unemployment rate continued rising reaching another 25-year high in May 2009. The 9.3 percent rate of unemployment was the highest since March 1983. San Diego's rate was lower than the 11.3 percent rate posted for all of California, which was fifth highest among all 50 states. The overall U.S. rate was somewhat lower than San Diego at 9.1 percent.

The actual number of unemployed San Diegans was the highest ever recorded. The California Employment Development Department indicated more than 150,000 San Diegans were ac-



tively seeking but unable to secure employment.

Other Dashboard economic indicators continued to flounder. The number of new residential building units authorized for construction across the County was down 52 percent from the previous month (seasonally adjusted) and remained 73 percent lower than one year ago. New business licenses also show significant drops for May, down 7.9 percent from April, and 22 percent over the past year.

The stock index of San Diego based companies had the only positive indicator for May with a 2.4 percent gain from the previous month, but remained 26.5 percent down from May 2008.

Indicator	May 2009	Month Change (Sea. Adj.)	Annual Change
<b>Unemployment Rate<sup>1</sup></b> San Diego County	9.6%	0.6% ▲	4.2% ▲
<b>Residential Building<sup>2</sup></b> Units authorized for construction San Diego County	205	-51.9% ▼	-72.6% ▼
<b>New Business Licenses<sup>3</sup></b> Issued by City of San Diego	1,350	-7.9% ▼	-21.8% ▼
<b>San Diego Stock Index<sup>4</sup></b> San Diego based pub. companies 2nd Thursday of month	93.4	2.4% ▲	-26.5% ▼

<sup>1</sup>California Employment Development Department.  
<sup>2</sup>U.S. Bureau of the Census.  
<sup>3</sup>Business Tax Program, City of San Diego.  
<sup>4</sup>Second Thursday of month, Bloomberg News, San Diego Daily Transcript.

tem - Next Generation (FPDS-NG) is a dynamic, real-time database. Updates to data, including new actions, modifications, and corrections are made on a regular basis. Such updates can

result in changes to the FPDS-NG data used to compile information reports on actions for current and/or prior fiscal years. Accordingly, the report for contract actions needs to

be viewed with this in mind. It should also be noted that availability of DoD data entered into FPDS-NG is subject to a 90-day delay.



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