DEFENSE SPENDING BY STATE

FISCAL YEAR 2014
PART 1 OF 2

U.S. Department of Defense
Office of Economic Adjustment
EXECUTIVE SUMMARY

Defense spending saw strong growth over the first decade of the 21st century. From fiscal year (FY) 2000 to 2010, national defense spending increased 68% in real dollars. Federal government spending on national defense has been in decline since FY 2011, however, as U.S. forces have been drawn down in both Iraq and Afghanistan and the Budget Control Act of 2011 forced significant cuts in defense spending. From FY 2011 to 2019, real defense spending is expected to decline 28% according to the Budget of the United States Government, Fiscal Year 2015. Sequestration went into effect in March 2013 and required across-the-board cuts to defense and non-defense programs from FY 2013 to 2021. Over this period, defense spending will be reduced by a total of $454 billion.

The impact of defense spending cuts has been, and will continue to be uneven across states as it depends in part on the number of defense personnel and amount of defense contract revenue in each state and region. Some states that benefited from the Department of Defense’s (DoD) budget expansion are now grappling with budget issues caused by cuts to military personnel and defense contract spending. The extent of the impact of reduced defense expenditures on states that have been the recipients of relatively little defense spending will be minimal; certain regions within these states, however, may face relatively large impacts. This report highlights factors, such as the reliance of regions on military bases or private contractors, which can be used to evaluate each state’s potential exposure to projected declines in defense spending.

The Defense Spending by State Fiscal Year 2014 report examines U.S. defense spending in FY 2014 at the state and local levels for the 50 states and Washington, D.C. The personnel and payroll data were provided by the DoD’s Defense Manpower Data Center. The contract spending data are from Chmura’s proprietary FedSpendTOP data which are derived from USASpending.gov data. FedSpendTOP data provide a more accurate picture of federal spending based on the time and place of performance when compared with published federal awards data. In addition, state gross domestic product (GDP) data used in this report are from Chmura Economics & Analytics and the Bureau of Economic Analysis while population estimates are from the U.S. Census Bureau.

In FY 2014, the DoD spent $418 billion on payroll and contracts in the United States or approximately 2.4% of U.S. GDP. On a per capita basis, this represents spending of $1,312 per U.S. resident. Mandatory cuts to defense spending occurred in FY 2013. From FY 2012 to 2013, DoD contract spending in the United States declined from $320.0 billion to $302.2 billion; in FY 2014 it further decreased to $282.7 billion.

1 The U.S. federal government’s fiscal year begins on October 1 of the previous calendar year and ends on September 30. For example, FY 2001 began October 1, 2000 and ended September 30, 2001.
3 Payroll figures do not include pension payments. In the Defense Spending by State Fiscal Year 2013 report, payroll figures included active duty pay for all uniformed services (Air Force, Army, Navy/Marines, Coast Guard, NOAA, and Public Health Service). This report includes only active duty pay for Air Force, Army, and Navy/Marines.
4 Due to federal guidelines, the USASpending.gov database does not contain information on every subcontractor. In addition, a June 2014 Government Accountability Office (GAO) study found underreporting and data inconsistencies in the USASpending.gov database, but these issues were more prevalent with grants or loans than contract awards.
5 In addition to adjusting for the length of the contract, FedSpendTOP data are adjusted for associated subcontractors’ place of performance. That is, regional spending is based on place of performance (note: subcontract performance may not be in the same region where the prime contract is performed). FedSpendTOP data include purchases by non-DoD agencies which end up in DoD products. The data set has also been corrected for errors identified during the quality control process. Based on research, manual adjustments were made to Virginia DoD contract revenue in FY 2012-2014, and manual adjustments were made to Connecticut, Rhode Island, and Maine DoD contract revenue in FY 2013 and 2014. Chmura’s data adjustments and quality assurance processes improve the quality of the data, but Chmura does not guarantee that there are no errors in its FedSpendTOP data set.
6 FY 2014 state gross domestic product data were estimated by Chmura Economics & Analytics (with the exception of the 4th quarter of 2013 which is from the Bureau of Economic Analysis) and used to calculate spending as a percent of state GDP.
7 July 2014 population estimates were used to calculate per resident spending.
8 Grant spending, which represents less than 2% of total DoD spending, is not included in this report.
9 In nominal dollars (i.e., not adjusted for inflation). DoD contract spending in the United States in FY 2012 and 2013 differs slightly from what was reported in the Defense Spending by State FY 2013 report due to revisions and updates to past contract data in the USASpending.gov database. Awards can be modified for numerous reasons including the cancellation of a project, price revisions, or corrections of estimates previously recorded as obligations.
Table 1 shows the ten states with the largest defense spending as a share of GDP. Virginia tops the list with 11.8% of its GDP in FY 2014 reliant on military spending. The $54.7 billion of defense spending in Virginia included $38.0 billion in contract spending and $16.6 billion in defense payrolls. Several large defense contractors, including Huntington Ingalls and General Dynamics, are headquartered in Virginia, which is also home to large military installations including Naval Air Station Norfolk, Joint Base Langley-Eustis, and Fort Lee.

Hawaii had the second-largest military spending as a percent of its GDP in FY 2014. At $7.6 billion, defense spending in Hawaii accounted for 9.9% of Hawaii's GDP. About 77% of the $7.6 billion went to defense personnel payrolls.

In FY 2014, Alabama had the third-highest military spending as a share of its GDP at 5.9%. About three-fifths (61%) of this spending was in Madison County, Alabama. Rounding out the top 10 states with the highest defense spending as a share of state GDP were the District of Columbia, Alaska, Maryland, Mississippi, Kentucky, Maine, and Arizona.

### Table 1: Highest Defense Spending as a % 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>11.8%</td>
</tr>
<tr>
<td>2</td>
<td>Hawaii</td>
<td>9.9%</td>
</tr>
<tr>
<td>3</td>
<td>Alabama</td>
<td>5.9%</td>
</tr>
<tr>
<td>4</td>
<td>District of Columbia</td>
<td>5.8%</td>
</tr>
<tr>
<td>5</td>
<td>Alaska</td>
<td>5.7%</td>
</tr>
<tr>
<td>6</td>
<td>Maryland</td>
<td>5.7%</td>
</tr>
<tr>
<td>7</td>
<td>Mississippi</td>
<td>5.1%</td>
</tr>
<tr>
<td>8</td>
<td>Kentucky</td>
<td>4.9%</td>
</tr>
<tr>
<td>9</td>
<td>Maine</td>
<td>4.4%</td>
</tr>
<tr>
<td>10</td>
<td>Arizona</td>
<td>4.0%</td>
</tr>
</tbody>
</table>

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

At 0.5%, Oregon had the smallest military spending as a percent of its GDP in FY 2014 (see Table 2). The $1.2 billion of defense spending represented 0.3% of total U.S. defense spending. West Virginia had the second-lowest defense spending as a share of its GDP at 0.7% followed by New York—also at 0.7%. Other states with very low defense spending as a percent of GDP include Illinois (0.8%), Tennessee (0.8%), Iowa (0.8%), Michigan (0.8%), Wyoming (0.9%), Vermont (1.0%), and Idaho (1.0%).

### Table 2: Lowest Defense Spending as a % 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>Oregon</td>
<td>0.5%</td>
</tr>
<tr>
<td>2</td>
<td>West Virginia</td>
<td>0.7%</td>
</tr>
<tr>
<td>3</td>
<td>New York</td>
<td>0.7%</td>
</tr>
<tr>
<td>4</td>
<td>Illinois</td>
<td>0.8%</td>
</tr>
<tr>
<td>5</td>
<td>Tennessee</td>
<td>0.8%</td>
</tr>
<tr>
<td>6</td>
<td>Iowa</td>
<td>0.8%</td>
</tr>
<tr>
<td>7</td>
<td>Michigan</td>
<td>0.8%</td>
</tr>
<tr>
<td>8</td>
<td>Wyoming</td>
<td>0.9%</td>
</tr>
<tr>
<td>9</td>
<td>Vermont</td>
<td>1.0%</td>
</tr>
<tr>
<td>10</td>
<td>Idaho</td>
<td>1.0%</td>
</tr>
</tbody>
</table>

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

Average DoD spending by state was approximately $8.2 billion in FY 2014. As seen in Table 3, DoD spending was highest in Virginia, followed by California, Texas, Maryland, and Florida. The 10 states with the highest DoD spending accounted for almost three-fifths of total DoD spending in the nation.

### Table 3: Top States by Total 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>$54.7</td>
</tr>
<tr>
<td>2</td>
<td>California</td>
<td>$52.5</td>
</tr>
<tr>
<td>3</td>
<td>Texas</td>
<td>$39.6</td>
</tr>
<tr>
<td>4</td>
<td>Maryland</td>
<td>$19.6</td>
</tr>
<tr>
<td>5</td>
<td>Florida</td>
<td>$17.9</td>
</tr>
<tr>
<td>6</td>
<td>Pennsylvania</td>
<td>$14.2</td>
</tr>
<tr>
<td>7</td>
<td>Washington</td>
<td>$12.7</td>
</tr>
<tr>
<td>8</td>
<td>Georgia</td>
<td>$12.2</td>
</tr>
<tr>
<td>9</td>
<td>Massachusetts</td>
<td>$12.1</td>
</tr>
<tr>
<td>10</td>
<td>Alabama</td>
<td>$11.5</td>
</tr>
</tbody>
</table>

Total for Top 10 States: $246.9
Total for United States: $418.4

Sources: Defense Manpower Data Center and Chmura Economics & Analytics. Numbers do not sum to total due to rounding.
UNITED STATES

$418.4 BILLION spent in U.S.  2.4% of U.S. GDP  $1,312 per resident

Ranking by Total Defense Spending in the State

Top Five
- Virginia $54.7 B
- California $52.5 B
- Texas $39.6 B
- Maryland $19.6 B
- Florida $17.9 B

Bottom Five (M=millions B=billions)
- Vermont $289.6 M
- Wyoming $398.3 M
- Montana $513.5 M
- West Virginia $539.8 M
- Idaho $630.6 M

Ranking by Defense Spending as a Share of State GDP

Top Five
- Virginia 11.8%
- Hawaii 9.9%
- Alabama 5.9%
- District of Columbia 5.8%
- Alaska 5.7%

Bottom Five
- Oregon 0.5%
- West Virginia 0.7%
- New York 0.7%
- Illinois 0.8%
- Tennessee 0.8%

TOP DEFENSE SPENDING LOCATIONS (PERSONNEL AND CONTRACTS)

Top 10 Defense Spending Locations (Personnel and Contracts) (B=billions)
- Fairfax County, Virginia $19.1 B
- San Diego County, California $15.1 B
- Tarrant County, Texas $13.8 B
- Los Angeles County, California $8.0 B
- Santa Clara County, California $7.4 B
- Madison County, Alabama $7.0 B
- Honolulu County, Hawaii $6.7 B
- Bexar County, Texas $6.6 B
- District of Columbia $6.5 B
- Newport News City, Virginia $6.2 B

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

Contracts

Ranking by Type of Contract

% of Contract Spending by Service

Army: 26%
Navy/Marines: 31%
Air Force: 19%
Other defense: 23%
Fiscal Year 2014

Top Contractors

(Billions)

Lockheed Martin $30.6 B
Boeing $20.9 B
Raytheon $13.0 B
Huntington Ingalls $11.7 B
General Dynamics $11.4 B
United Technologies $6.1 B
L-3 Communications $5.9 B
BAE Systems $5.1 B
SAIC $4.2 B
Bechtel $4.2 B

Value of Contract Awards Performed (Billions)

2007 2008 2009 2010 2011 2012 2013 2014

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