

*Virginia House of Delegates  
House Appropriations Committee Annual Retreat*

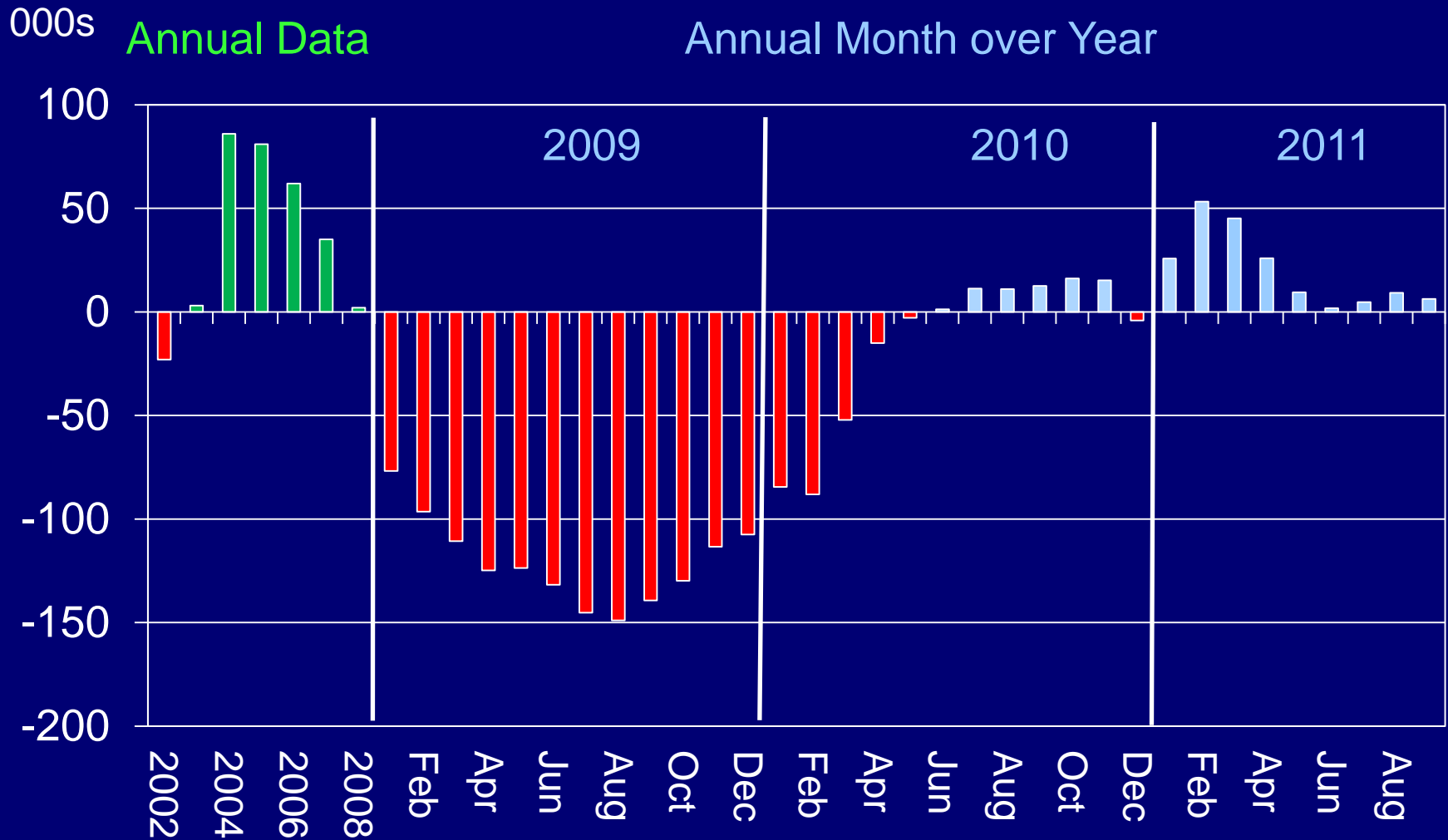
# ***The Impact of Potential Federal Spending Reductions on the Commonwealth of Virginia Economy***

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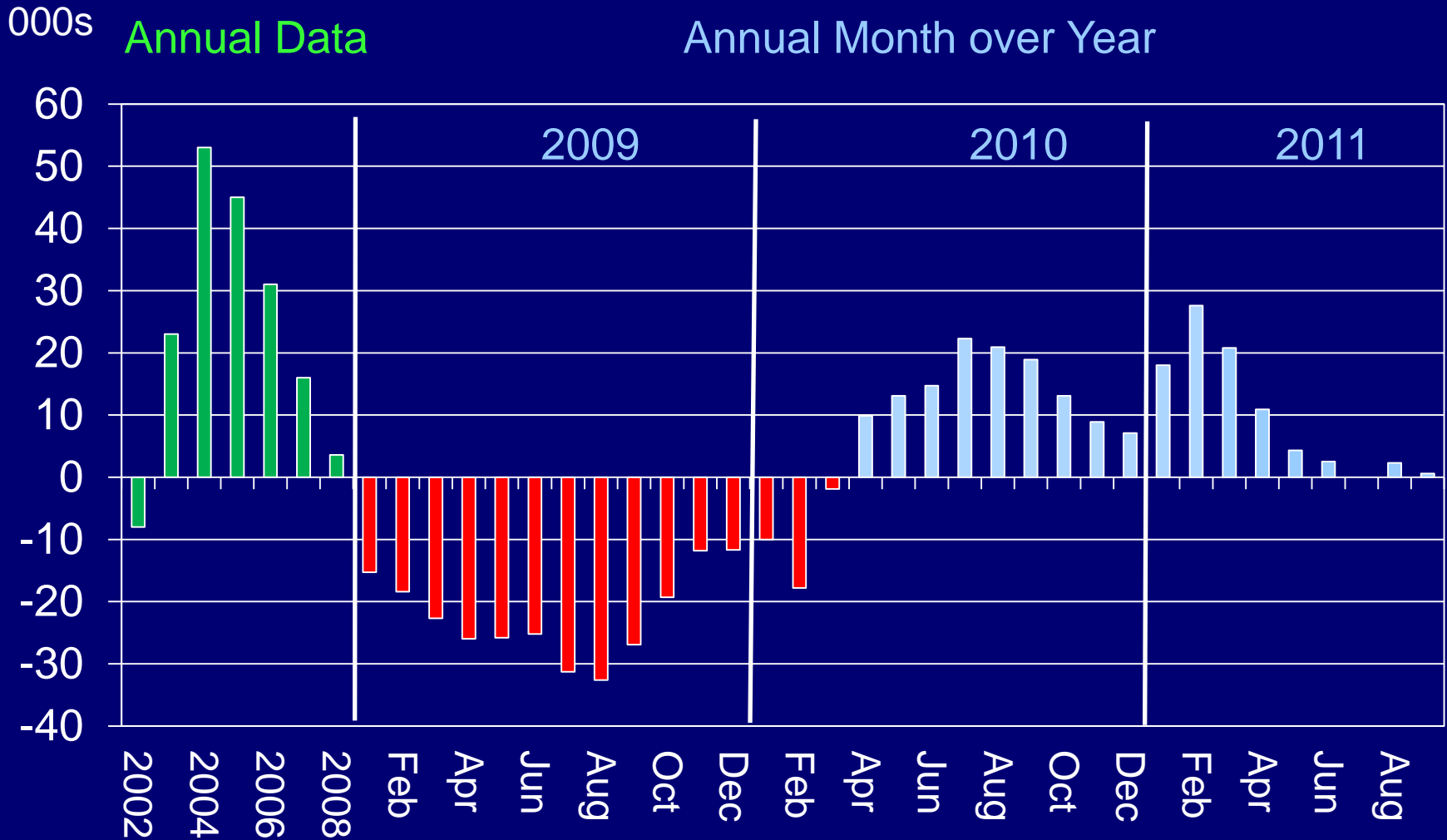
November 15, 2011

# Economic Trends In The Commonwealth of Virginia and Northern Virginia

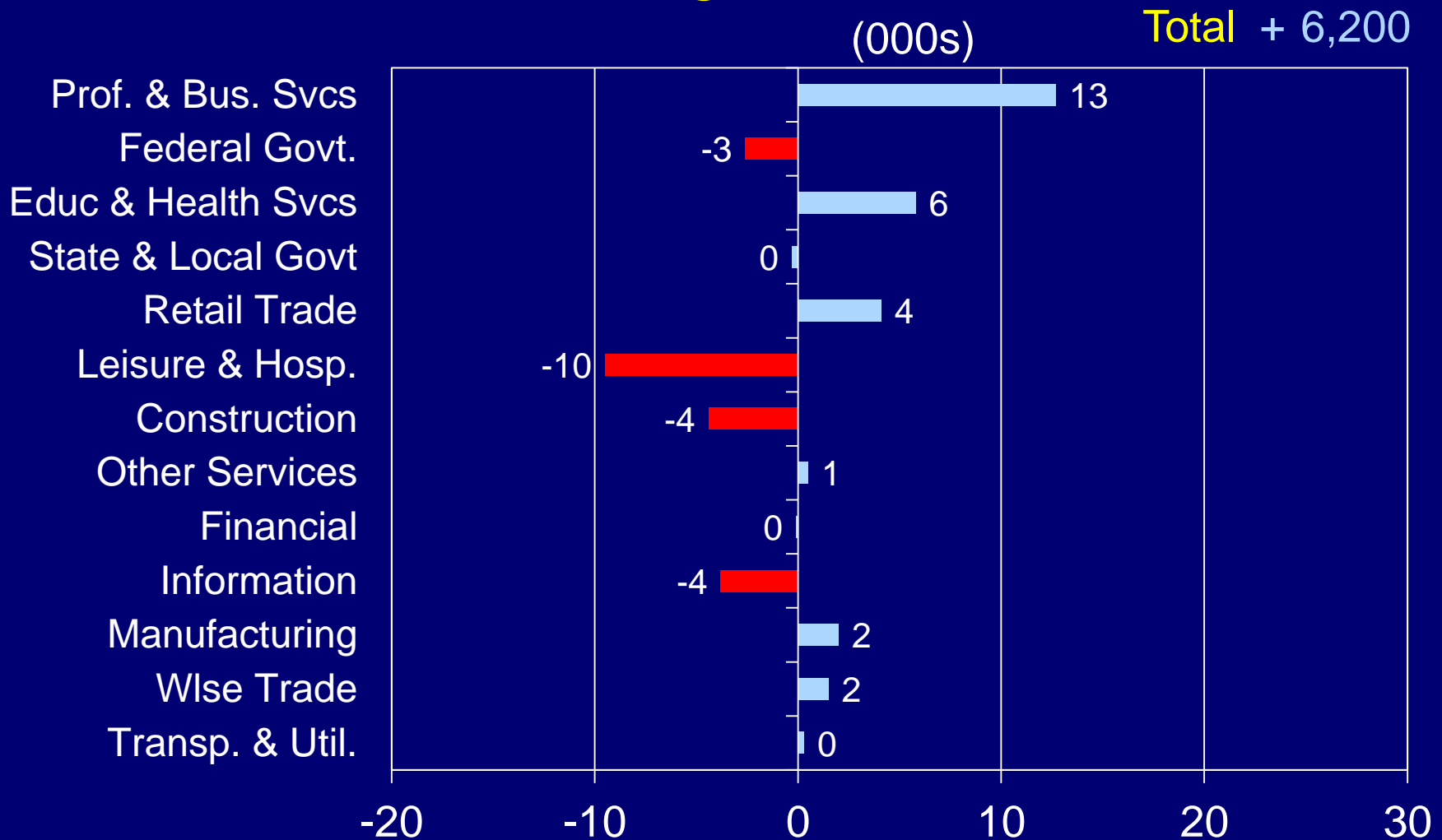
# Annual Job Change Virginia



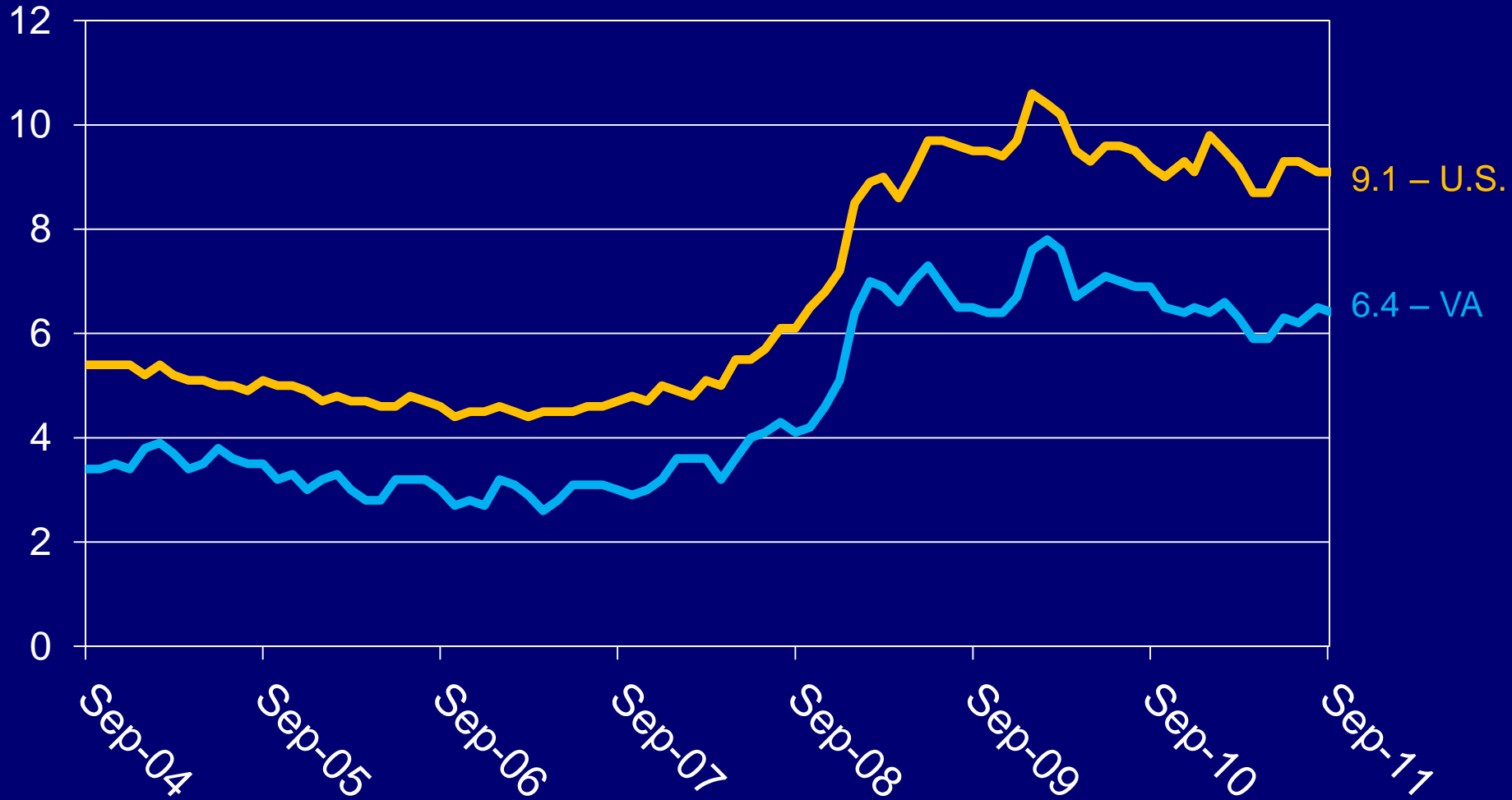
# Annual Job Change Northern Virginia



# Job Change by Sector Sept 2010 – Sept 2011 Virginia

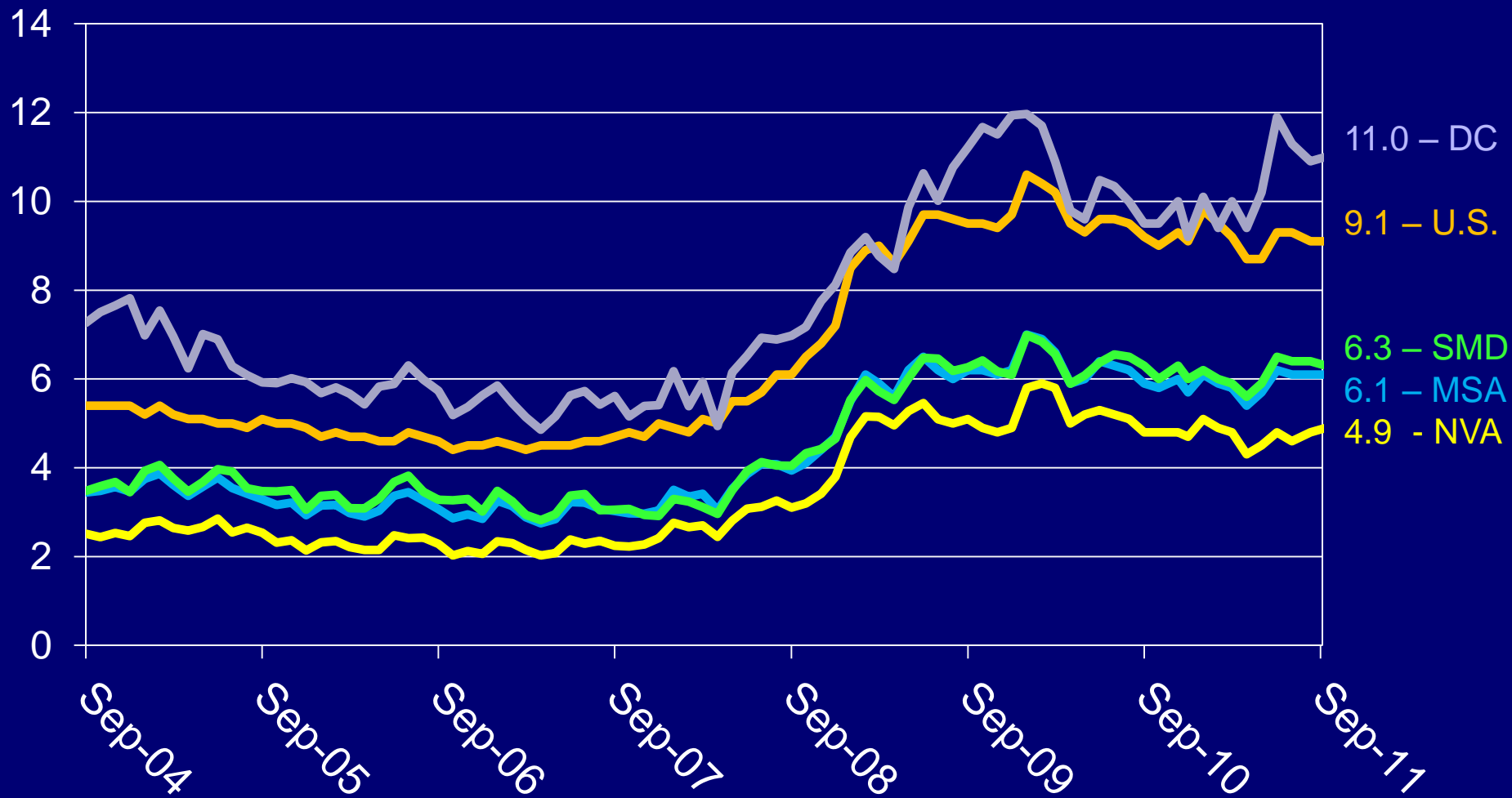


# Unemployment Rate



Source: BLS, Not Seasonally Adjusted

# Unemployment Rate



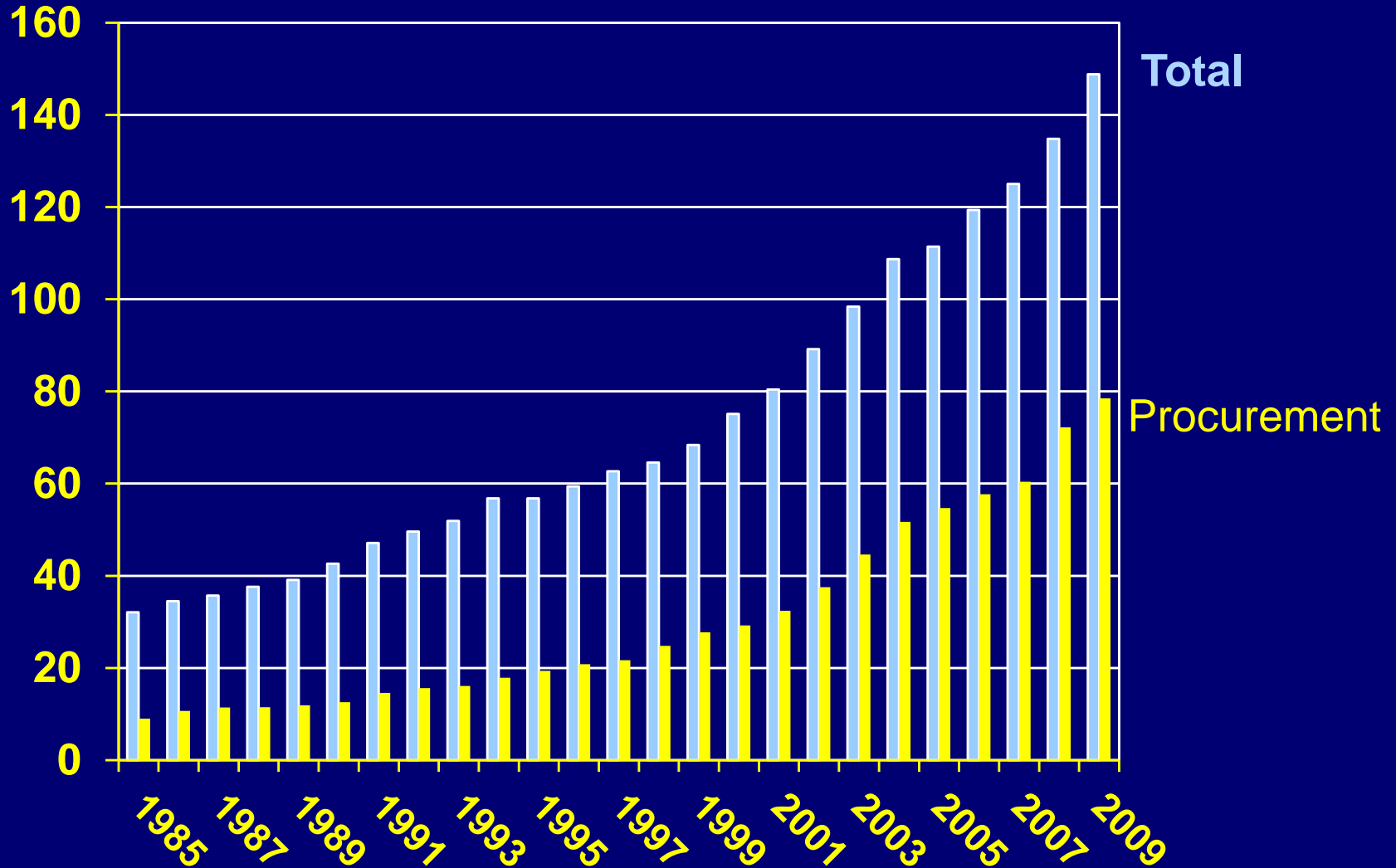
Source: BLS, Not Seasonally Adjusted

# The Impact of the Federal Spending on the Northern Virginia Economy

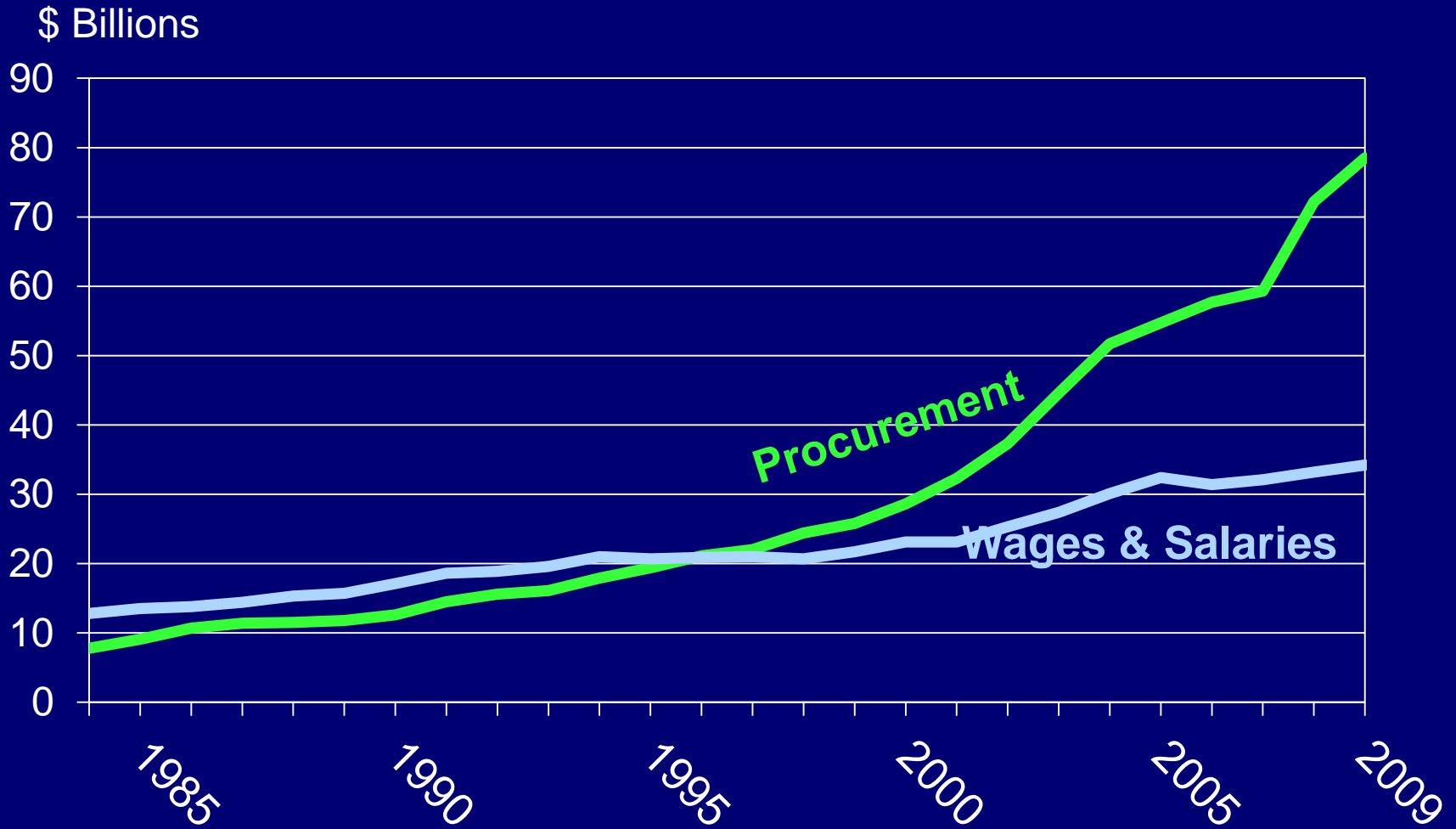


# Total Federal Spending Washington Metro Area, 1984-2009

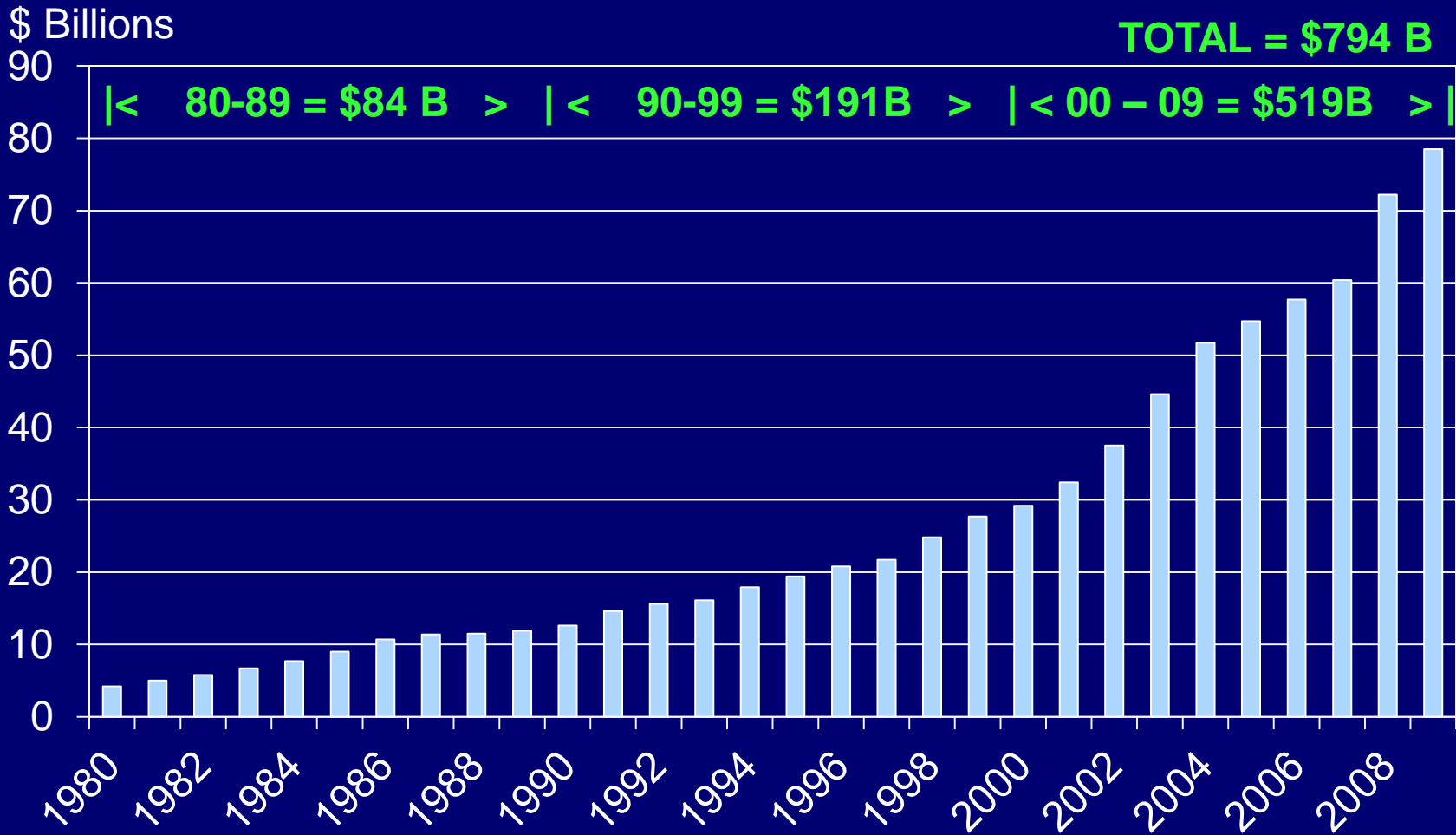
Billions Current \$



# Federal Spending By Type 1984 - 2009



# Federal Procurement Washington Metro Area, 1980 - 2009

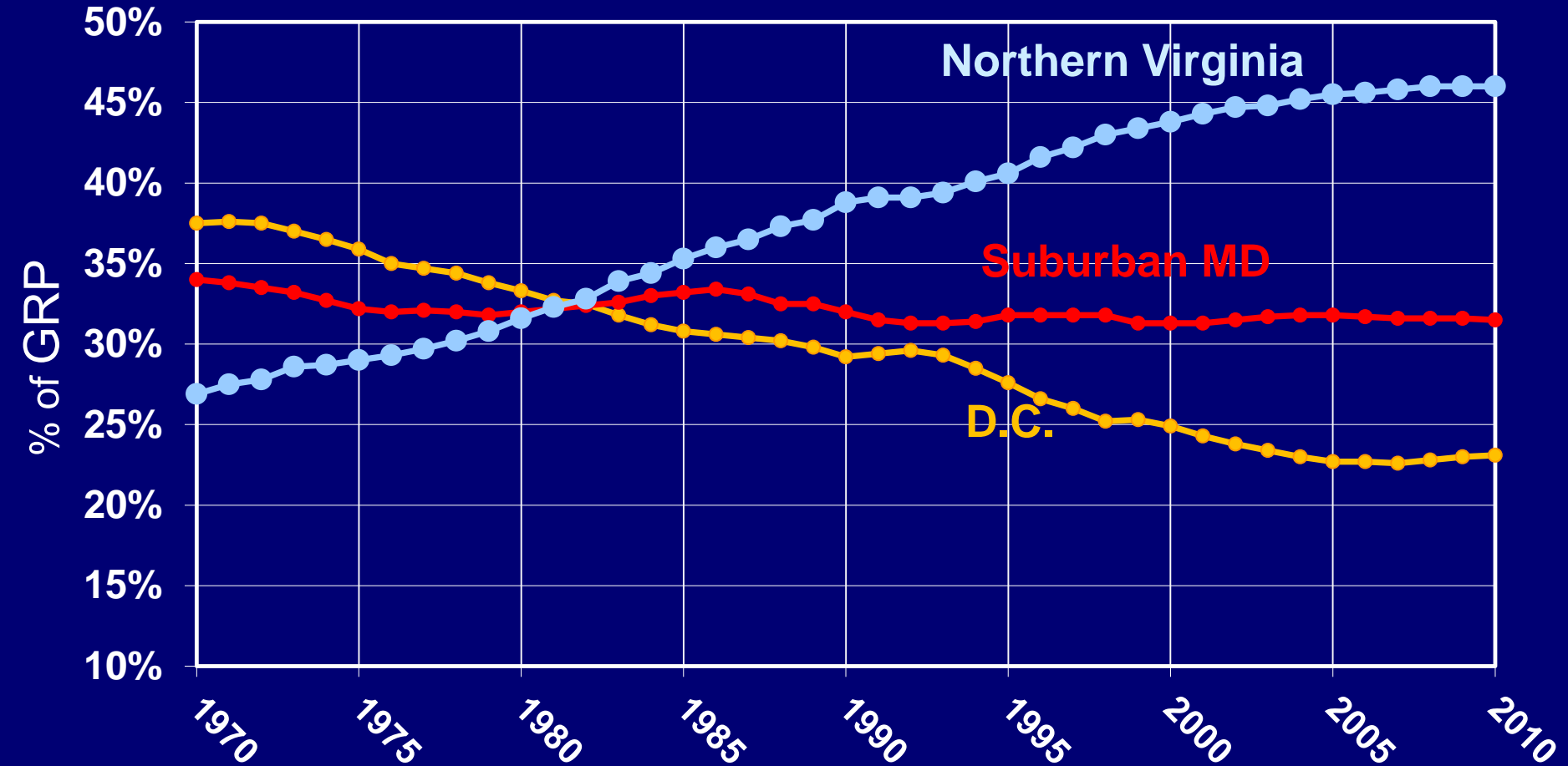


# Comparative Economic Performance

## Montgomery & Fairfax Counties: 1990-2010

<u>Characteristics</u>	<u>MC</u>	<u>% Up</u>	<u>FX</u>	<u>% Up</u>
Economic Growth*	87.3%		132.5%	
Job Growth	15.4%		57.5%	
Unemployment 1990	2.5%		2.0%	
Unemployment 2010	5.6%		4.9%	
Federal Spending, 1990	\$5.8b		\$5.6b	
Payroll, 1990	\$1.9b		\$1.0b	
Procurement, 1990	\$2.0b		\$3.1b	
Federal Spending, 2010	\$20.7b	257.9	\$33.5b	498.2
Payroll, 2010	\$5.1b	168.4	\$3.3b	230.0
Procurement, 2010	\$9.2b	360.0	\$25.1b	710.0

# Share of Washington Area Economy 1970-2010



# The Economic Impact of Federal Spending on the Commonwealth of Virginia

# The Commonwealth of Virginia Economy and Federal Spending

(in billions of current year dollars)

<u>Characteristics</u>	<u>2000</u>	<u>2010</u>	<u>% Change</u>
Gross State Product	\$265.1	\$423.5	59.8
Total Federal Spending	\$62.7	\$136.1	107.0
Salaries and Wages	\$12.5	\$21.1	69.2
Procurement	\$21.3	\$58.3	173.6
Total DOD Outlays	\$24.5	\$58.1	136.9
Salaries and Wages	\$8.3	\$13.6	65.0
Procurement	\$13.5	\$40.4	198.3

# Federal Procurement Virginia, 2000-2010

\$ Billions

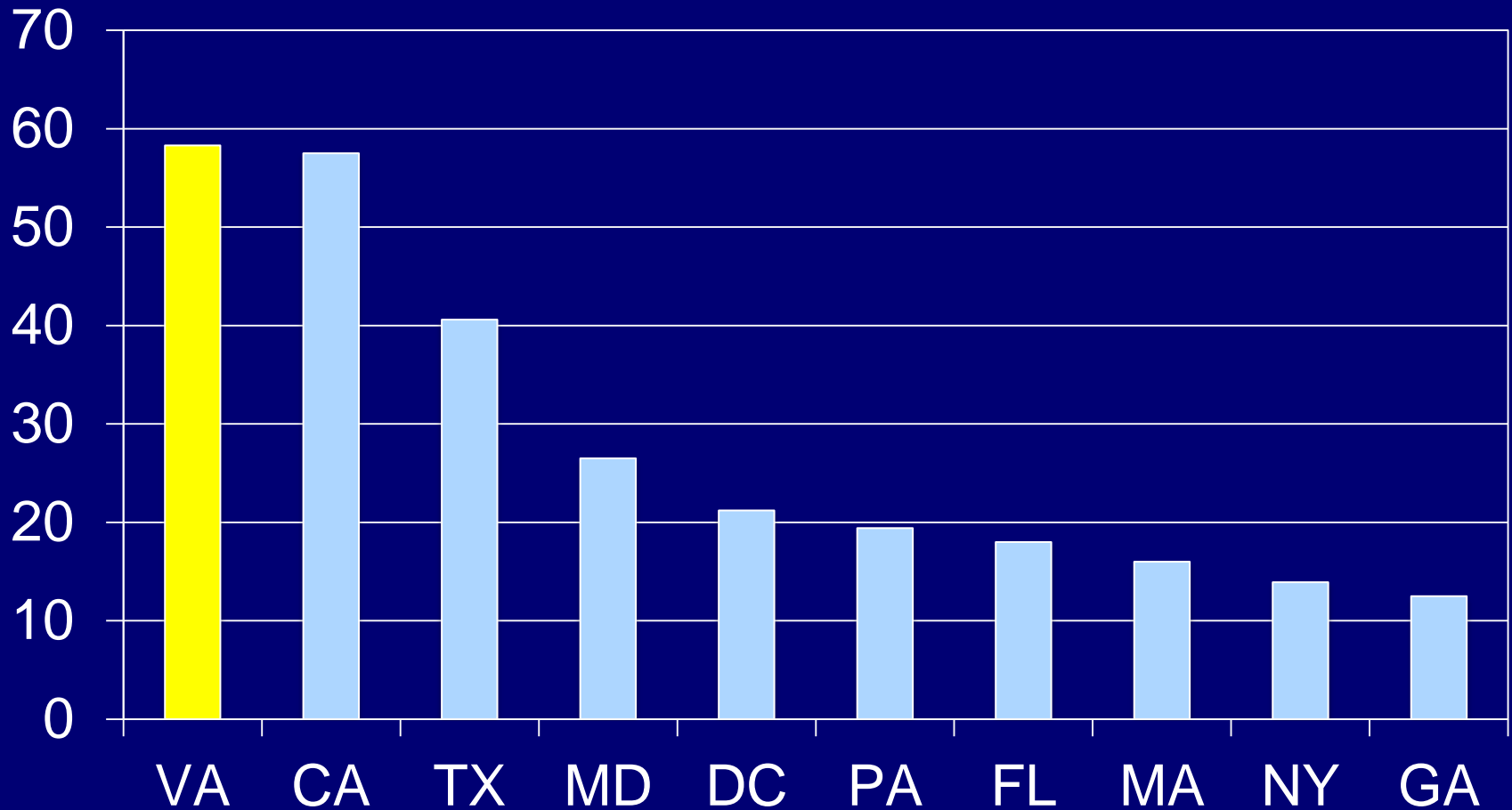


Source: Census: Consolidated Federal Funds Reports, GMU Center for Regional Analysis



# 2010 Federal Procurement Top 10 States

\$ Billions



Source: Census: Consolidated Federal Funds Reports, GMU Center for Regional Analysis

# Federal Wages & Salaries Virginia, 2000-2010

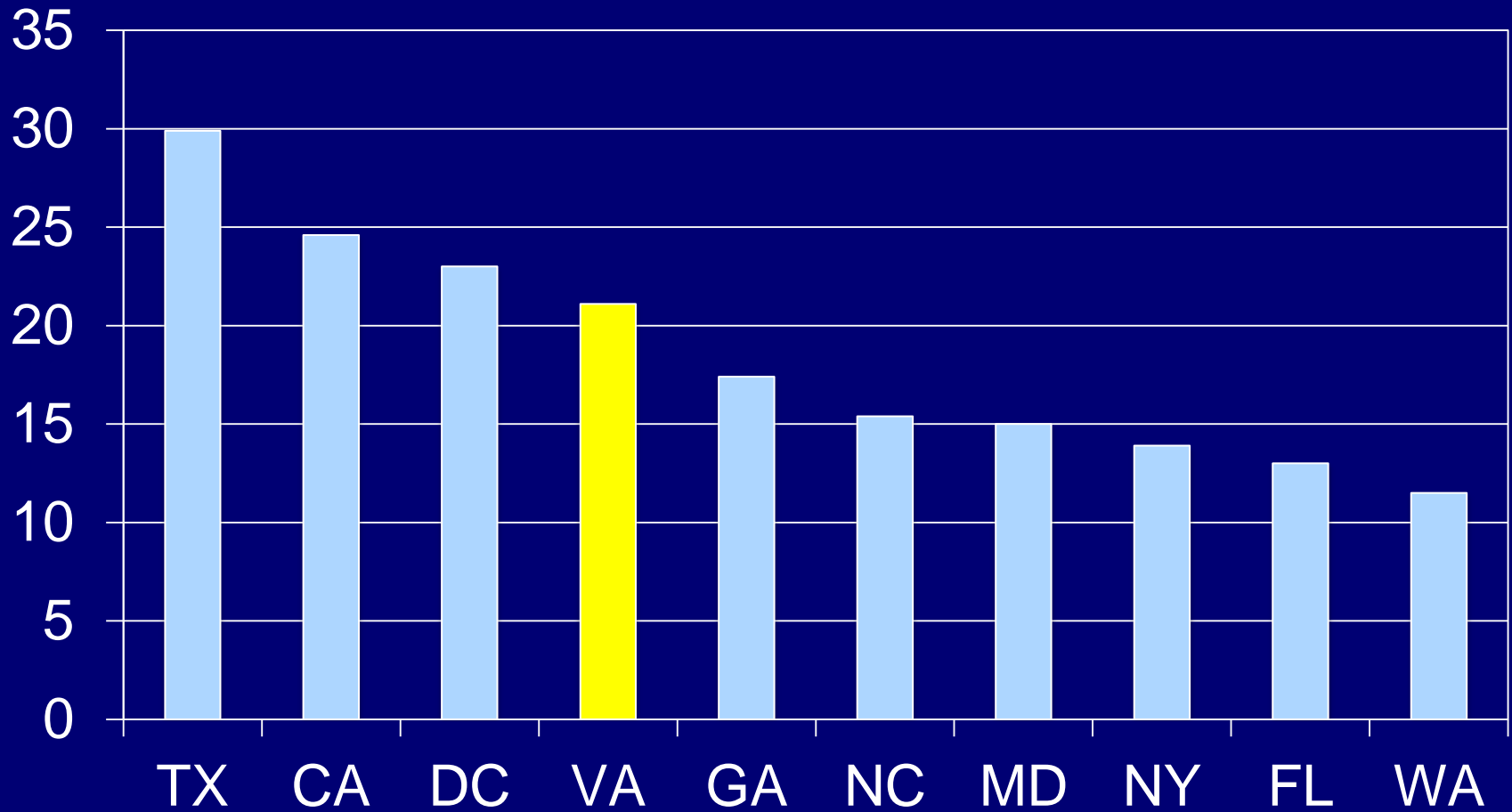
\$ Billions



Source: Census: Consolidated Federal Funds Reports, GMU Center for Regional Analysis

# 2010 Federal Wages & Salaries Top 10 States

\$ Billions



Source: Census: Consolidated Federal Funds Reports, GMU Center for Regional Analysis

# The Commonwealth of Virginia Federal Spending

<u>Comparative Metrics</u>	<u>2000</u>	<u>2010</u>
% of US population	2.6	2.6
% of total federal spending	3.8	4.2
state ranking, total \$s	2	2
per capita federal spending	\$8,859	\$17,008
state ranking, pc \$s	5	2
per capita DOD spending	\$3,476	\$7,263
% of total DOD spending	10.3	10.4
state ranking, DOD \$s	2	1

\*rankings exclude the District of Columbia

# The Economic Impact of DOD Spending and Possible Cutbacks on the Commonwealth of Virginia

# DOD Spending in the Commonwealth of Virginia, FY 2008

(in billions of 2008 dollars)

<u>Source</u>	<u>Value of Outlay</u>	<u>Percent of Total</u>
Payroll	\$15.0	27.6
Active Duty	4.5	8.3
Civilian Personnel	6.5	11.9
Reserve and Guard	0.3	0.6
Retired Military	3.7	6.8
Contracting	\$39.4	72.2
Supplies & Equipment	11.4	21.2
Services and R&D	26.2	48.1
Construction	1.6	2.9
Grants	\$0.1	0.2
Totals	\$54.5	100.0

# The Importance of DOD Spending in the Commonwealth of Virginia, 2008

(in billions of 2008 \$s)

<u>Source</u>	<u>GSP*</u>	<u>Personal Earnings</u>	<u>Jobs</u>
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
% of State	15.6	17.4	18.9
	<u>Revenues</u>	<u>Expenditures</u>	<u>Net Benefit</u>
Fiscal Impacts**	\$1,689.38	\$593.34	\$1,096.04

\*gross state product

\*\*in millions of dollars

# The Impact of Potential DOD Spending Reductions, FY 2013

\$1 trillion in DOD budget reductions over 10 years would result in a \$45.01 billion reduction in the acquisition of aerospace and military equipment annually beginning in FY 2013 (assuming that spending for military personnel is not reduced). This \$45.01 billion in reduced spending would have the following economic impacts. It would:

- Reduce GDP growth in 2013 by \$86.5 billion or 25% of projected growth raising the unemployment rate of 0.6 percentage points; and,
- Reduce the workforce by 1.006 million jobs across all sectors with 352,750 of these lost jobs coming from the aerospace and military equipment producers and their direct and indirect suppliers and 653,570 or 65% of these job losses coming from other businesses due to the loss of \$59.4 billion in salaries and wages.



# The Impact of Potential DOD Spending Reductions on The Commonwealth of Virginia

If these DOD spending reductions were experienced in proportion to 2010 procurement levels, they would:

- reduce Virginia's total employment base by 122,800 jobs;
- result in the loss of \$7.3 billion in wages and salaries; and,
- reduce Gross State Product by \$10.5 billion or 2.2% and approximately 50% of the economy's projected 2013 growth.

# The Impact of Potential DOD Spending Reductions on The Northern Virginia and Hampton Rhodes MSAs

(in billions of 2013 \$s)

If these DOD spending reductions were experienced in proportion to 2010 procurement levels, they would significantly impact two of the State's major metropolitan areas as follows:

<u>Metro Area</u>	<u>Job Losses</u>	<u>Wage Losses</u>	<u>Lost GRP</u>	<u>% State</u>
NoVA	92,691	\$5.467	\$7.957	75.5
Hampton	20,785	\$1.224	\$1.781	16.9
Totals	113,476	\$6.691	\$9.738	92.4