

Executive Summary

Introduction

The United States Navy and the United States Marine Corps have been prominent members of the San Diego region for over 100 years. In San Diego, they have found a unique location that provides a deepwater port, access to essential training ranges, support from the local community, and access to a highly skilled workforce. As a result, the San Diego region is now home to the largest concentration of military in the world and plays a critical role in the defense of the Nation. In return, the military has catalyzed a steady and growing infusion of federal spending that has become an important part of the San Diego regional economy. The relationship between the military and the San Diego area has proven to be mutually beneficial and will continue to evolve and grow in the future.

In 2007, the San Diego Military Advisory Council (SDMAC) believed it was necessary to accurately document the economic impact that the military has on the San Diego community. To achieve this goal, SDMAC retained the services of Export Access, a global market research group based at the School of International Relations and Pacific Studies (IR/PS) at the University of California, San Diego to document the economic impact the military provides to the San Diego region. The end product of this effort was the initial SDMAC *San Diego Military Economic Impact Study* published in August 2008.

As a result of the interest shown in the 2008 study, the current SDMAC Board of Directors has again engaged Export Access not only to produce this updated version of the study, but also to provide annual updates for the foreseeable future. Since it takes the various bureaus and agencies a minimum of two years to collate and release the statistical data necessary to create economic impact reports, the “hard” data in this study is based on information from fiscal year 2008 (October 1, 2007 – September 30, 2008). Since the publication of the 2008 report, Export Access and the staffs of Navy Region Southwest and Marine Corps Installations West have learned many lessons from previous reports and continue to refine their processes.

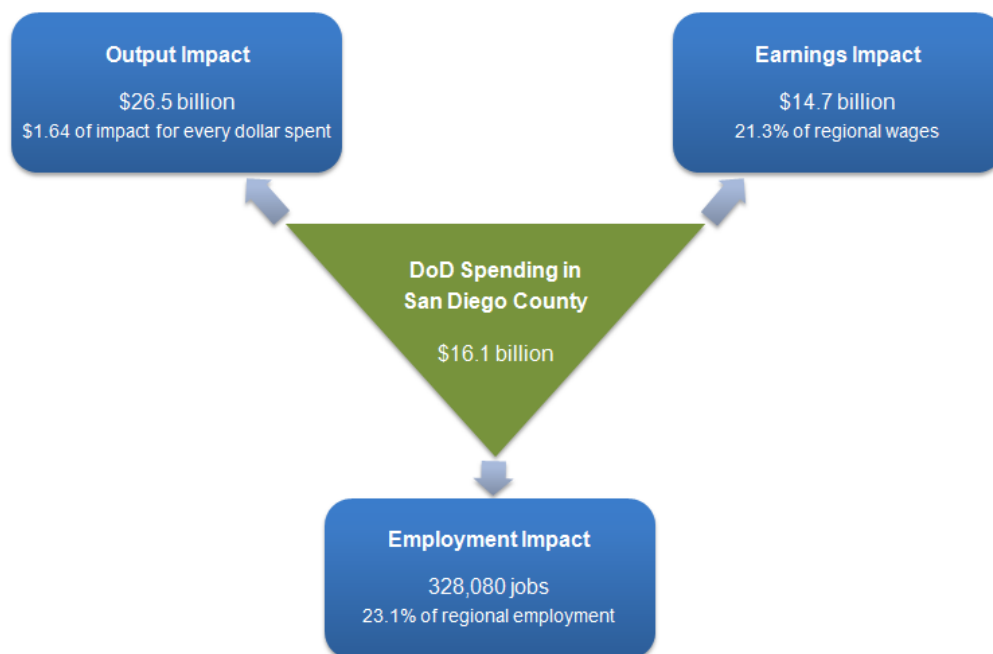
The report is divided into three sections: Section I analyzes the available quantitative data; Section II provides an overview of the socioeconomic influence that the presence of defense installations, defense contractors, and military personnel have on a wide spectrum of day-to-day activities in the San Diego region; and Section III provides information on the major Navy and the Marine Corps installations in the San Diego region.

Economic Impact of Defense Spending in San Diego County, FY2008

The military has been a vital catalyst for San Diego economic growth and development by providing high-quality middle-class and upper-middle-class jobs, contracting with local companies, and investing in cutting-edge research. Given the context of the 2008-2009 global recession, this commitment has been particularly beneficial to the local economy.

This report summarizes relevant local economic data and then estimates the overall economic impact of the circulation of federal dollars in the regional economy in the course of normal operations. With the assistance of the Commander Navy Region Southwest, Marine Corps Installation West, Marine Corps Recruit Depot San Diego, and Naval Medical Center San Diego, as well as other regional military commands, Export Access collected the relevant local economic data, which includes employment numbers, salaries, military procurement, purchases made with government purchase cards, and retiree benefits that took place in the fiscal year of 2008.

To estimate the indirect economic impact of the military's presence in San Diego, this report uses the RIMS II economic multiplier program developed by the U.S. Bureau of Economic Analysis. This methodology is a widely respected tool that assigns specific multipliers to specific categories of spending, in order to calculate estimates of total economic impact. The resulting calculations are estimates, but they provide a reliable measure of the indirect economic impact of the military in the San Diego region.



Sources: CNRSW, CFFR, DMDC, DJMS, DFAS, NAVSUP, STARS-FL, VAD, California Employment Development Department, US Census Bureau RIMS II and Export Access

Figure 1. Economic Impact of Defense Spending in San Diego County, FY2008

Department of Defense (DoD) spending in the region directly accounted for \$16.1 billion worth of economic activity and directly employed more than 136,729 people, with approximately \$5.7 billion in personal income.

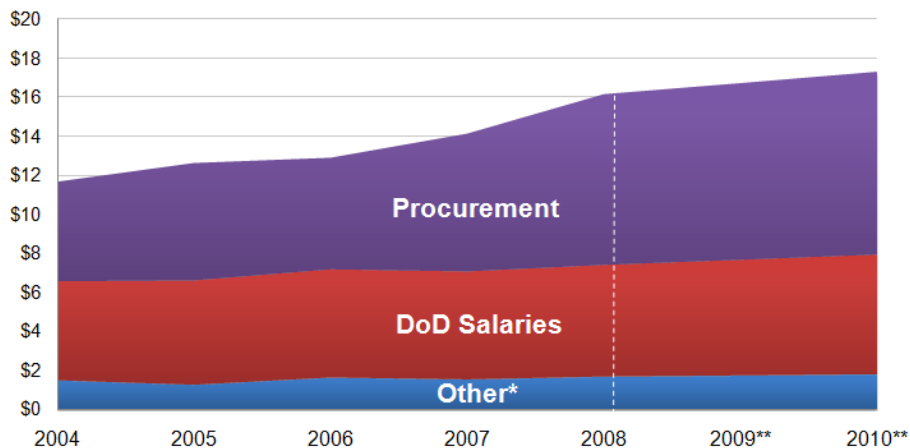
Based on the RIMS II economic multiplier program, we calculate that this direct spending catalyzed \$26.5 billion in economic activity and sustained more than 328,080 jobs with aggregate income exceeding \$14.7 billion.

To put these numbers in perspective, it is helpful to know the economic impact that the military had on San Diego in the past. The following charts show the five-year trends for DoD spending in San Diego as well as how the military’s presence has affected economic output, employment, and personal earnings within the region. As can be seen in the charts, the military’s impact on the region has grown steadily over the years, with a significant boost in spending occurring in 2008. This growth in spending was attributable mainly to a \$1.7 billion increase in procurement spending from 2007 to 2008.

Table 1. Historical Trend of Economic Impact of Defense Spending

	2004	2005	2006	2007	2008	2009*	2010*
Direct Spending (\$ billions)	11.69	12.65	12.92	14.16	16.18	16.70	17.29
Economic Output (\$ billions)	18.34	20.1	20.32	23.76	26.51	27.44	28.40
Earnings (\$ billions)	10.67	11.57	11.75	12.87	14.66	15.17	15.70
Employment	290,660	305,944	307,585	315,648	328,080	334,700	341,700

*Projected with 3.5% growth in spending
 Sources: CNRSW, CFFR, DMDC, NAVSUP, VAD, RIMS II and Export Access



*Other category includes retirement/disability payments, base expenditures, and other spending
 ** 2009 and 2010 figures assume 3.5% growth
 Sources: CNRSW, CFFR, DMDC, NAVSUP, VAD and Export Access

Figure 2. DoD Spending in San Diego Over Time (\$ billions)

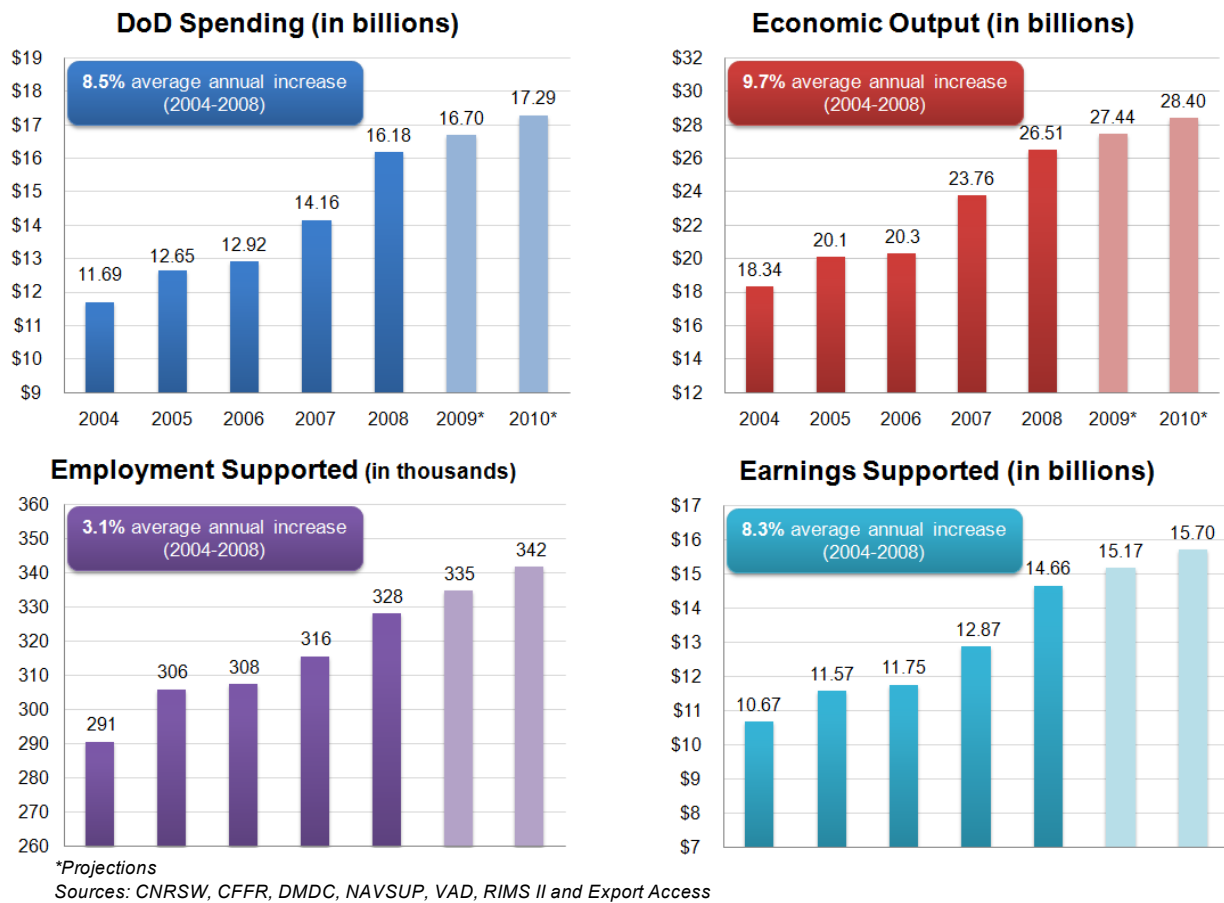
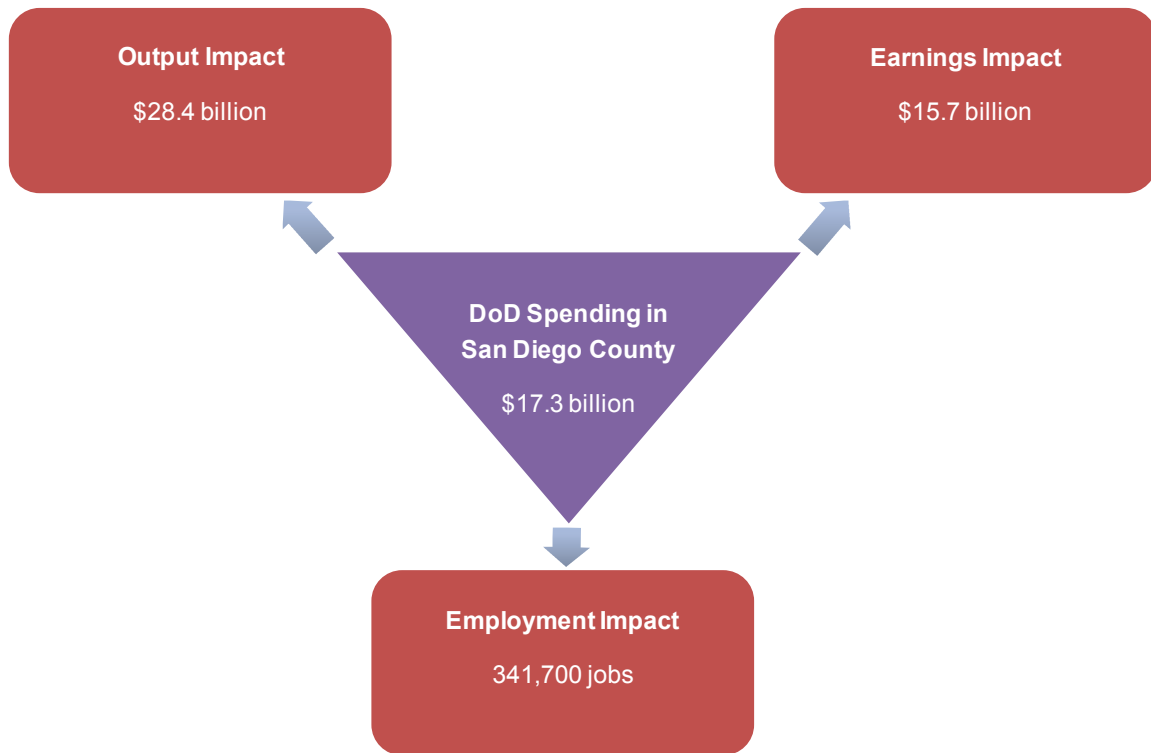


Figure 3. Economic Impact Trends

Projected Economic Impact of Defense Spending in San Diego County, FY2010

The military's presence in San Diego will continue to substantially impact the regional economy in the foreseeable future. As the military continues to shift a greater portion of its forces to the Pacific area of operations and bolster its infrastructure in San Diego, expenditures within the region are likely to increase. In the upcoming years, both the Navy and Marine Corps are already slated to spend significant amounts of money on construction projects.

The deployment of ships and personnel is also set to increase in the near future. Twenty-one ships will either be newly deployed or will redeploy to San Diego by 2012, with the most significant redeployment being the USS Carl Vinson aircraft carrier changing its homeport to NB Coronado in April 2010. Furthermore, the Marine Corps "Grow the Force Expansion" initiative will bring more than 4,000 new Marines to the San Diego region from 2009-2012. The following graphic shows the projected economic impact that the military will have on San Diego in 2010 if DoD spending grows at a conservative 3.5% a year.



**If DoD spending grows at 3.5% a year*

Figure 4. Projected Economic Impact of Defense Spending in San Diego County, FY2010*

In addition to the quantifiable economic impact, the military’s activities in the region also positively influence the quality of life of San Diego residents. Section II of this report focuses on this qualitative side of the military’s impact in the region, with particular focus on environmental stewardship, labor force strengthening, and community outreach.

Section III is composed of detailed profiles of the Navy and Marine Corps installations in the region and contains information on both the current operations of those installations as well as future plans. These community impact profiles help paint a more comprehensive portrait of the nature of the major military installations in San Diego and their contributions to the region.

By employing macro-level economic data with community impact profiles, this report shows that the military’s presence in the San Diego region continues to be a large driving force of economic activity while protecting the high quality of life San Diego is famous for.

Summary of Economic Analysis

- **Direct Economic Impact** – The DoD spent approximately \$16.1 billion in San Diego County in FY2008. Of this \$16.1 billion, about \$5.7 billion was spent on the salaries of 136,729 people within the region.
- **Indirect and Induced Economic Impact** – The indirect and induced effects of the military's presence in San Diego County were \$10.4 billion in economic output and \$9 billion in household earnings (salaries), which in turn supported 191,351 local jobs.
- **Total Economic Impact** – The military's presence in San Diego was responsible for \$26.5 billion in economic output, \$14.7 billion in household earnings and 328,080 jobs.
- **Regional Employment** – The military and its spending within the region support approximately 23% of the total jobs in San Diego County.
- **Impacted Sectors** – The two business sectors that gain the most financially from the military's presence in San Diego are the manufacturing and professional/technical services sectors. The total economic impact in terms of output is \$5.5 billion for manufacturing and \$4.3 billion for professional/technical services.