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State of the Military & Defense Sector

Presentation to
SSMCP Annual Meeting

November | 2015

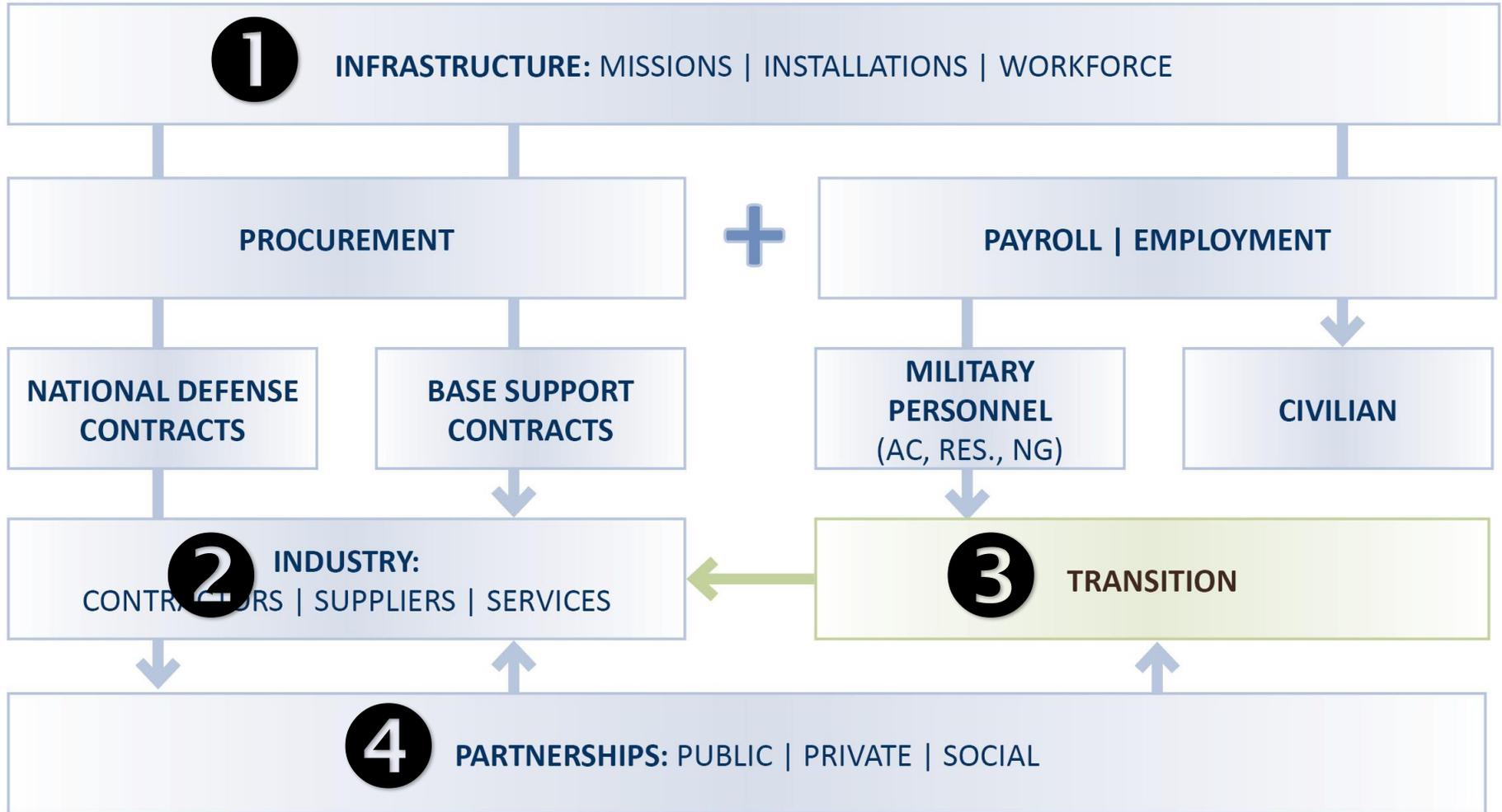
Washington's Military & Defense Industry Contributions

- **2nd largest** public employer
- **112,000** active duty, reserve, guard & civilian personnel, **6th** most military populated state
- **607,000** veterans including:
 - **75,000** retirees
 - **91,000** military families
- **\$13 billion dollars** in annual procurement in FY14, **7th** highest DOD spend by state
 - supported by over **1,900 businesses** across the state
 - nearly **3% of the state's GDP**

- *1 Statistical Report on the Military Retirement System. (2012 Demographic Report) DoD Office of the Actuary May 2013.*
- *2 Retaining and Expanding Military Missions, Increasing Defense Spending and Investment: Washington State's Importance and Opportunities for the Department of Defense in Achieving its Strategic Initiatives. (WMA Report) Denny Miller Associates, Hyjek & Fix, Inc. Nov. 2012.*
- *3 USAspending.gov*



How We Define the Sector



Our Mission

Support and inform **statewide**, sector specific, **economic development** efforts by strengthening local, state and federal collaborations

that support **military & defense**
INFRASTRUCTURE,
INDUSTRY and
public, private and social sector
PARTNERSHIPS

in all communities across the state.



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Top Four Issues for 2016-2017

1. Defense Industry Adjustment Program Progress, Modeling Tool & Implementation
2. Statewide Civilian-Military Compatible Land Use Study & Addressing Encroachment
3. Subcabinet on Military Downsizing Efforts & Implementation
4. Future “Mission” Efforts & Sustainability of the MD Sector Lead Program



Defense Industry Adjustment Progress

Assessment and Forecasting Modeling Tool

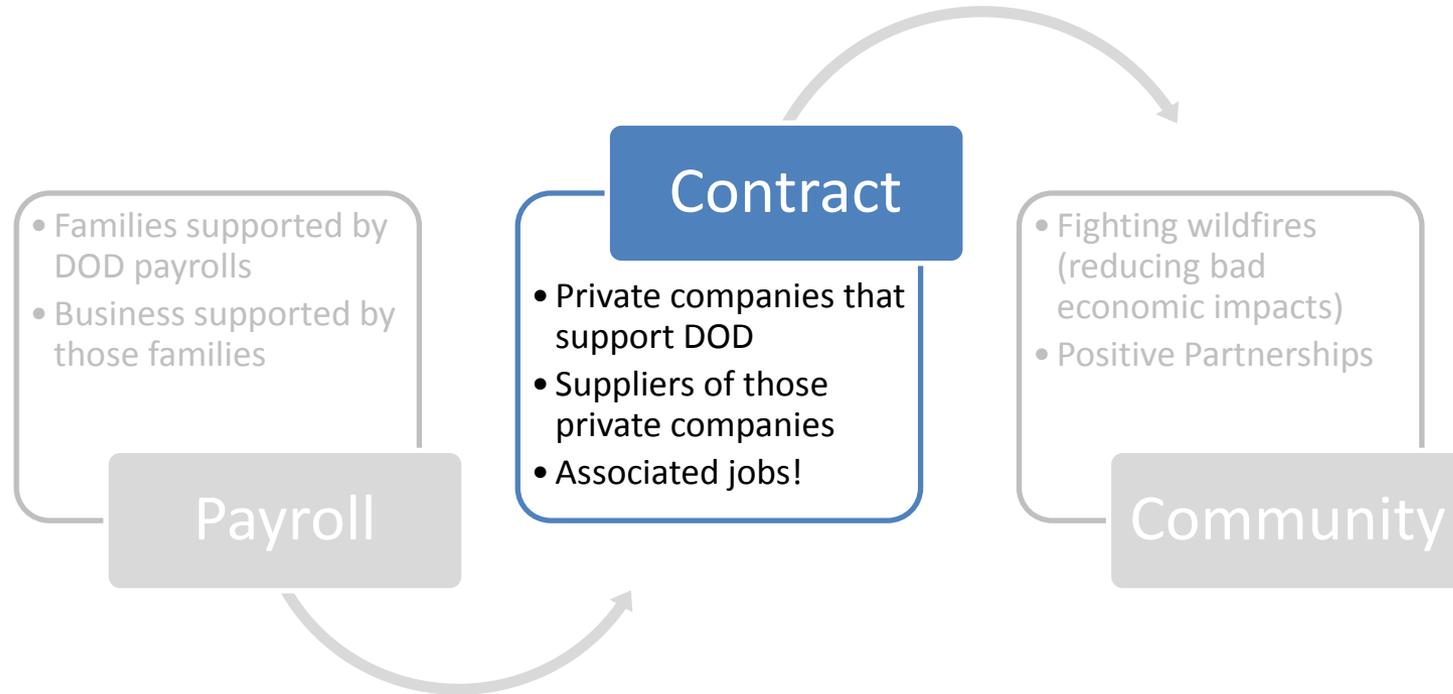
The Department of Defense Office of Economic Adjustment awarded Washington State **\$5.8 million** to create the Defense Industry Adjustment Program.

A major component of this work is mapping the defense industry supply chain in Washington and creating a **tool to model effects of changes in defense spending.**

We now have preliminary data from that work and will be entering into beta testing for the model shortly.



Separating Effects



All numbers presented in the following slides represent contracts only. The scope of our OEA Defense Industry Adjustment (DIA) economic model is focused on supply chain activities alone.





SOURCES OF DIRECT REVENUE, FY 2014

CATEGORY	DIRECT REVENUE in Billions
Washington companies performing in Washington	\$6.95
Washington companies performing outside of Washington	\$1.05
Non-Washington companies performing in Washington	\$0.37
Research	\$0.08
Total	\$8.44

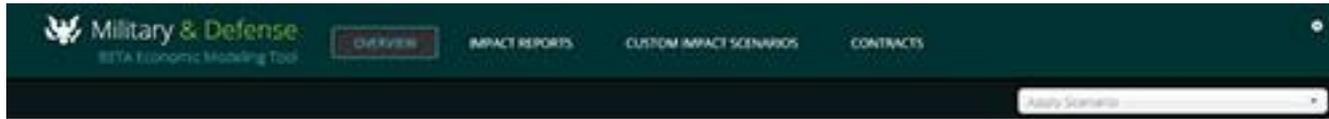
These numbers represent the contract value retained in Washington.

Due to variability in DOD and DHS contracting over time, the online modeling tool will display a three-year average.

All numbers presented here represent contracts only. The scope of this work is focused on supply chain activities alone.



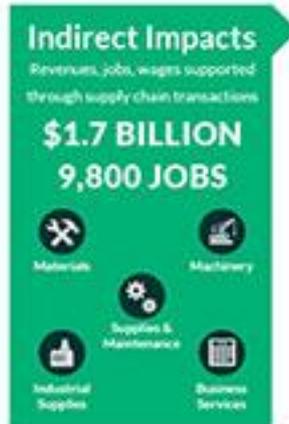
REGIONAL IMPACTS OVERVIEW



Defense Spending and Impacts in Washington State, Annual Average 2012-2014



- Defense spending in Washington totalled \$13.5 billion in 2014
- \$5 Billion went to Payroll and Operations spending: Military Personnel, Civilian Employees and Non-Contract Expenditures
- \$8.5 Billion went to Procurements
- This tool models Procurement spending only, and does not include the \$5 billion spent on expenses and personnel wages at installations.
- The rest of this site presents a three-year average of spending and impacts from 2012-2014, expressed in 2014 dollars



TOTAL IMPACTS



\$8.6 BILLION Direct Impacts
\$1.7 BILLION Indirect Impacts
+ \$3.7 BILLION Induced Impacts

\$14.0 BILLION
Total economic activity supported by defense contracts



27,400 JOBS Direct Impacts
9,800 JOBS Indirect Impacts
+ 23,800 JOBS Induced Impacts

61,000 JOBS
Total jobs supported by defense contracts

All numbers presented here represent contracts only. The scope of this work is focused on supply chain activities alone.



MODELING TOOL

PRELIMINARY DESIGN

CREATE YOUR OWN SCENARIO


+ - \$ %
+ - \$ %
+ - \$ %
+ - \$ %

New Program


+ - \$ %

Select Contracts

&
or
()

Save & Run

Run

These images represent preliminary designs and examples only.

MODELING TOOL

PRELIMINARY DESIGN

Military & Defense
Economic Modeling Tool

OVERVIEW IMPACT REPORTS SCENARIOS CONTRACTS

SCENARIO MANAGER

MY SAVED SCENARIOS

NAME	DATE	FILTERS
Create and Save a Scenario to see it listed here		

SCENARIO EXPLORER

NAME	FILTERS
Sequester-level cuts of \$50 billion annually, set to resume in FY 2016	State Wide
“Opportunity, Growth, and Security” Initiative proposes an added \$26 B to the defense budget for FY 2015	State Wide
Look at all industries except Aerospace	Industry
Recommend a scenario for public access on the site	

EDIT → REMOVE → DELETE →

Alicia Dickson

These images represent preliminary designs and examples only.

Pre-Decisional Draft



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Statewide Land Use Report

Part of Washington's effort to support the State's Military Installations

The Governor has tasked Commerce with producing a report to the legislature on civilian land use compatibility and military base missions.

The WA Growth Management Act (GMA) disallows land use development that is incompatible with military installations (RCW 36.70A.0530).

Central question:

- How can Washington State promote compatible civilian land use practices in support of its military bases?



We Need Your Advice

What can we do to promote compatibility?



Military Installations and Civilian Land Use Compatibility

PRE-DECISIONAL
Report on Practices and Approaches
to Reduce Encroachment on
Military Bases (RCW 36.70A.530)



JULY 2015

View the draft report:

Military Installations and Civilian Land Use Compatibility

<http://www.commerce.wa.gov/Services/localgovernment/GrowthManagement/Pages/BaseStudy.aspx>

Send feedback to:

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Eastern Regional Manager, Growth Management Services

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Subcabinet on Military Downsizing

The Subcabinet was created to develop and implement a coordinated strategic plan to respond to and mitigate potential **military personnel** reduction impacts on local communities.



SUBCABINET ON MILITARY DOWNSIZING

STRUCTURE

AGENCIES

Advisory:
Chaired by MIL
US Army, Navy, AF
CASA

Workforce/Ed:
Chaired by ESD
SBCTC, LNI
WTECB

Community:
Chaired by DSHS
DFI, WDVA,
COM (Housing)

Economic:
Chaired by COM
OFM, DOR



PARTNERS

Advisory:
WMA

Workforce/Ed:
WDCs, WSMTC

Community:
WSDOT, OSPI
AFGE, IAFF, SSMCP

Economic:
EDCs





Subcabinet on Military Downsizing

Current Status:

- Loss of 1,250 Active Duty personnel, notified
 - Partnered with ESD, DSHS & JBLM on annual military transition summit, largest in the nation
 - Work with Washington State Military Transition Council
- Loss of 418 contract employees, estimated
 - Utilizing DIA program efforts & OEA funding to address
- Loss of TBD civil service employees, unknown



Military and Defense Sector Future Efforts

2016-2017 Goals

- Implement year 2 of Defense Industry Adjustment Program & build Sustainability
- Develop & Implement Statewide Military Compatible Land Use strategy
- Support Military Future Mission efforts
 - DHS Cyber COE
 - DOD DIUx
 - Arctic Security COE
 - Statewide MD Sector Workforce Development plan





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QUESTIONS?

Additional Resources Available:

www.commerce.wa.gov

www.governor.wa.gov/issues/issues/economy/military-defense

www.WAMilitaryAlliance.org

www.commerce.wa.gov

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