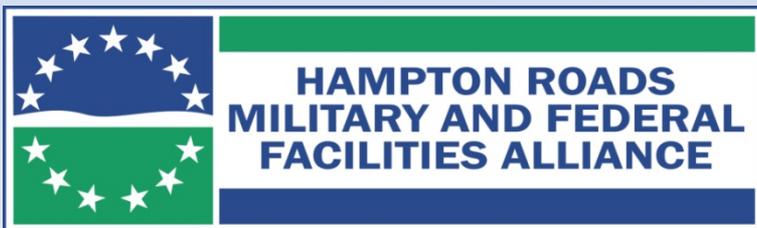
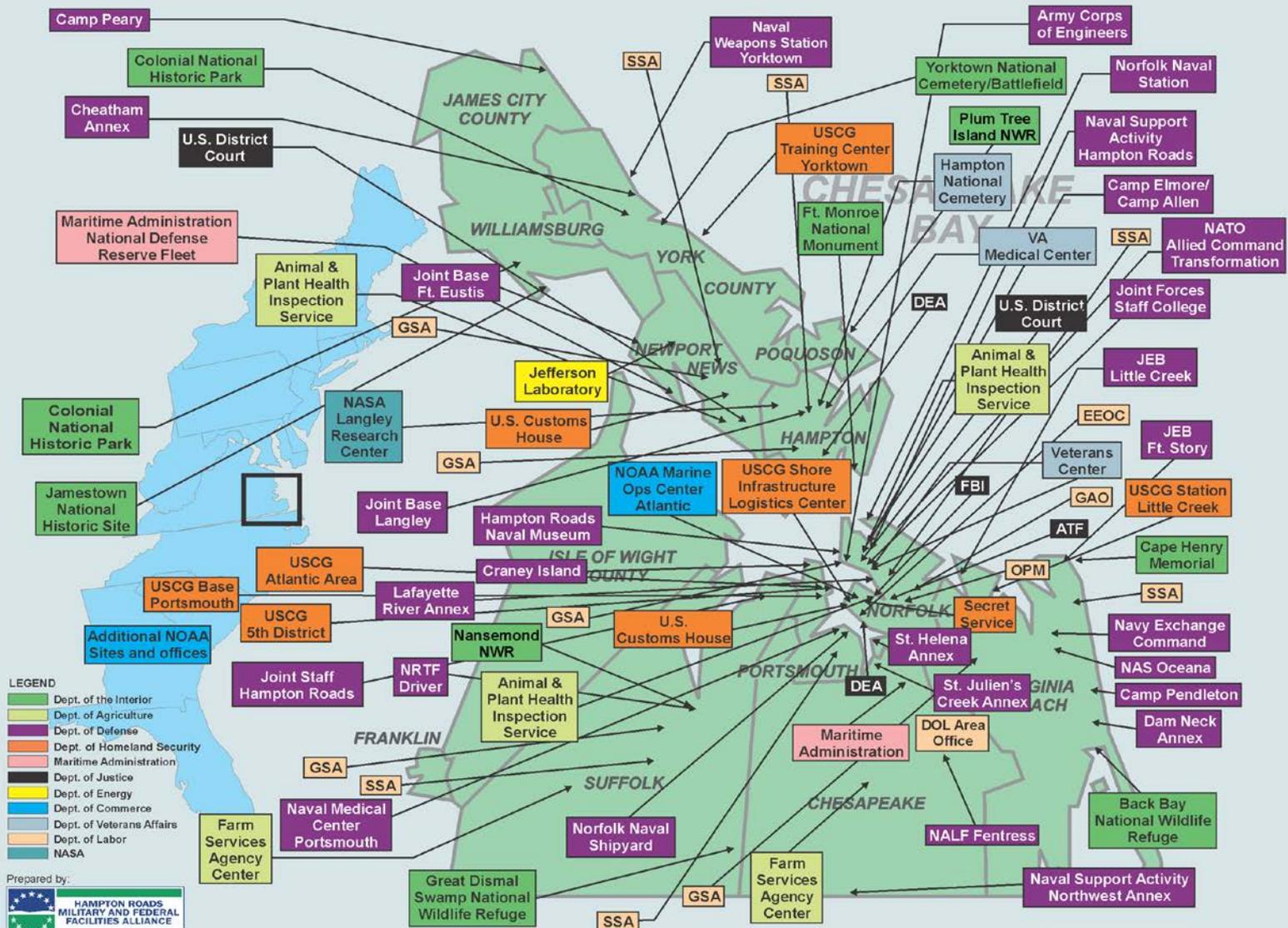


BRIEFING ON THE FEDERAL PRESENCE IN HAMPTON ROADS

Greg Grootendorst & James Clary
Presentation to the HRPDC
November 20, 2014
Agenda Item #4





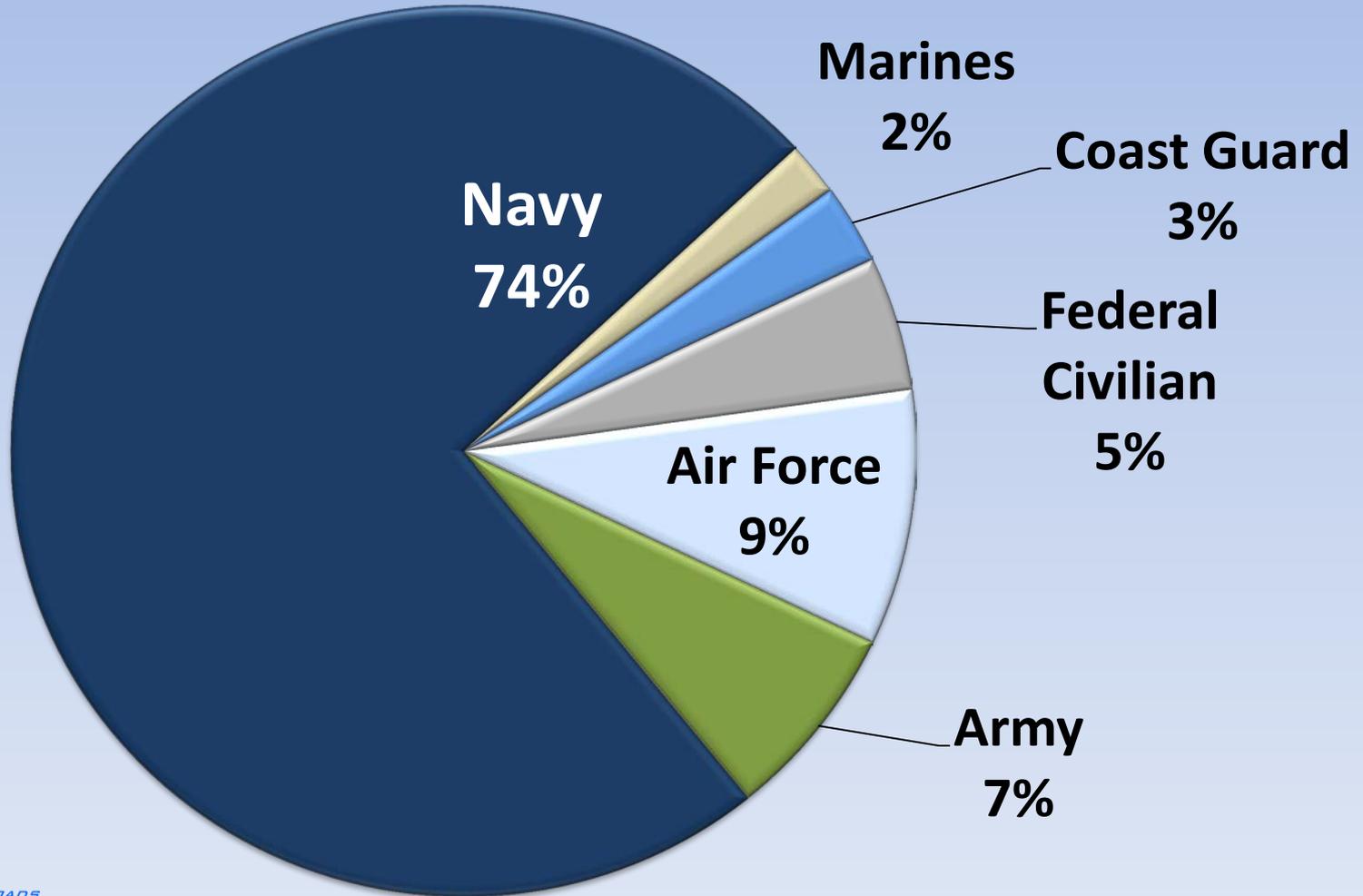
- LEGEND**
- Dept. of the Interior
 - Dept. of Agriculture
 - Dept. of Defense
 - Dept. of Homeland Security
 - Maritime Administration
 - Dept. of Justice
 - Dept. of Energy
 - Dept. of Commerce
 - Dept. of Veterans Affairs
 - Dept. of Labor
 - NASA

Prepared by:
HAMPTON ROADS MILITARY AND FEDERAL FACILITIES ALLIANCE

BACKGROUND

- History of HRMFFA
- Views/predictions are those of Craig Quigley
- Sequester/Continuing Resolution/BRAC?
- Trend lines
 - Shift to the Pacific (slowly)
 - Smaller force (Army and Marine Corps)
 - Navy and Air Force dominant?

Federal Employment in Hampton Roads



NAVY

78% of
Military
Personnel

- 2/3 of all regional Federal spending!
- Aircraft carriers
- Oceana → Now and F-35
- Special Ops
- Ships → Number & type
- BRAC?
- Long-term → Less/older hardware, less people

AIR FORCE

11% of
Military
Personnel

- BRAC?
- LOTS of investment in Langley!
- Encroachment finally being addressed
- What can we attract?

ARMY

8% of
Military
Personnel

- BRAC? Force drawdown? Vulnerable?
- Various tenant commands
- More or less stable...for now

COAST GUARD

- Slight growth
- Largest presence anywhere
- Turning the corner on modernization
- Budget pressure

OTHER

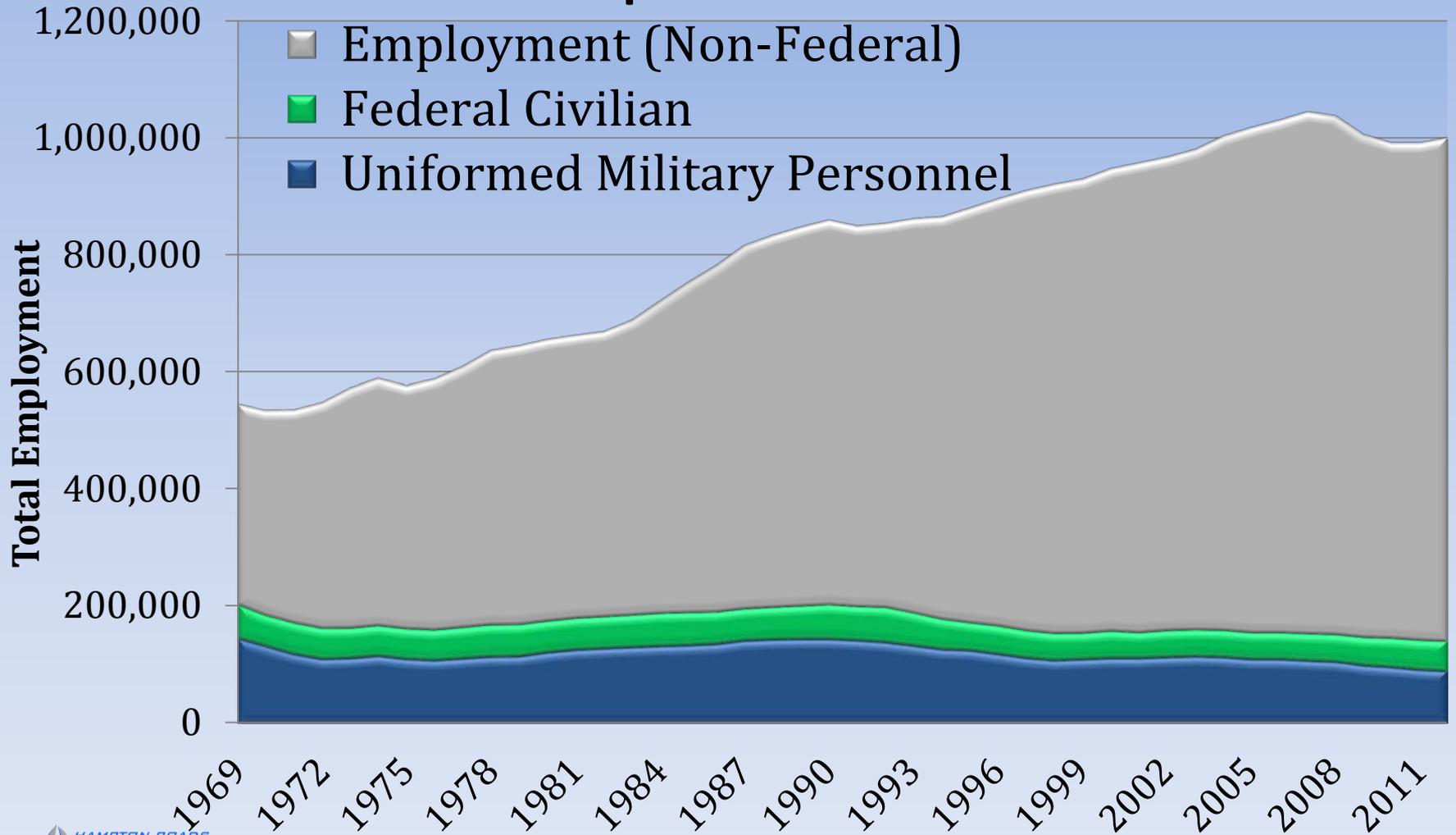
- NASA
- Ship repair & modernization
- Ship building
- Unmanned systems
- Sea level rise – BRAC connection
- Hampton VA Medical Center/DoD hospitals

NOW WHAT?

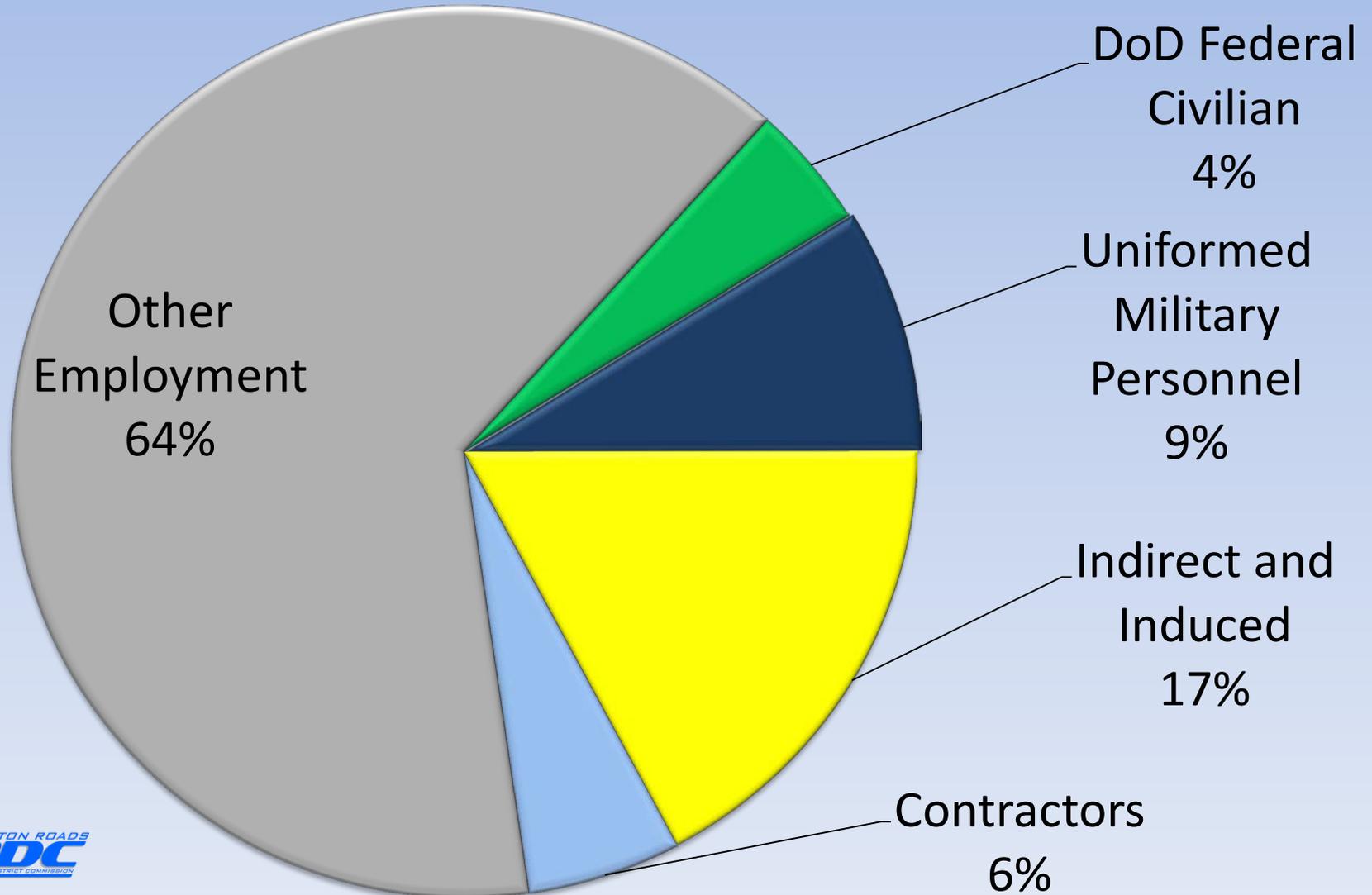
- Play to Hampton Roads attributes
- Growth areas in defense:
 - Cyber
 - Unmanned systems
 - Special Ops
- Play offense & defense if BRAC
- Challenges
 - » Busier port
 - » Wind energy?
 - » Oil & gas drilling
 - » Shift to the Pacific (slowly)
 - » Smaller force (Army and Marine Corps)
 - » Navy and Air Force dominant?

Economic Primer on the Region's Defense Sector

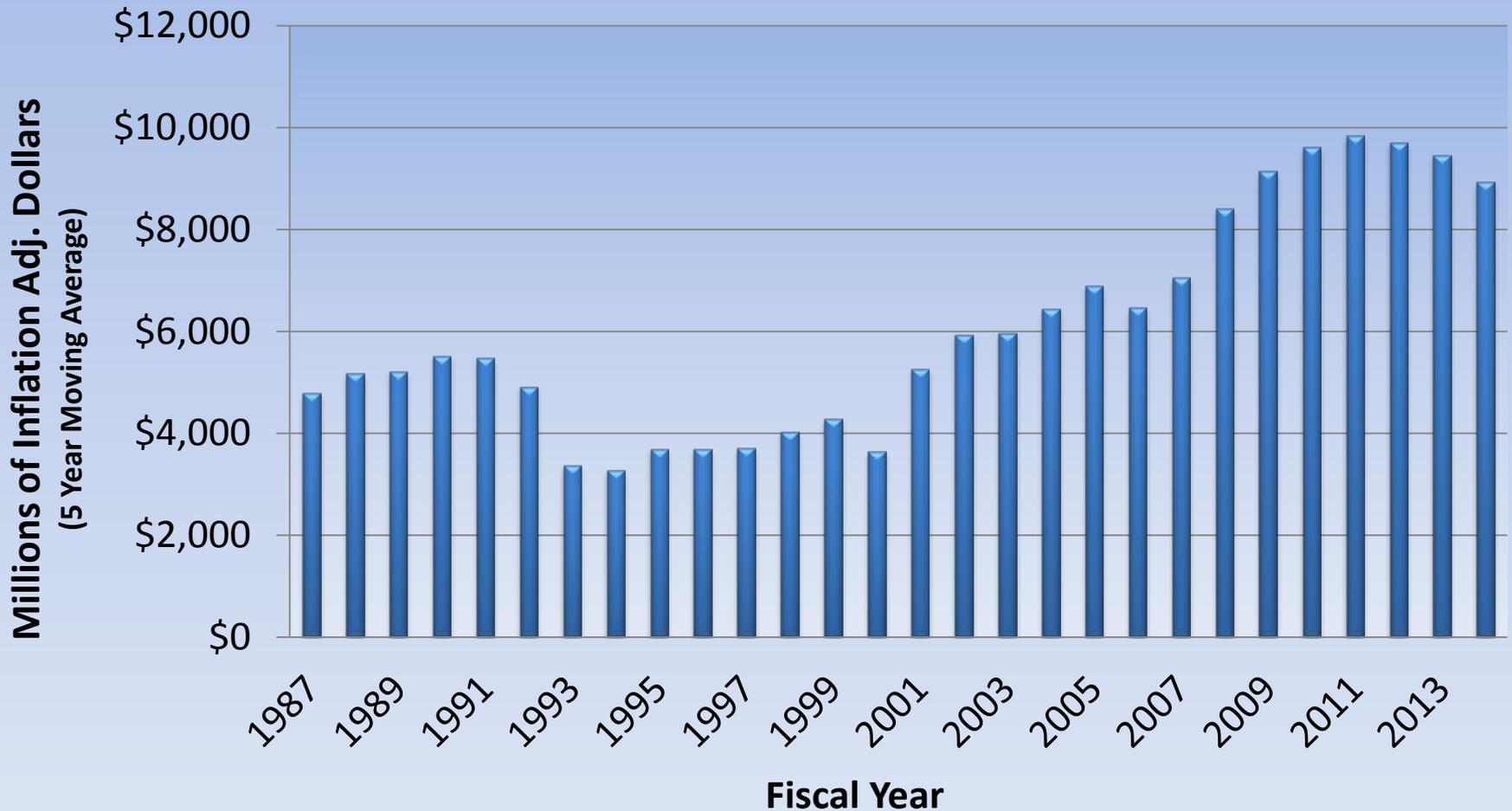
Military and Federal Employment in Hampton Roads



Total DoD Employment Impact in Hampton Roads



Contracts in Hampton Roads



Source: U.S. Census Bureau Consolidated Federal Funds Report, USASpending.gov, HRPDC



Role of Defense Contracts in the Hampton Roads Economy

- DoD Contracts have been 90% of Federal Contracts Performed in Hampton Roads
- The dollars contracted fell to \$7.11B in 2014, from \$9.8B in 2011, though contracting in individual years moves around tremendously
- Contracts to the Ship Building and Repair Industry were 47.4% of those contracts
- Difficult to Determine Employment Impact

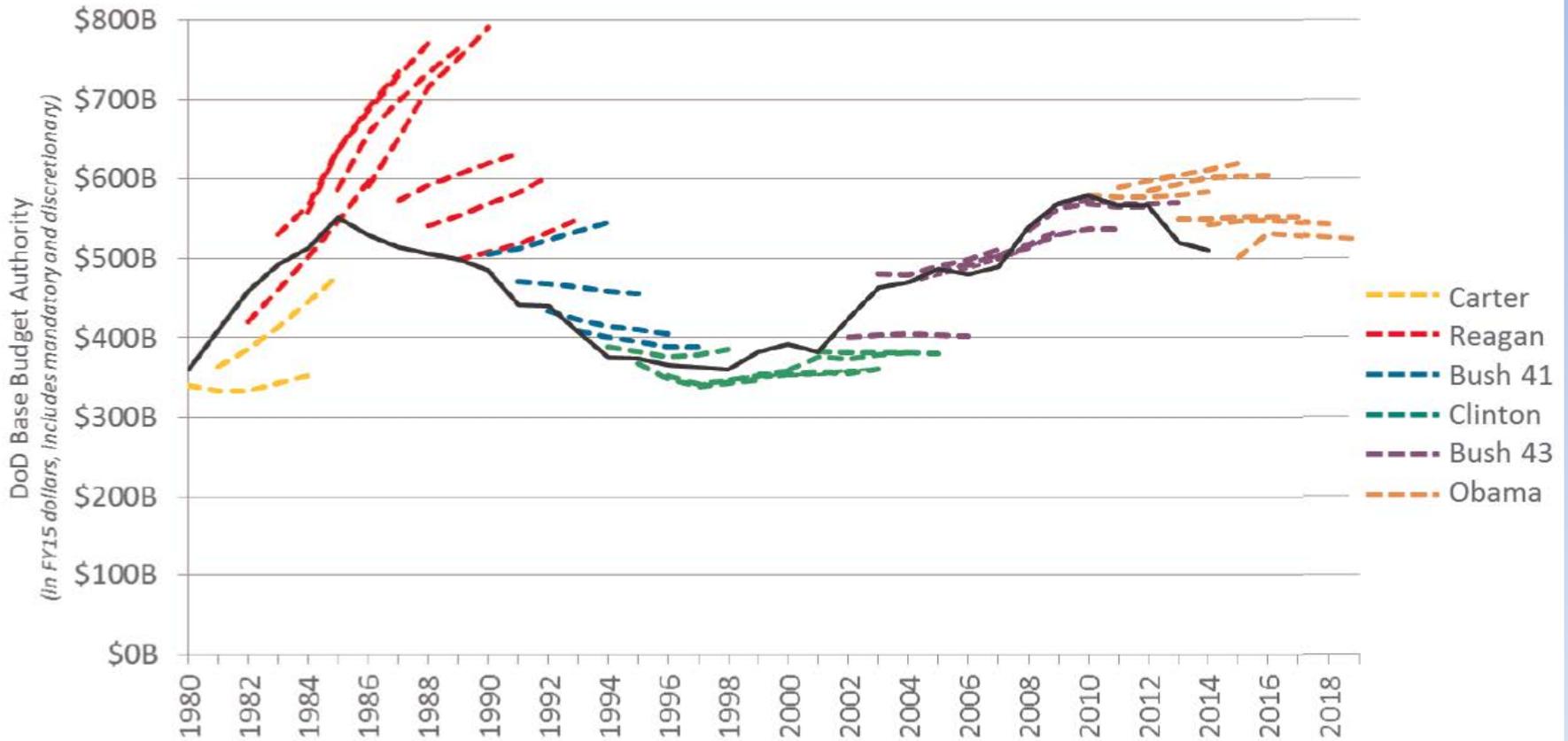
Military Personnel and Incomes



Sequester and Continuing Resolution

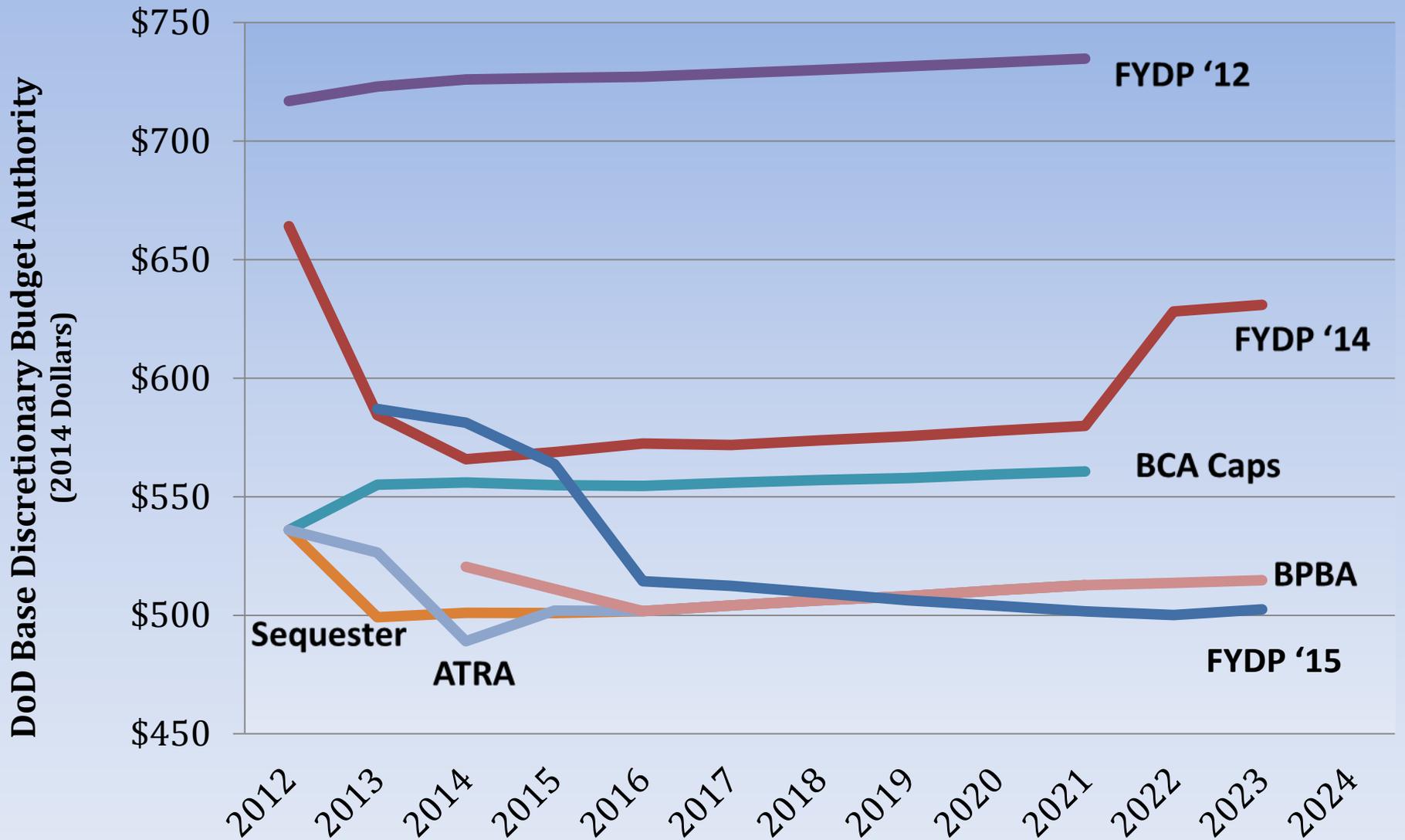
- Sequester was never intended to go into effect
- Sequester replaced a process of strategic decisions
- Unfortunately, as the budget process remains difficult in Washington...
- Activities have increasingly been funded by continuing resolutions, and the current expires Dec 11th
- This raises unnecessary uncertainty

Uncertainty about Defense is Not New



Source: Center for Strategic and Budgetary Assessments

More Recent Developments



Drivers of Change in Hampton Roads

- The President's Budget Request for Defense was Flat in Nominal Terms- With inflation this is a decline
- Navy held constant, with declines to the Army and Marine budget, and a slight increase for the Air Force
- Ship transfers and retirements affecting region
- Maintenance and Re-commissioning Spending

Impacts of Changes

- Flat Spending- Equivalent to a 1.7% decrease in Defense's economic impact
- Ship transfers and decommissioning is affecting region
 - Jacksonville, Rota, and the Pacific
- Mid-Life Overhaul of the George Washington, other maintenance
 - Only preliminary contracts for Refueling

Ship Movements and the Regional Economy

- Ship Impacts
 - USS Kaufman- Decommissioned: 226
 - USS Iwo Jima- Jacksonville: 1000
 - USS Fort McHenry- Jacksonville: 400
 - USS Porter- Rota Spain: 290
- Total of 1,916 navy personnel
 - USS Theodore Roosevelt- San Diego: 3,200
 - Offset by the USS George Washington refueling?

The Outlook

- Ship movements and decommissioning impact
 - Removes approximately 3,600 jobs from the economy without the Aircraft Carrier
- Flat federal spending
 - Effectively decrease employment by 2,200
- Over the past 24 years, the region has grown by 6,300 jobs on average. A loss of 5,800 jobs would be equivalent to losing 92% of a year's employment growth

Questions?

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