

Special Report: Changing Defense Priorities



On January 5th President Barack Obama released a review of defense priorities to guide spending over the next decade, indicating that the U.S. should use the opportunity presented by the drawdown of the conflicts in Iraq and Afghanistan to invest in a leaner military and in future capabilities.

As with every function of government, budget pressures are leading both the legislative and executive branches to review the level of defense spending, as well as the efficiency of defense spending. There is consensus that the Navy and Air Force will be less significantly impacted than the ground forces of the Army and the Marines which could be decreased by as much as 15–35% after the end of the current conflicts; this

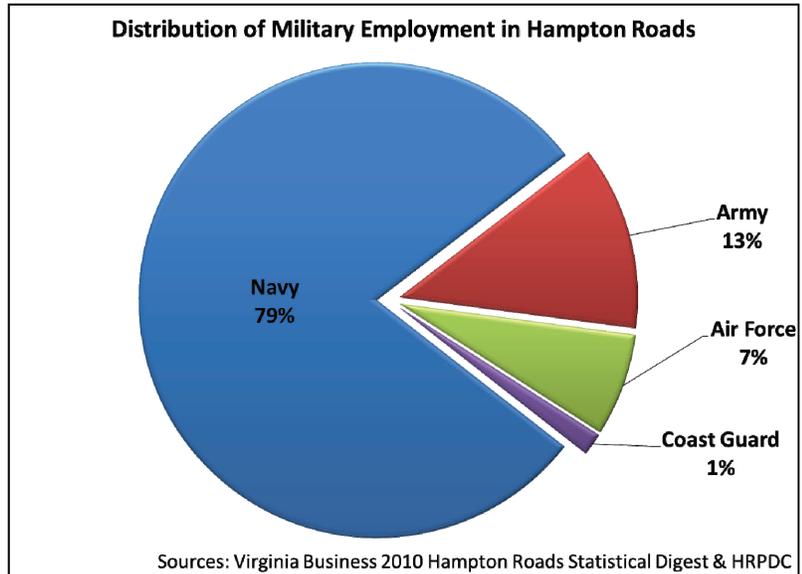
shift would have a much smaller impact on the Hampton Roads economy than a proposed across the board cut.

Economists have noted that a reduction in defense expenditures (both regional and national) will reduce the amount of innovation that has been tied to defense research and development. A recent article in the New York Times highlighted how military research into lasers lead to CD & DVD technology, and the direct relationship between the Defense Advanced Research Projects Agency (DARPA) and the rise of the internet has been well established.

Locally, military funding supports new research activities for the modeling and simulation industry, and supports occupations that could help lead to further development in the Hampton Roads energy industry (wind turbine production and trained nuclear

engineers). There are numerous regional businesses that provide services for both military and private companies, but for whom military contracts are crucial to ensuring a profitable bottom line.

The table below compares the distribution of FY 2010 defense spending in Hampton Roads and defense spending within the United States of America. While much of the named research and development spending comes through the grants programs that are a small portion of spending in the region, another portion of the R&D budget is embedded in the procurement contracts. The proposed defense budget for FY 2013 will be released this February when the President submits his budget request to Congress.



Important Facts

- Hampton Roads has 2.85% of all direct U.S. defense expenditures
- In 2009, there were 2,092,000 military personnel nationwide, of which 98,409 (4.7%) were stationed in Hampton Roads

The Military's Economic Presence in the U.S. and H.R.

Category	Hampton Roads	HR %	U.S.	US %
Retirement / Disability Payments (DR)	\$1,422,856,000	9.0%	\$38,938,539,000	7.0%
Grants (GG)	6,299,733	0.0%	4,844,900,183	0.9%
Procurement Contracts (PC)	9,014,857,427	56.8%	331,221,413,473	59.5%
Salaries and Wages (SW)	5,422,835,000	34.2%	181,946,102,000	32.7%
Total Direct Expenditures or Obligations	\$15,866,848,160		\$556,950,954,656	

Sources: Bureau of Economic Analysis, Consolidated Federal Funds Report, HRPDC

For questions or comments, please contact Greg Grootendorst, HRPDC Chief Economist, ggrootendorst@hrpdcva.gov

HRPDC Staff

John Carlock
Deputy Executive Director

Greg Grootendorst
Chief Economist

James Clary
Economist

Joe Turner
Communications Manager

HRPDC
723 Woodlake Drive
Chesapeake, VA 23320

www.hrpdcva.gov