

SAN DIEGO MILITARY ECONOMIC IMPACT STUDY 2018

10th ANNIVERSARY

THE MILITARY IS A
MEGA-ECONOMIC
CLUSTER ESSENTIAL
TO SAN DIEGO'S
ECONOMY

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SAN DIEGO AND THE MILITARY

I SAN DIEGO IS CRITICAL TO NATIONAL SECURITY

The San Diego Area is critical to the US National Security Strategy with the focus on the Indo-Asia-Pacific Region. Infrastructure and training ranges to support the Military and one-third of the Marine's combat power in the area are irreplaceable and unavailable anywhere else in the Nation.

III LARGEST CONCENTRATION OF MILITARY IN THE WORLD

The San Diego Area has the largest concentration of Military anywhere in the World; 143,000 Active Duty personnel with an expected increase of another 15,000 over the next few years. It also has a large veteran population of over 241,000.

IV THE BENEFITS OF THE MILITARY WITHIN SAN DIEGO

In addition to being the largest economic cluster, the synergy, integration and relationship between the San Diego Region and the military is exemplary, the best in the nation, and of great mutual benefit in technology, innovation, community service, and the job market.

II THE MILITARY IS A MEGA-ECONOMIC CLUSTER AND THE LARGEST ECONOMIC DRIVER IN SAN DIEGO

MORE THAN TWICE THE SIZE OF TRAVEL AND ENTERTAINMENT

In 2018, the Military was responsible for \$26B in direct spending, \$50B in Gross Regional Product (GRP) and 340,000 jobs (22% of the region's GRP and 22% of the jobs in the region).

2019 FORECAST (4% INCREASE) Total direct spending of \$26.7B which will equate to \$51B GRP and over 344,000 jobs.

V SIGNIFICANT CHALLENGES

- Rebuilding the military after years of budget deficits.
- Addressing the high cost of living and providing affordable housing for military members and their families in reasonable proximity to the area's military bases.

EXECUTIVE SUMMARY

San Diego's military complex represents the region's most important and biggest economic driver. The region is home to the largest concentration of military in the world. Its military bases, intricate supply chain serving major defense contractors, and its population of over 241,000 Veterans and retirees make it a true "mega cluster."

San Diego stands at the center of what could be a turning point in national defense spending. After a decades long trend of declines relative to the overall U.S. economy, military outlays are again rising. China's ascension as an international power has caused a shifting of more defense resources to the Indo-Asia-Pacific Region. San Diego's position on the Pacific Rim, its network of Navy, Marine, and Coast Guard bases, and its complex of shipbuilders and defense contractors make it a vital cog in the Nation's expanded security goals. No other region is better positioned to benefit from the upswing in military outlays. **More than one-fifth of San Diego County's economy relies on this key mega cluster.**

- An estimated total of **\$26 billion** in direct spending related to defense flowed into San Diego County during FY 2018, an amount equal to **over \$7,700 for each of the County's residents.**
- Defense-related activities and spending **generated approximately \$50 billion** of gross regional product (GRP) for San Diego County in FY 2018. This represented **22% of the region's total GRP.**
- The military sector was responsible for **nearly 340,000 of the region's total jobs** in FY 2018 after accounting for all of the ripple effects of defense spending. This represented **more than one out of every five jobs (22%)** existing in the County.
- A total of **143,000 members** of the Navy, Marines Corps, Reserves, Coast Guard, and civilians currently work in San Diego County for the DOD, Department of Homeland Security (DHS), or VA. San Diego is home to **more than one of every six of the Nation's Sailors** as well as **over one-fourth of the total U.S. Marines Corps.**

- The jobs created as a direct and indirect result of defense spending span a wide range, including health care, engineering, transportation, real estate, construction, shipbuilding and repair, education, food services, retailing, and wholesale trade.
- Income generated as a result of all direct and multiplier effects of military-linked spending equaled **\$22 billion** in FY 2018. This included wages, salaries, other compensation, and small business owners' income.
- In FY 2018 the 57 U.S. Navy ships homeported in San Diego involved direct spending of **\$2.2 billion** that equated to a **total economic impact of \$6.6 billion** in GRP. The two aircraft carriers based in San Diego brought a combined **\$1.6 billion of GRP** to the economy in FY 2018.
- SPAWAR, headquartered in San Diego, continues to be the Navy's primary research and development conduit for technology and information warfare capabilities. **Nearly half of SPAWAR's 10,000 worldwide employees work in San Diego** and SPAWAR ranks as one of San Diego County's primary employers.

Military Mega Cluster Drives San Diego's Economy

FY 2018 ESTIMATE*

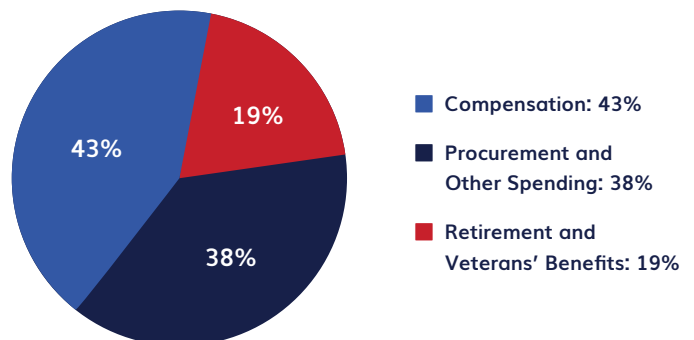
DIRECT SPENDING	JOB	INCOME	GROSS REGIONAL PRODUCT (GRP)
\$26 Billion	340,000	\$22.0 Billion	\$50 Billion <i>(22% of San Diego GRP)</i>

*Includes all ripple or multiplier effects

SOURCE: FBEI

Defense Funds to San Diego Equals \$26 Billion

BILLIONS OF DOLLARS, FY 2018e



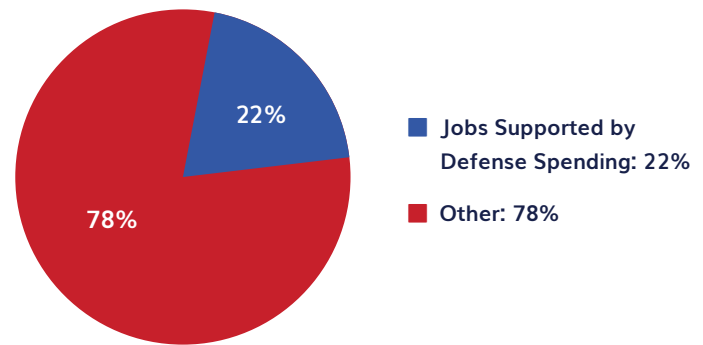
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SOURCE: FBEI

- › Navy Medicine, with its two major San Diego hospitals and other facilities, employed nearly **8,400 individuals** and brought approximately **\$1.2 billion of DOD dollars** directly into the region in FY 2018.
- › The Coast Guard is a key partner to the Navy and Marine Corps in San Diego in its roles as a law enforcement agency, member of the U.S. Intelligence Community, and first responder. The Coast Guard employed nearly **720 Active Duty and civilian employees** in FY 2018 and with a direct spending base of **\$68 million** contributed about **\$195 million** to San Diego's GRP.
- › The VA in San Diego provides a wide range of services, ranging from health care to education, job training, and loans to the estimated **241,000 Veterans** who currently reside throughout the County. In FY 2018 the VA employed more than **3,800 individuals**. With total direct spending of **\$3.4 billion**, it provided the region with about **\$3.6 billion** in GRP.
- › The military and private sectors can offer each other a vital pool of employees with technical and non-technical skills. These employees include experts in cyber security, engineering, biotechnology and other sciences, sheet metal fabrication, welding, and electrical systems.
- › The surge of innovation emanating from the government, academic, and private sectors linked to defense spending has further potential as a major driver of economic development in the San Diego region.
- › Total spending funded by the DOD, Coast Guard, and VA is expected to advance by close to 4% in FY2019, adding to the similar advance estimated for FY 2018. Increases in military personnel, pay raises, and a projected double-digit rise in total defense contracts are expected to lead the advance, resulting in a **projected \$26.7 billion** in direct spending, equating to **\$51 billion GRP and 344,000 jobs**.
- › While the immediate outlook is bright, San Diego's military future remains vulnerable to changes in the Nation's political priorities. Locally, San Diego's defense network in the year ahead will face challenges in housing, labor availability, tariffs, and taxes even as it enjoys the largest influx of defense dollars in the region's history.

Military Generates 22% of San Diego's Jobs

SHARE OF TOTAL, FY 2018e

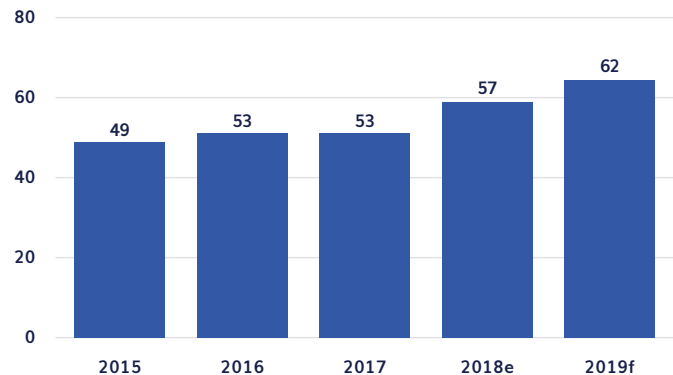


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SOURCE: FBEI

San Diego Ship Count Expands

TOTAL NUMBER OF SHIPS BASED IN SAN DIEGO

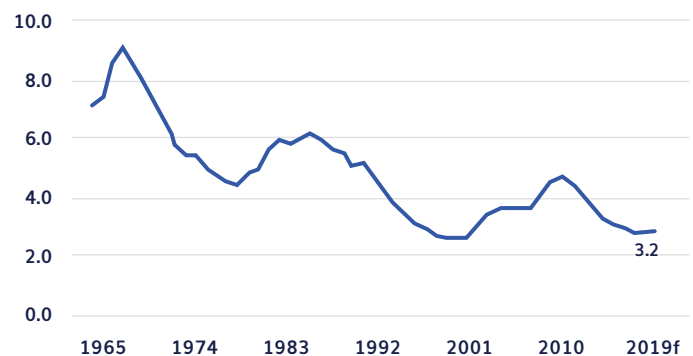


e=estimate f=forecast

SOURCE: FBEI

U.S. Defense Share of GDP Bottoms Out

DEFENSE SPENDING AS PERCENT OF GDP



f=forecast

SOURCE: FBEI; DOD; OMB



SAN DIEGO MILITARY ADVISORY COUNCIL

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SMDAC was founded in 2004 with the mission to facilitate and advance the partnership between the military, elected officials, civic leaders, and the business community in order to enhance the understanding of the military's many contributions to the San Diego region. Annually, SDMAC commissions an economic impact study showing the considerable benefits from defense-related spending and presence of the military in San Diego. In 2018, San Diego benefited from \$26B in direct defense spending which equated to \$50B in GRP and was supported by 340,000 jobs within the military sector.

MEMBERSHIP

SDMAC is not just for people in the military and defense industries—anyone who lives or works in San Diego is a stakeholder, and can become a member. Benefits of membership include exclusive networking opportunities and events, as well as staying ahead of the latest military and defense issues impacting our region. Become a member of SDMAC, today: www.sdmac.org.



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