



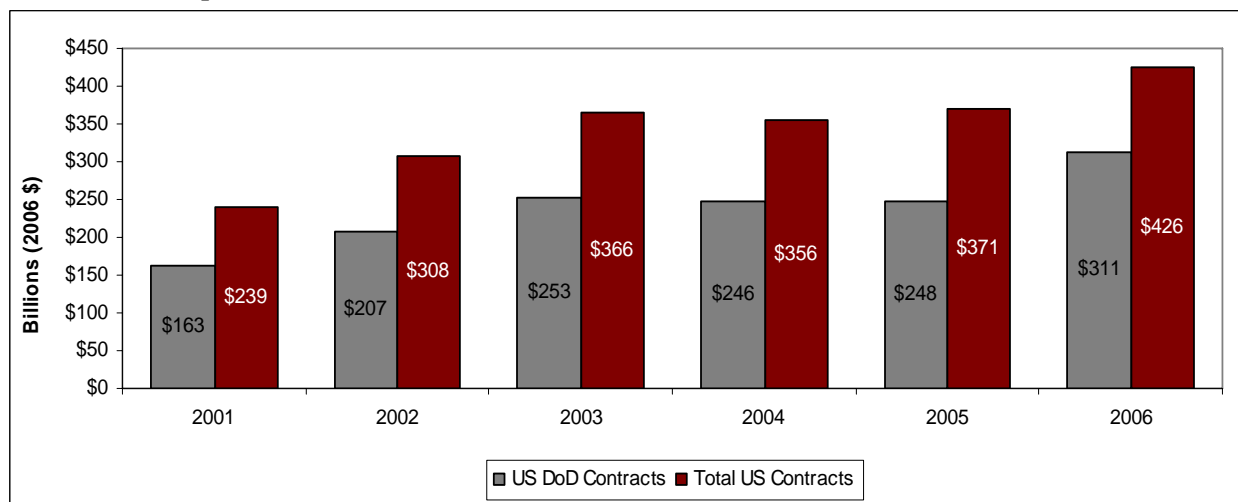
Missouri Economic Impact Brief US Department of Defense Contract Spending

The United States Department of Defense

The United States Department of Defense (DoD) is made up of 17 agencies that awarded over \$1.3 Trillion dollars in contracts between 2002 and 2006. Department of Defense contract spending increased over 27% between 2002 and 2003, and then remained relatively steady for the following two years before increasing by 26% between 2005 and 2006. A majority of this increase can be attributed to contracts awarded in aircraft and other transportation. In 2006, the U.S. Department of Defense awarded \$311 Billion in contracts, compared to \$163 Billion in 2001.

At \$439.3 Billion, the overall FY 2007 Defense budget provides for a 48% increase over the FY 2001 total Defense budget. The percentage of Defense to Total contracts also increased from 68% in 2001 to 73% in 2006.

Chart 1. U.S. Department of Defense Contracts vs. Total Contracts*



* Adjusted for inflation in 2006 Dollars

DEFENSE SPENDING

Department of Defense Contract Spending in Missouri

Missouri's Defense industry plays a vital role in the state's economy. With over \$12 Billion in Department of Defense contracts awarded to Missouri companies in 2006, the state ranked 5th in total dollars and 17th in terms of total contracts awarded.

From 2002 – 2006, Missouri vendors were awarded a total of \$42.8 Billion in Department of Defense contracts. By comparison, Missouri vendors received \$50 Billion in *total* contracts from 2002-2006. Procurement of the 2006 Department of Defense contracts was heavily dependent upon aircraft manufacturing, research and operational systems development, with 32% of the contract dollars being awarded for fixed wing aircraft.

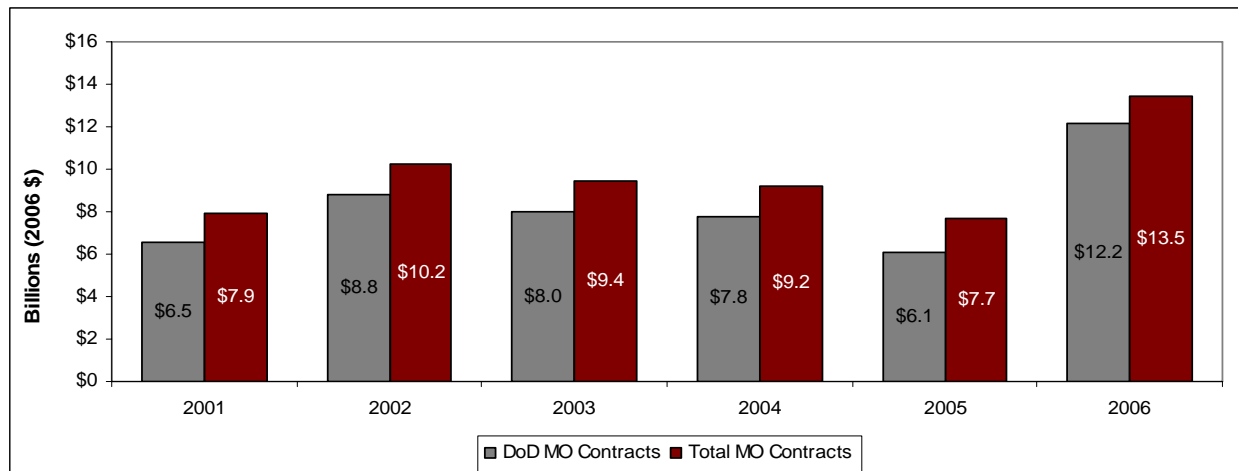
Department of Defense contracts accounted for 90% of all government contract dollars awarded to Missouri vendors in 2006. Nationally, U.S. Department of Defense contracts comprised 73% of all contract dollars awarded.

Combined, the Army, Navy, and Air Force totaled 95% of all Department of Defense contract dollars awarded to Missouri vendors in 2006, with the Navy awarding nearly 42%.

Table 1. Top 10 Department of Defense Entities Awarding Contracts in Missouri, 2006

DEPARTMENT OF THE NAVY	\$5,152,554,728
DEPARTMENT OF THE ARMY	\$4,251,366,691
DEPARTMENT OF THE AIR FORCE	\$2,164,306,018
DEFENSE LOGISTICS AGENCY	\$245,532,114
DEFENSE COMMISSARY AGENCY	\$188,893,543
TRICARE MANAGEMENT ACTIVITY	\$97,559,782
DEFENSE INFORMATION SYSTEMS AGENCY	\$26,432,634
DEFENSE FINANCE & ACCOUNTING SERVICE	\$9,342,498
DEFENSE INTELLIGENCE AGENCY	\$6,592,176
US TRANSCOM	\$5,861,546

Chart 2. Missouri Department of Defense Contracts vs. Total Missouri Contracts*



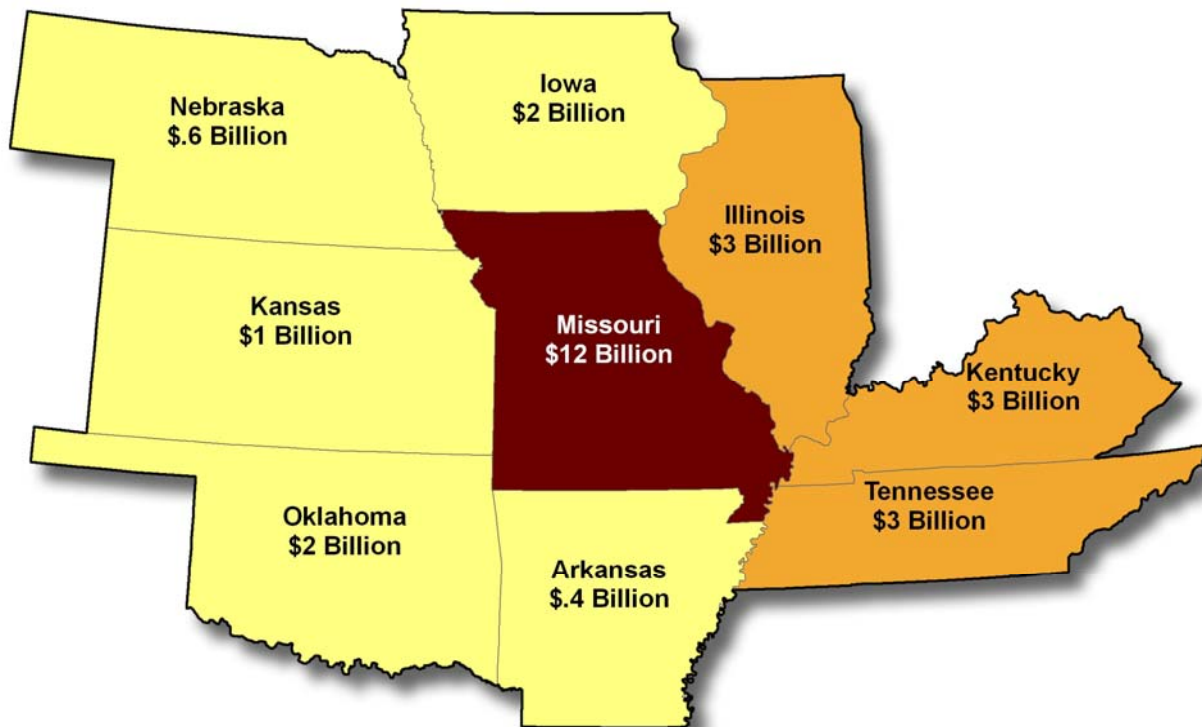
* Adjusted for inflation in 2006 Dollars

DEFENSE SPENDING

Department of Defense Contracts – Missouri vs. Surrounding States

Missouri ranked 1st in terms of contracts awarded when compared to the surrounding states, with nearly four times the contract obligation amounts as the next closest states. Arkansas had the least amount of contract dollars awarded, with \$0.4 Billion.

Map 1. Defense Contracts Awarded to Missouri and Surrounding States, 2006



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Contracts by Industry

Engineering Services had the highest amount of contract dollars awarded in Missouri, with over \$3.9 Billion in 2006. Combined, the top ten industries made up over half of the dollars awarded to Missouri vendors, at \$7.9 Billion. Most industries in the top ten are involved in research, engineering and high-tech manufacturing. These industries are associated with higher than average wages and typically require post-secondary education. A total of 2.9 Billion dollars in contracts awarded had no specific industry designation.

INDUSTRY	Dollars Obligated (\$M)
ENGINEERING SERVICES	\$3,986
AIRCRAFT MANUFACTURING	\$1,838
OTHER AIRCRAFT PARTS AND AUXILIARY EQUIPMENT MANUFACTURING	\$828
SEARCH, DETECTION, NAVIGATION, AERONAUTICAL SYSTEM & MANUFACTURING	\$680
RESEARCH AND DEVELOPMENT IN PHYSICAL, ENGINEERING, AND LIFE SCIENCES	\$296
COMPUTER & COMPUTER PERIPHERAL EQUIPMENT & SOFTWARE WHOLESALERS	\$94
ANIMAL (EXCEPT POULTRY) SLAUGHTERING	\$91
OTHER CONSTRUCTION MATERIAL MERCHANT WHOLESALERS	\$78
GENERAL LINE GROCERY MERCHANT WHOLESALERS	\$76
OTHER COMMERCIAL AND SERVICE INDUSTRY MACHINERY MANUFACTURING	\$68

Products and Services

Data on products and services purchased gives a more detailed look at what Missouri vendors are actually providing. In 2006, Fixed Wing Aircraft and Research and Development accounted for 61% of the products and services purchased in Missouri. The top 10 products and services made up 82% of all purchases.

PRODUCTS AND SERVICES	Dollars Obligated (\$M)
AIRCRAFT, FIXED WING	\$3,832
RESEARCH & DEVELOPMENT, OPERATIONAL SYSTEMS DEVELOPMENT	\$3,491
BOMBS	\$714
AIRFRAME STRUCTURAL COMPONENTS	\$601
DEFENSE AIRCRAFT (OPERATIONAL)	\$430
RESEARCH & DEVELOPMENT-AIRCRAFT-COMMERCIALIZATION	\$322
MISCELLANEOUS AIRCRAFT ACCESSORIES, COMPONENTS	\$235
OPERATION TRAINING DEVICES	\$149
MISCELLANEOUS CONSTRUCTION MATERIALS	\$115
GENERAL HEALTH CARE SERVICES	\$114

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Economic Impact of U.S. DoD Contract Obligations in Missouri

In 2006, U.S. Department of Defense contract dollars awarded to Missouri vendors had a substantial impact on the state's economy. These contract obligation awards amounted to \$12.2 Billion and contributed \$6.29 Billion to wage and salary income in Missouri. Department of Defense contracts in Missouri contributed \$499.4 Million to state general revenues in 2006.

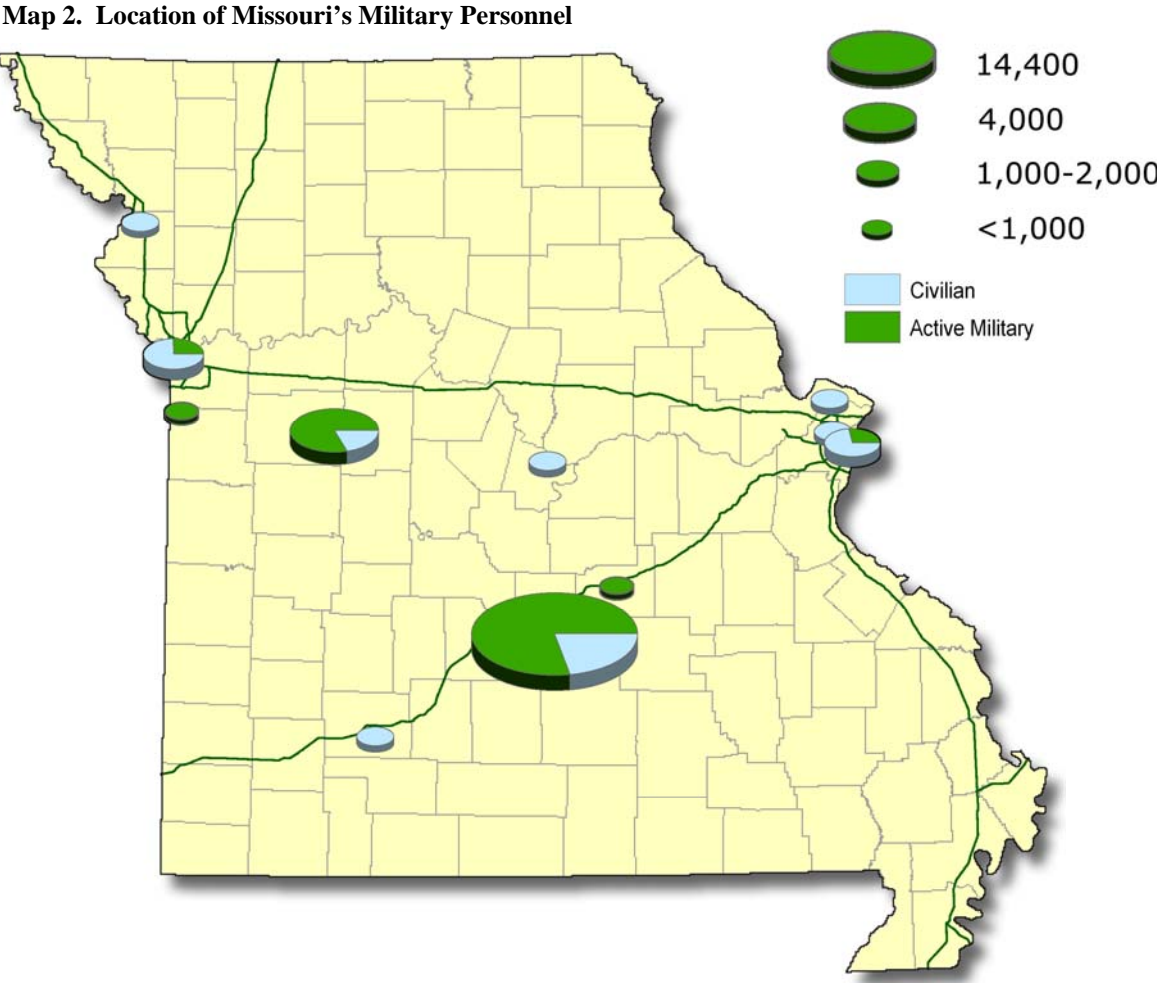
Contributions to employment totaled 159,900 due to the contracts awarded. The industries with the greatest employment impacts were Professional, Scientific and Technical services (59,790) and Manufacturing (22,110).

Table 2. Defense Contracts Employment Impact in Missouri

Industry	Employees	Industry	Employees
Professional & Technical Services	59,790	Finance & Insurance	4,162
Manufacturing	22,110	Real Estate, Rental, & Leasing	2,534
Retail Trade	14,460	Arts, Entertainment, & Recreation	2,209
Accommodation & Food Services	10,260	Information	1,910
Administrative & Waste Remediation	10,250	Educational Services	1,541
Other Services	7,760	Transportation & Warehousing	1,473
Construction	7,484	Management of Companies & Enterprises	1,389
Health Care & Social Assistance	5,611	State & Local Government	1,049
Wholesale Trade	5,490	Utilities	347

Statewide Impact of Missouri's Military Personnel

In 2005 the Department of Defense employed a total of 25,647 civilian and active duty military personnel in Missouri; 16,189 military and 9,458 civilian. A majority of these were located at 11 major stations across the state. The map below shows the 11 major locations with a break out of active duty military and civilian personnel. In addition to individuals working for or serving in the federal military, Missouri employed 25,598 members of the Army Reserve and National Guard in 2005.



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Economic Impact of Federal Military in Missouri

The presence of military in Missouri had a considerable impact on the state economy. The presence of active military and civilian employees contributed \$3.42 Billion to Gross State Product and \$1.88 Billion to wage and salary income for Missouri.

In addition to the 25,647 active civilian and military jobs provided through direct employment by the Department of Defense, the presence of the military in Missouri also adds another 26,281 jobs to the economy. Increased employment was due to spending on inputs needed for military activities as well as jobs generated through expenditures of those employed by the Department of Defense. Aside from federal government employment, the industries with the greatest increases in employment were retail trade (4,974) and accommodation and food services (2,941).

Missouri Active Duty
Military

25,647

Missouri National
Guard

11,416

Gross State Product

\$3.42 Billion

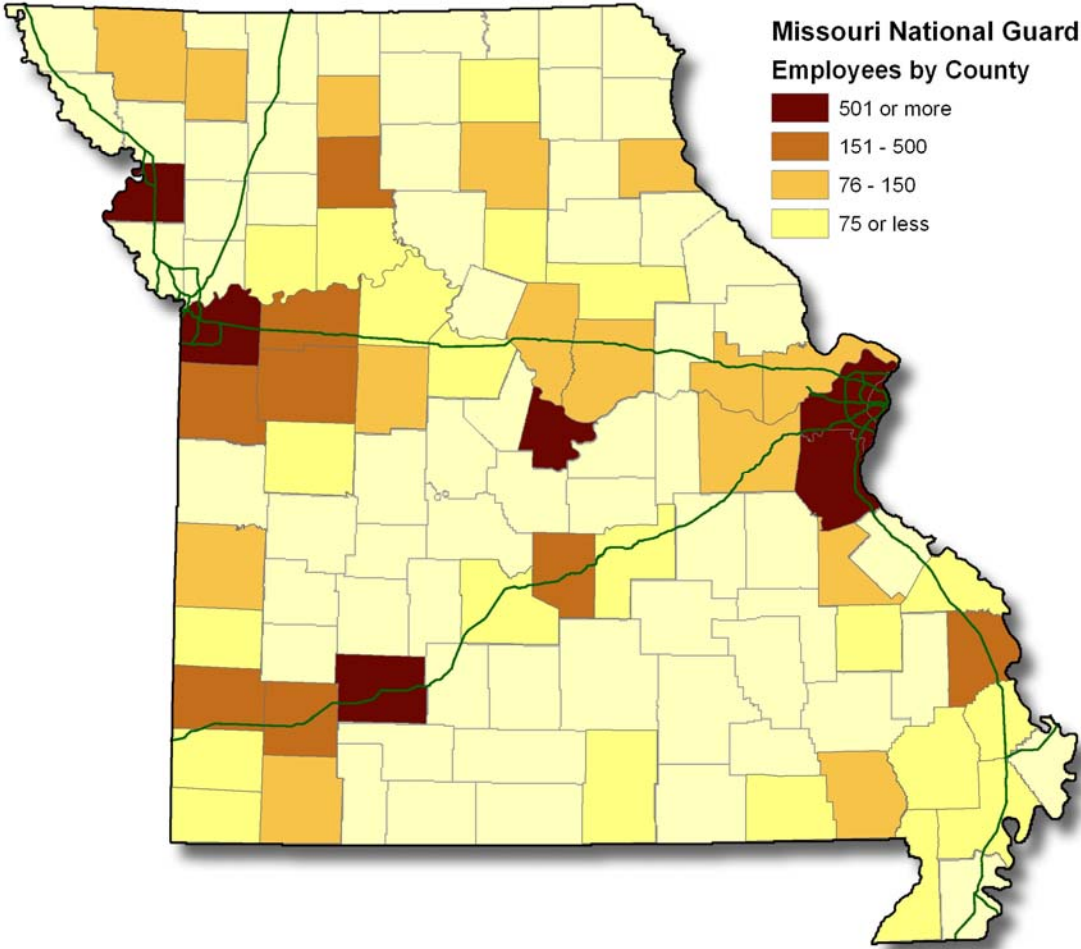
Table 3. Employment Impact of the Military in Missouri

Industry	Employees	Industry	Employees
Federal Military Government	16,190	Finance & Insurance	976
Federal Civilian Government	9,458	Real Estate, Rental, & Leasing	809
Retail Trade	4,974	Arts, Entertainment, & Recreation	612
Accommodation & Food Services	2,941	Educational Services	497
Construction	2,530	Wholesale Trade	491
Other Services	2,456	Manufacturing	464
State & Local Government	2,354	Information	393
Professional & Technical Services	2,325	Transportation & Warehousing	217
Administrative & Waste Remediation	2,306	Management of Companies & Enterprises	133
Health Care & Social Assistance	1,683		

National Guard Employment in Missouri

The National Guard has a strong presence in Missouri. The National Guard has a total of 11,400 employees and 259 federal and state full-time employees with a payroll of over \$361.3 Million, or an average of \$31,658 per person. Employment is concentrated in St. Louis, Jefferson City, Kansas City, Springfield, and St. Joseph. Combined local contracts and construction projects totaled \$167.4 Million in 2006.

Map 3. Missouri National Guard Employment by County, 2006



Fort Leonard Wood

Fort Leonard Wood is located in Pulaski County in the Missouri Ozarks. The fort is spread over 61,000 acres and is home to the US Army Maneuver Support Center (MANSCEN), US Army Engineers, Chemical and Military Police Schools, Garrison Command, Inter-service Joint Training Detachments and tenant organizations.



The population of Fort Leonard Wood is nearly 30,000 persons including military personnel, dependents and civilians. The median household income is just over \$41,000. As of 2005, the fort employed 14,431 personnel including 11,423 active duty military and 3,008 civilian personnel. The total payroll outlays for personnel working in the fort accounts to \$611 Million. One-thousand troops are expected to be added by 2013.

According to the Fort Leonard Wood base guide, the fort contributes over \$ 2 Billion annually towards Gross State Product of Missouri.

Whiteman Air Force Base

Whiteman Air Force Base is located in Johnson County in west central Missouri. Whiteman Air Force base is spread across 3,300 acres and has active duty military personnel, reserve/army national guards and other civilians employed in the 509th Bomb Wing staff agencies, Operations Group, Maintenance Group, Mission Support Group, Medical Group and other tenant organizations.



The population of Whiteman Air Force Base is nearly 13,000 persons including military personnel, dependents and civilians. The median income for households on the base is just over \$41,000. As of 2005, the base employed 4,093 personnel including 3,334 active duty military, and 759 other civilian personnel. The total payroll outlays for personnel working at the base amounts to \$190 Million.

According to the Whiteman AFB financial economic report, annual expenditures exceed \$153 Million and the base contributes \$532 Million each year towards the Gross State Product of Missouri.

Sources

1. 2006 Whiteman Air Force Base Financial Economic Report
2. 2007 Whiteman Air Force Base Guide
3. ESRI Business Analyst Online Whiteman Air Force Base Report
4. National Association of Defense Communities
5. Fort Leonard Wood Guide
6. Missouri Military Preparedness and Enhancement Commission Report
7. ESRI Business Analyst Online Fort Leonard Wood Report
8. FY 2005 Distribution of Personnel by State and by Selected Locations (M02)
9. Statistical Summaries - All States and US Total – 2005 Atlas/Data Abstract for the U.S. and Selected Areas
10. Government Printing Office <http://www.gpoaccess.gov/usbudget/fy07/pdf/budget/defense.pdf>
11. The Rolla Daily News, December 19, 2007
12. Google Earth Maps – Fort Leonard Wood and Whiteman Air Force Base
13. Missouri National Guard

Notes

The impact studies were conducted using version nine of the Regional Economic Models Incorporated (REMI) economic model.

Numbers for active duty military and federal civilian employment were drawn from the Department of Defense. This included employment numbers for all Department of Defense programs. Numbers for the Army Reserve and National Guard were provided by the Missouri National Guard and included in the summary. FY 2005 was the most recent employment data available for analysis.

Contract obligation amounts are from the Federal Procurement Data System (FPDS). This included contracts for all Department of Defense programs. The unclassified contract amounts were matched to vendor and placed in appropriate industries.

“*Department of Defense Agencies*” lists the separate agencies, not the entities within the agencies. It does not include the military branches although the contract obligation totals for the military are included in the reporting.

U.S. Department of Defense contracts are categorized by both “*Vendor Location*” as well as by “*Place of Performance*.” The totals for Missouri show the contract dollars by Place of Performance exceeding the totals for Vendor Location for each year from 2002-2006. This indicates more contract dollars are consistently coming into the state from outside contractors than are leaving the state.

Department of Defense Agencies

1. Business Transformation Agency (BTA)
2. Defense Advanced Research Projects Agency (DARPA)
3. Defense Commissary Agency (DECA)
4. Defense Contract Audit Agency (DCAA)
5. Defense Contract Management Agency (DCMA)
6. Defense Finance and Accounting Service (DFAS)
7. Defense Information Systems Agency (DISA)
8. Defense Intelligence Agency (DIA)
9. Defense Legal Services Agency (DLSA)
10. Defense Logistics Agency (DLA)
11. Defense Security Cooperation Agency (DSCA)
12. Defense Security Service (DSS)
13. Defense Threat Reduction Agency (DTRA)
14. Missile Defense Agency (MDA)
15. National Geo-Spatial Agency (NGA)
16. National Security Agency (NSA)
17. Pentagon Force Protection Agency (PFPA)



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