

Anticipated Impact of Military Growth in North Carolina for 2013

Employment	Gross Regional Product (Billions)	Output (Billions)	Demand (Billions)	Real Disposable Personal Income (Billions)
49,620	\$2.85	\$2.14	\$4.37	\$1.93

North Carolina Department of Commerce REMI model estimates, 2008



Conclusions

In 2007, the military and Coast Guard installations in North Carolina had a \$23.4 billion impact on the state's economy. The military's current and future organizational realignment, personnel presence, and budgetary activities present an enormous opportunity for state businesses and citizens in all regions of the state. Military contracting provides employment in a wide variety of industry sectors, while members of the military and their families support local communities by creating demand for goods and services. In addition, retired military pensions and other forms of compensation provide individuals and communities with a reliable source of income. This research indicates that these impacts will grow by an additional \$2.9 billion in 2013.



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North Carolina's Military Footprint: Current Economic Impacts and Estimates for 2013



A REPORT FOR THE NORTH CAROLINA ADVISORY COMMISSION ON MILITARY AFFAIRS

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Executive Summary to be presented April 30, 2008

The military's historic and current presence in North Carolina provides economic opportunities for many of our state's residents. Today, North Carolina has the third-largest active duty military population in the United States, distributed among seven military installations and 14 U.S. Coast Guard facilities. These military installations directly contribute to the economic development of North Carolina through capital investment, employment, and defense contracting, and indirectly through increased demand experienced by regional businesses and increased spending from households. Retired military personnel and veterans, given their attractive skill sets, are desired employees for our state's industries and own a significant number of small businesses.

To understand the economic growth potential of the military, this report examines the economic impact of the military in North Carolina for 2007 and estimates the impacts of anticipated military growth on the state's economy in 2013. The following information supports these four main findings:

- In 2007, military activities contributed \$23.4 billion, or 7 percent, of North Carolina's State Gross Domestic Product (total value of goods and services).
- More than 416,000 individuals, or 8 percent of total state employment, are either directly employed by the military or Coast Guard, or have jobs that are supported by military installations in North Carolina.
- In 2013, anticipated military growth is expected to increase North Carolina's Gross Domestic Product by \$2.9 billion.
- 49,000 additional jobs will be created in 2013 as a result of increased military activity.

Research Methodology

Economic impacts for 2007 and 2013 were calculated using economic modeling software from Regional Economic Models, Inc. (REMI). To estimate the 2007 economic impacts of the military in North Carolina, a baseline model was constructed to include all existing military activity¹. This model was then compared to a model which excludes the entire military from the state's economy. The difference between the two models represents the impact of the military in North Carolina in 2007. Through the use of REMI's built-in forecasting capabilities and by incorporating the planned military activities scheduled to occur between 2006-2013, the study team was able to estimate the total economic impact of the military for 2013 as well as impacts specific to Defense Base Realignment and Closures² (BRAC) and other planned troop increases.

¹North Carolina's military consists of the following installations: Seymour Johnson Air Force Base in Wayne County, Camp Lejeune in Onslow County, the Marine Corps Air Station Cherry Point in Craven County, the Marine Corps Air Station New River in Onslow County, Fort Bragg in Cumberland and Hoke counties, Military Ocean Terminal at Sunny Point in Brunswick County, and Pope Air Force Base in Cumberland County. This study includes the U.S. Coast Guard, National Guard, and all reserve units in the analysis.

²The Defense Base Realignment and Closure Commission (BRAC) reviewed military installations in 2005. This independent review identified excess infrastructure and created a plan to divert more resources to confront today's threats to national security. The review recommended closing 25 installations and realigning or consolidating 24 major installations. North Carolina's military installations are undergoing realignment as a result of these decisions. <http://www.brac.gov/>



The military's current and future organizational realignment, personnel presence, and budgetary activities present an enormous opportunity for state businesses and citizens in all regions of North Carolina.

Estimated State Military Impacts

	2004	2007	Percent Increase
Employment	333,380	416,400	25
Gross Regional Product (Billions)	\$20.12*	\$23.42	16
Output (Billions)	\$14.65	\$17.57	20
Demand (Billions)	\$24.94	\$35.12	41
Real Disposable Personal Income (Billions)	\$10.81	\$16.79	55

*This number was adjusted from fixed 1996 dollars to fixed 2000 dollars for a better comparison. 2004 numbers provided by Richard Brockett, Adam Cooper, Dana J. Gauland, and Erin Francisco. "North Carolina Statewide Military Impact Study" by East Carolina University Regional Development Services and Regional Economic Models, Inc.

North Carolina Department of Commerce REMI model estimates, 2007

All numbers are in fixed 2000 dollars.

The results of this study are not directly comparable to the 2004 work because this effort has included employment and wage data from the Coast Guard and additional veterans' benefits. In addition, this work has modeled expenditures and employment on the regional, rather than state level.



Summary of Results

To best understand the economic impact of the military in North Carolina, the study team chose to look at data based on several common indicators of economic health: Employment, State Gross Domestic Product (State GDP), Output, Demand, and Real Disposable Personal Income. Overall, the REMI models indicate what North Carolinians already know: the military provides substantial positive economic benefits to the state. The military in North Carolina supplies quality jobs, stimulates the production of goods and services, and increases the amount of money consumers have to spend on goods and services. Each of the indicators is defined and discussed in detail in the full report; below is a summary of the key findings.



Military Impacts in 2007

Between 2004 and 2007, North Carolina experienced strong economic growth. A significant portion of the state's growth can be attributed to the military.

- In 2007, military activities contributed \$23.4 billion, or 7 percent of North Carolina's State Gross Domestic Product (value of total final goods and services produced). Military base payroll accounts for \$19.2 billion of the estimated impact on State GDP. Payments and services provided to veterans in North Carolina account for another \$2.4 billion of State GDP while Department of Defense industrial contracts add \$1.4 billion more.
- More than 416,000 individuals, or 8 percent of total state employment, are either directly employed by the military or Coast Guard, or have jobs that are supported by military installations in North Carolina. Active military, Coast Guard, and civilian employees account for 150,691 jobs, while approximately 181,889 jobs are indirectly supported by local spending attributed to military employees and their families. Another 34,030 people are employed by companies engaged in supplying goods and services on military contracts. The remaining employment, some 49,790 positions, are supported through the transfer payments and benefits provided to retired members of the military still residing in North Carolina.
- Output is the total value of both final and intermediate products. In 2007, military spending increased state output by \$17.6 billion. The construction industry, retail stores, and real estate and rental companies experienced the greatest growth in output due to military spending. Demand is the total value of goods and services consumers are willing and able to purchase. Military activities stimulated \$35.1 billion of demand in 2007. Goods and services most in demand included construction, hospitals and other health care, real estate services, and manufactured goods such as wood products, fabricated metal products, machinery, and computers and electronic goods.
- The more disposable income an individual or family has, the more goods and services can be purchased. In 2007, the residents of North Carolina had \$16.8 billion more Real Disposable Personal Income due to the presence of the military, with the majority, \$11.4 billion, concentrated in the eastern and southeastern parts of the state near military installations.

Military Impacts in 2013

By 2013, North Carolina's military bases will have undergone a substantial transformation due to the BRAC activity and other planned troop increases. Fort Bragg will be the new headquarters for U.S. Army Forces Command (FORSCOM) and the U.S. Army Reserve Command (USARC). Between 2006 and 2013, there will be an additional \$2.4 billion in construction at Fort Bragg. These changes will lead to an estimated increase in employment of 4,024 new troops, more than 2,146 new civilian employees, and 1,942 new private contractors.

In the eastern part of the state, the Marine Corps plans to add an additional 11,477 troops and civilian workers at Camp Lejeune and associated air stations by 2012. The Marine Corps also anticipates an increase in the number of private contractors at their installations but has not yet formulated an exact estimate. Seymour Johnson Air Force Base experienced a decline in staff in 2006 and 2007 as a result of national efforts to reduce the size of the Air Force. However, these losses are partially offset by the addition of 474 new positions in 2008. An additional \$3.8 billion in military construction will occur in the Eastern Region between 2006 and 2013. These changes are expected to substantially impact the state's economy and the economies of surrounding communities.

- In 2013, new military activities (employment, capital investment and contracts) are expected to increase North Carolina's Gross Domestic Product by an additional \$2.85 billion. Similar regional impacts in Gross Regional Product (GRP) for the same year are \$1.03 billion in the Southeast Region and \$1.46 billion in the Eastern Region.
- The 2013 statewide employment growth related to new military activity is approximately 49,620 jobs. In the Southeast region, which includes Fort Bragg, Pope AFB and Sunny Point, employment is anticipated to increase by approximately 16,530. The Eastern Region, where Seymour Johnson AFB, Camp Lejeune New River, and Cherry Point are located, is expected to have around 28,030 additional jobs. These two regions account for 90 percent of the statewide employment impact. Professional and technical services, retail sales, construction, administrative/waste services and health care industries are each projected to experience employment gains in excess of 2,300 jobs statewide.
- The military growth scheduled to take place between 2006 and 2013 translates into a more than \$1.93 billion increase in real disposable personal income. By 2013, the annual real disposable per capita income will increase in the Eastern Region by \$183 and in the Southeast Region by \$133.
- In 2013, new military activities are expected to increase output in the state by \$2.14 billion. Five industries are estimated to see increased output in excess of \$100 million:



Construction
\$513 million



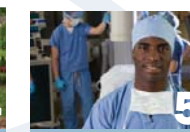
Professional and Technical Services
\$311 million



Retail Trade
\$281 million



Real Estate, Rental and Leasing
\$188 million



Health Care and Social Assistance
\$149 million

The total value of goods and services demanded by consumers in North Carolina is expected to be \$663 billion in 2013, of which \$4.37 billion can be attributed to anticipated military adjustments.

Common Terms

State Gross Domestic Product (GDP) is the total value of all finished goods and services produced within the state in a given year.

Employment is the number of people with jobs. When employment is increasing, companies are experiencing demand for their products and expanding their workforce to meet this demand. When employment is declining, people are losing jobs and their ability to pay for goods and services is diminished.

Output is the total value of both final and intermediate products. It is the amount of production in dollars, including all intermediate goods purchased as well as value added.

Demand is the total value of goods and services consumers are willing and able to purchase.

Real Disposable Personal Income is the total after-tax income that people have to either spend or save. This number serves as indicator of how much money consumers have to purchase goods and services.