

Overview

Utah's defense industry continued to expand in 2002, as base closures and realignments in other states shifted jobs and military spending to Utah. Hill Air Force Base has become the Air Force's "center of excellence" for low-observable technology. This new classification, the result of a prime military contractor relocating to Hill, will help ensure the viability of this large Utah employer. Although the defense industry experienced reductions during most of the 1990s, this trend was reversed in the latter end of the decade. Defense spending in Utah in 2001 totaled \$2.35 billion, rising 23% from the previous year. Increased activity is expected to continue in 2002 and 2003 as a result of the war on terrorism.

Trends

Nationwide, as a percent of gross domestic product (GDP), defense spending was 2.5% in 1999, 2.4% in 2000, and 2.5% in 2001. In Utah, total defense spending currently stands at \$2.35 billion—which is a 23.1% growth from 2000. As a percent of the Gross State Product (GSP), defense outlays have diminished significantly from the 1980's, with a high of over 8.3% in 1987, to a low of 2.2% in 1998. Lately, however, this has reversed, with a rate of 3.4% in 2001.

Contracting Activity

During the cold war build-up of the mid-1980s, a number of defense contractors in Utah routinely received contracts in the \$50 million range on an annual basis. Throughout the 1990s, defense contracts to private firms decreased considerably at both the state and national level. However, in recent years, defense contracting in Utah has increased significantly. Contract awards increased 73.1% in 2000 and an additional 34.4% in 2001.

The large increase in contracting is primarily attributed to TRW Inc. In recent years, TRW has been the state's top contract recipient with \$296.5 million in 2000 and \$566.7 million in 2001 in prime contract awards. The remaining top nine contractors averaged \$35.8 million in 2001. Other major defense contractors include L-3 Communications, Sinclair Oil, Evans and Sutherland, B P PLC, URS Corp., Utah State University, Northrop Grumman Corp., Envirofoam Technologies, and Alcoa Inc. In 2002, TRW merged with Northrop Grumman Corp., making Northrop the nation's second largest defense contractor.

Geographic Distribution

Federal defense spending in Utah is concentrated in Davis, Salt Lake, Tooele, and Weber counties, though significant spending occurs in Utah, Cache, Washington, and Box Elder counties. Contracting activity associated with a variety of weapons systems and other projects accounts for most of the defense spending in Salt Lake County. Payroll and procurement contracts at Tooele Army Depot and Dugway Proving Grounds account for spending in Tooele County.

Military Facilities

Hill Air Force Base, one of the state's largest basic employers and center of Utah's defense industry, has for years been faced with the possibility of base closures as a threat to its survival. Developments over the past several years may serve to ease that possibility. In 1999, Hill was selected as headquarters for one of 10 new "expeditionary" forces that will be used for quick deployment to trouble spots around the world. This selection has brought the 388th fighter wing up to full strength for

the first time since military downsizing began about a decade ago. Additionally, because of military downsizing in other parts of the country, Hill has become the home of Northrup Grumman Corp., the prime contractor for the military's B-2 stealth bomber. The move helped make Hill the Air Force's new "center of excellence" for low-observable technology. The future of Utah's defense industry is much more certain than in years past, and the increase in operations at Hill Air Force Base should prove to be a buffer against future base closures.

Defense Depot Ogden (DDO) was designated for closure by the Defense Base Closure and Realignment Commission (BRAC) in 1995, and was officially closed in September 1997 after 56 years of operation. Most of the property is being obtained by Ogden City, and in December 1999 the city approved a 70-year redevelopment project for DDO. Under the terms of the agreement, the city will lease the 1,128 acres to the Boyer Company, who will in turn redevelop the property into a major regional business and industrial park. The lease is for 40 years, with three 10-year renewal options and a long-term buyout option of \$22 million. The property will be developed over the next 15 to 20 years and is expected to create approximately 7,000 jobs in Northern Utah.

Workforce reductions at Tooele Army Depot (TEAD) have brought the total number of jobs lost to reductions in force and realignment since 1988 to roughly 2,500. The current workforce at TEAD roughly numbers 463 employees. While the loss of jobs at TEAD has been difficult, this is another example of how redevelopment of former military bases can actually help an area's economy. The 1,700 acres that were formerly owned and occupied by TEAD have been transformed to a private developer, who has renamed the area the Utah Industrial Depot (UID). More than 40 businesses or organizations have taken up residency at the depot, which has 2.5 million square feet of existing space. New job projections total more than 3,800 as a result of the redevelopment of this property. UID currently employs 830 people.

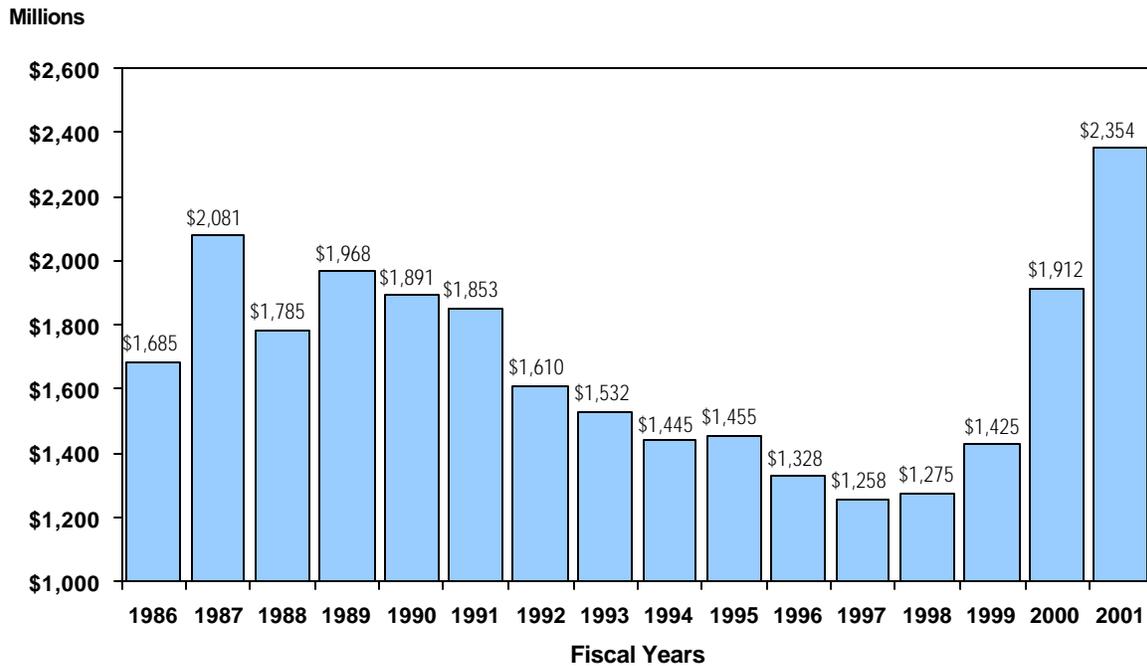
Outlook

In recent years the United States has spent less than 3% of its GDP on defense. Homeland security and the war on terrorism will warrant increased defense spending in 2003. In order to transform the military to accommodate modern needs, future closures of unneeded bases will continue, thereby funneling those costs more efficiently. Increased operations at Hill Air Force Base have improved the chances of surviving the next round of base closures in 2005.

Conclusion

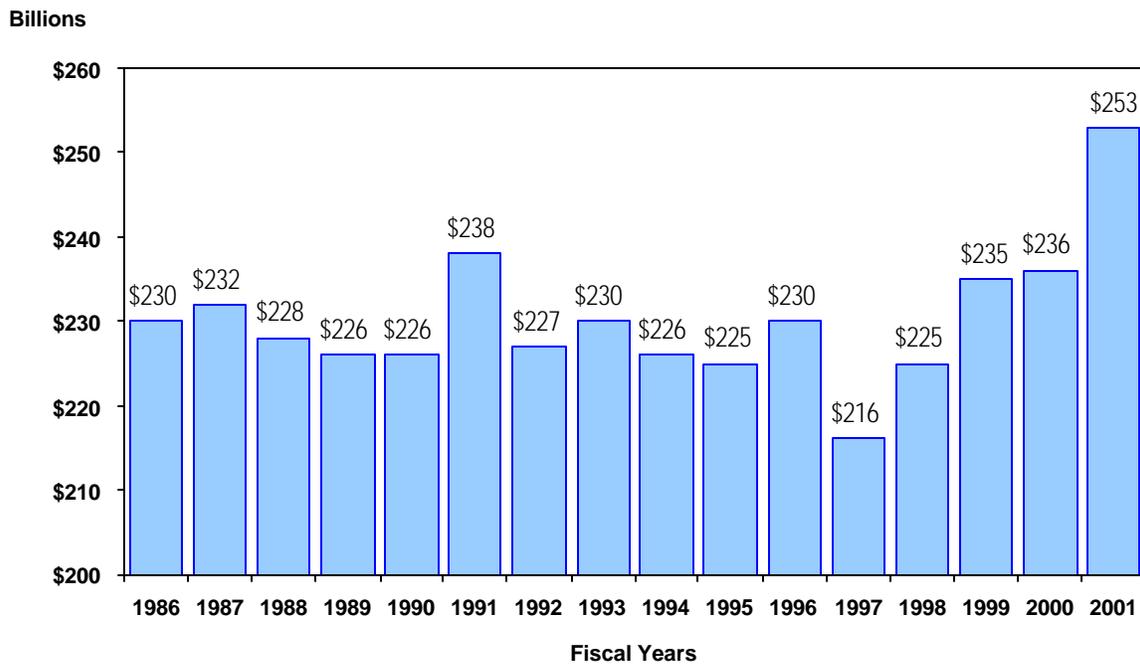
The importance of defense to Utah's economy is gradually increasing as the workload transfers from base closures in other states to produce more jobs locally. The rapid conversion of military facilities at DDO and TEAD to commercial use illustrates the state's ability to absorb jobs lost from federal cutbacks. Expectations of commercial success are strong for both new facilities. In addition, new operations beginning at Hill Air Force Base should prove to be a strengthening influence on the remainder of Utah's defense industry.

Figure 58
Federal Defense-Related Spending in Utah



Sources: U.S. Department of Commerce, Bureau of the Census; Department of Defense

Figure 59
Primary Federal Defense-Related Spending in the United States



Sources: U.S. Department of Commerce, Bureau of the Census; Department of Defense

Table 70
Federal Defense-Related Spending: Utah Total (Thousands of Dollars)

Fiscal Year	Wages and Salaries*	Procurement Contract Awards	Military Retirement	State/Local Grants	Total**	Gross State Product (Current Dollars)	Defense Spending as Percent of GSP
1986	\$784,567	\$805,747	\$94,612	\$301	\$1,685,227	\$24,473,000	6.9%
1987	794,294	1,182,097	98,743	5,766	2,080,900	25,202,000	8.3%
1988	817,787	866,782	98,876	1,318	1,784,763	27,244,000	6.6%
1989	870,295	979,116	108,005	10,186	1,967,602	28,713,000	6.9%
1990	890,892	883,014	115,442	1,232	1,890,580	31,359,000	6.0%
1991	922,035	804,404	125,526	598	1,852,563	33,658,000	5.5%
1992	852,772	614,286	134,844	8,431	1,610,333	35,671,000	4.5%
1993	847,053	532,269	146,743	5,932	1,531,997	38,395,000	4.0%
1994	763,608	524,001	152,426	4,514	1,444,549	42,236,000	3.4%
1995	794,333	495,771	161,964	2,845	1,454,913	46,290,000	3.1%
1996	760,514	393,157	171,978	2,849	1,328,498	51,523,000	2.6%
1997	642,492	433,428	180,862	1,212	1,257,994	55,070,000	2.3%
1998	620,622	464,739	189,130	171	1,274,662	59,084,000	2.2%
1999	678,173	548,103	193,157	5,445	1,424,878	62,780,000	2.3%
2000	762,281	948,877	200,412	155	1,911,725	68,549,000	2.8%
2001	867,407	1,275,131	210,903	120	2,353,561	69,691,525	3.4%
Percent Change							
2000 to 2001	13.8%	34.4%	5.2%	-22.6%	23.1%		
1986 to 2001	10.6%	58.3%	122.9%	-60.1%	39.7%		
Absolute Change							
2000 to 2001	\$105,126	\$326,254	\$10,491	(\$35)	\$441,836		
1986 to 2001	\$82,840	\$469,384	\$116,291	(\$181)	\$668,334		

Notes: Numbers in the "State/Local Grants" column are taken from the Census Bureau's *Federal Aid to States for FY 2001*.
 * Does not include fringe benefits. ** These totals do not match those in the previous table because the data sources and concepts are slightly different.

Sources: Federal Aid to States for FY 2001; U.S. Department of Commerce, Bureau of the Census. Consolidated Federal Funds Report FY 2001; U.S. Department of Commerce, Bureau of the Census. Gross State Product; 1986-00, U.S. Department of Commerce, Bureau of Economic Analysis. 2001, estimated by the Governor's Office of Planning and Budget.

Table 71
Primary U.S. Federal Defense-Related Spending (Selected Categories): All States and Territories (Thousands of Dollars)

Fiscal Year	Wages and Salaries*	Procurement Contract Awards	Military Retirement	State/Local Grants	Total	Gross Domestic Product (Current Dollars)	Defense Spending as Percent of GDP
1986	\$61,900,746	\$150,055,345	\$17,769,127	\$111,366	\$229,836,584	\$4,452,900,000	5.2%
1987	65,097,948	147,616,385	18,732,723	127,430	231,574,486	4,742,500,000	4.9%
1988	67,270,619	142,175,108	18,640,881	113,637	228,200,245	5,108,300,000	4.5%
1989	72,771,040	132,259,473	20,669,532	172,125	225,872,170	5,489,100,000	4.1%
1990	69,103,253	135,259,039	21,235,041	175,978	225,773,311	5,803,200,000	3.9%
1991	75,254,721	139,570,721	22,669,073	111,454	237,605,969	5,986,200,000	4.0%
1992	73,851,077	129,124,509	24,024,591	223,899	227,224,076	6,318,900,000	3.6%
1993	73,947,670	129,996,047	25,752,104	241,816	229,937,637	6,642,300,000	3.5%
1994	73,470,136	125,982,520	26,478,356	212,466	226,143,478	7,054,300,000	3.2%
1995	71,192,209	126,003,863	27,695,928	244,824	225,136,824	7,400,500,000	3.0%
1996	72,955,074	128,628,822	27,922,897	247,408	229,754,201	7,813,200,000	2.9%
1997	66,719,191	119,858,710	29,595,559	191,715	216,365,175	8,318,400,000	2.6%
1998	67,178,127	126,726,012	30,457,015	171,324	224,532,478	8,781,500,000	2.6%
1999	70,412,959	133,775,555	31,078,737	159,370	235,426,621	9,274,300,000	2.5%
2000	70,009,814	133,830,978	32,110,614	114,372	236,065,778	9,824,600,000	2.4%
2001	70,273,656	149,314,126	33,321,020	163,250	253,072,052	10,082,200,000	2.5%
Percent Change							
2000 to 2001	0.4%	11.6%	3.8%	42.7%	7.2%		
1986 to 2001	13.5%	-0.5%	87.5%	46.6%	10.1%		
Absolute Change							
2000 to 2001	\$263,842	\$15,483,148	\$1,210,406	\$48,878	\$17,006,274		
1986 to 2001	\$8,372,910	(\$741,219)	\$15,551,893	\$51,884	\$23,235,468		

Note: * Does not include fringe benefits.

Sources: Consolidated Federal Funds Report FY 2001; U.S. Department of Commerce, Bureau of the Census. Gross Domestic Product; U.S. Department of Commerce, Bureau of Economic Analysis.

Table 72
Federal Defense-Related Spending in Utah by County (Thousands of Dollars)

County	2001				2000	Change in Total Spending from 2000 to 2001	
	Wages*	Procurement	Other	Total**	Total**	Absolute	Percentage
Beaver	\$537	\$0	\$397	\$934	\$861	\$73	8.5%
Box Elder	3,897	23,039	3,611	30,547	32,716	(2,169)	-6.6%
Cache	1,767	30,246	9,784	41,797	36,767	5,030	13.7%
Carbon	274	0	1,162	1,436	1,286	150	11.7%
Daggett	0	0	65	65	62	3	4.8%
Davis	654,262	821,838	55,217	1,531,317	1,099,360	431,957	39.3%
Duchesne	0	700	621	1,321	747	574	76.8%
Emery	0	33	386	419	733	(314)	-42.8%
Garfield	0	0	318	318	315	3	1.0%
Grand	0	0	327	327	459	(132)	-28.8%
Iron	896	318	2,616	3,830	3,520	310	8.8%
Juab	0	0	394	394	397	(3)	-0.8%
Kane	0	0	672	672	668	4	0.6%
Millard	471	245	623	1,339	1,648	(309)	-18.8%
Morgan	0	0	1,181	1,181	1,165	16	1.4%
Piute	0	0	121	121	147	(26)	-17.7%
Rich	0	0	182	182	151	31	20.5%
Salt Lake	103,802	248,691	78,792	431,285	462,465	(31,180)	-6.7%
San Juan	193	924	355	1,472	467	1,005	215.2%
Sanpete	950	69	1,130	2,149	1,896	253	13.3%
Sevier	696	0	1,481	2,177	2,050	127	6.2%
Summit	3,374	4,598	3,151	11,123	25,030	(13,907)	-55.6%
Tooele	49,283	68,015	3,762	121,060	119,216	1,844	1.5%
Uintah	294	28	1,110	1,432	1,405	27	1.9%
Utah	14,409	46,065	24,279	84,753	45,832	38,921	84.9%
Wasatch	0	106	655	761	603	158	26.2%
Washington	18,732	28	11,248	30,008	26,786	3,222	12.0%
Wayne	0	0	213	213	198	15	7.6%
Weber	13,570	30,188	34,994	78,752	66,886	11,866	17.7%
Undistributed	0	0	0	0	0	0	0.0%
State Total	\$867,407	\$1,275,131	\$238,847	\$2,381,385	\$1,933,836	\$447,549	23.1%

Notes: * Does not include fringe benefits. ** The totals here will not match the following table because the data sources and concepts are slightly different.

Source: Consolidated Federal Funds Report for Fiscal Year 2001: U.S. Department of Commerce, Bureau of the Census.

Table 73
Federal Defense-Related Spending in Utah (Thousands of Dollars)

UTAH - TOTAL (Thousands of Dollars)					
Fiscal Year 2001					
PERSONNEL/EXPENDITURES	Total	Army	Navy & Marine Corps	Air Force	Other Defense Activities
I. Personnel - Total	33,070	10,845	1,607	19,304	1,314
Active Duty Military	5,038	319	165	4,554	0
Civilian	14,394	2,121	29	10,930	1,314
Reserve and National Guard	13,638	8,405	1,413	3,820	0
II. Expenditures - Total	\$2,394,613	\$428,618	\$132,742	\$1,614,230	\$219,023
A. Payroll Outlays - Total	1,118,192	236,546	47,819	775,033	58,794
Active Duty Military Pay	166,440	10,846	5,990	149,604	0
Civilian Pay	639,073	95,312	1,265	483,702	58,794
Reserve and National Guard Pay	101,776	73,814	3,618	24,344	0
Retired Military Pay	210,903	56,574	36,946	117,383	0
B. Contracts - Total	1,250,520	171,935	81,981	836,375	160,229
Supply and Equipment Contracts	283,216	24,204	37,542	105,447	116,023
RDT&E Contracts	108,622	33,176	25,146	24,942	25,358
Service Contracts	806,325	65,478	19,293	702,706	18,848
Construction Contracts	38,752	35,472	0	3,280	0
Civil Function Contracts	13,605	13,605	0	0	0
C. Grants	25,901	20,137	2,942	2,822	0

EXPENDITURES (Thousands of Dollars)				MILITARY & CIVILIAN PERSONNEL			
Major Locations	Total	Payroll Outlays	Grants/Contracts	Major Locations	Total	Active Duty Military	Civilian
Hill Air Force Base	\$801,896	\$660,857	\$141,039	Hill Air Force Base	15,957	4,490	11,467
Clearfield	588,259	14,302	573,957	Salt Lake City	672	127	545
Salt Lake City	301,393	84,363	217,030	Dugway	546	29	517
North Salt Lake	82,737	746	81,991	Tooele	487	0	487
Draper	66,800	25,492	41,308	Tooele Army Depot	463	9	454
Ogden	66,528	38,251	28,277	Provo	254	247	7
Tooele Army Depot	37,789	23,224	14,565	Draper	234	5	229
Logan	36,875	5,912	30,963	Ogden	234	5	229
Dugway Proving Grounds	35,107	0	35,107	West Jordan	124	0	124
Brigham City	29,264	6,647	22,617	Park City	86	75	11

PRIME CONTRACT AWARDS (Thousands of Dollars)						
(Prior 7 Fiscal Years)	Total	Army	Navy & Marine Corps	Air Force	Other Defense Activities	
2000	\$949,993	\$122,195	\$143,204	\$592,796	\$91,798	
1999	532,907	104,705	80,850	284,789	62,563	
1998	470,140	117,115	84,675	203,773	64,576	
1997	442,443	94,060	111,371	157,009	80,003	
1996	394,677	96,900	48,194	200,486	49,097	
1995	479,324	165,912	55,558	141,069	116,785	
1994	521,169	203,902	83,620	125,934	107,713	

Top 10 Contractors Receiving the Largest Dollar Volume of Prime Contract Awards in Utah	Total Amount (Thousands of Dollars)
TRW Incorporated	\$566,739
L-3 Communications Holding, Incorporated	104,722
B P PLC	33,858
Sinclair Oil Corporation	31,863
Evans & Sutherland Cmpt Corporation	29,643
URS Corporation	26,905
Envirofoam Technologies, Incorporated	25,038
Utah State University	24,102
Northrop Grumman Corporation	23,781
Alcoa Incorporated	22,255

Note: Accounting conventions used by DIOR differ from those used by the Census Bureau and therefore numbers may not match.

Source: "Atlas/Data Abstract for the US and Selected Areas," by the Statistical Information Analysis Division of the Directorate of Information Operations and Reports (DIOR).

Table 74

Federal Defense-Related Spending in the United States (Thousands of Dollars)

UNITED STATES - TOTAL (Thousands of Dollars)						
Fiscal Year 2001						
PERSONNEL/EXPENDITURES	Total	Army	Navy & Marine Corps	Air Force	Other Defense Activities	
I. Personnel - Total	2,781,445	1,285,743	739,963	666,014	89,725	
Active Duty Military	991,006	385,875	314,938	290,193	0	
Civilian	627,619	210,478	176,399	151,017	89,725	
Reserve and National Guard	1,162,820	689,390	248,626	224,804	0	
II. Expenditures - Total	\$243,778,088	\$73,834,340	\$75,556,890	\$69,797,166	\$24,589,690	
A. Payroll Outlays - Total	106,013,308	35,988,096	34,409,303	31,397,153	4,218,756	
Active Duty Military Pay	37,873,204	12,842,885	14,320,697	10,709,622	0	
Civilian Pay	29,878,749	9,759,347	9,110,030	6,790,616	4,218,756	
Reserve and National Guard Pay	5,065,731	3,157,508	589,056	1,319,167	0	
Retired Military Pay	33,195,624	10,228,356	10,389,520	12,577,748	0	
B. Contracts - Total	135,225,127	3,651,533	40,497,100	38,023,710	20,188,924	
Supply and Equipment Contracts	63,018,523	13,905,479	19,523,037	18,396,712	11,193,295	
RDT&E Contracts	21,085,479	5,579,437	4,550,174	8,779,400	2,176,468	
Service Contracts	43,625,967	11,538,033	14,772,978	10,696,664	6,618,292	
Construction Contracts	4,394,114	2,391,400	1,650,911	150,934	200,869	
Civil Function Contracts	3,101,044	3,101,044	0	0	0	
C. Grants	2,539,653	1,330,851	650,487	376,303	182,010	

EXPENDITURES (Thousands of Dollars)				MILITARY & CIVILIAN PERSONNEL			
Major Locations	Total	Payroll Outlays	Grants/Contracts	Major Locations	Total	Active Duty Military	Civilian
Newport News, VA	\$6,014,004	\$172,743	\$5,841,261	Fort Hood, TX	49,400	45,764	3,636
San Diego, CA	4,948,840	2,679,753	2,269,087	Fort Bragg, NC	44,475	39,193	5,282
St. Louis, MO	4,853,405	176,561	4,676,844	San Diego, CA	33,726	21,592	12,134
Marietta, GA	4,755,417	109,601	4,645,816	Camp Lejeune, NC	31,656	28,821	2,835
Norfolk, VA	3,614,751	2,430,788	1,183,963	Camp Pendleton, CA	30,574	28,328	2,246
Long Beach, CA	3,091,655	61,043	3,030,612	Norfolk, VA	27,083	16,817	10,266
Washington, DC	2,660,124	1,144,331	1,515,793	Great Lakes, IL	26,931	25,152	1,779
Arlington, VA	2,623,188	1,517,894	1,105,294	Washington, DC	24,721	10,803	13,918
Huntsville, AL	2,416,315	221,039	2,195,276	Arlington, VA	24,397	9,990	14,407
Sunnyvale, CA	2,367,839	45,066	2,322,773	Fort Campbell, KY	24,366	23,740	626

PRIME CONTRACT AWARDS (Thousands of Dollars)						
(Prior 7 Fiscal Years)	Total	Army	Navy & Marine Corps	Air Force	Other Defense Activities	
2000	\$123,294,978	\$32,614,979	\$38,963,003	\$35,368,606	\$16,348,400	
1999	114,875,127	30,049,383	37,451,740	32,438,343	14,935,661	
1998	109,385,850	28,471,955	36,652,133	30,138,618	14,123,145	
1997	106,561,099	28,249,679	34,522,055	30,971,306	12,818,059	
1996	109,407,896	28,829,374	33,855,101	34,886,724	11,836,698	
1995	109,004,783	27,290,168	36,900,622	33,399,384	11,414,609	
1994	110,315,963	26,844,126	35,111,813	37,062,026	11,297,998	

Top 10 Contractors Receiving the Largest Dollar Volume of Prime Contract Awards in the US Only	Total Amount (Thousands of Dollars)
Lockheed Martin Corporation	\$14,637,182
The Boeing Company	13,323,975
Newport News Shipbuilding	5,889,298
Raytheon Company	5,476,976
Northrop Grumman Corporation	5,121,300
General Dynamics Corporation	4,892,436
United Technologies Corporation	3,365,091
General Electric Company Incorporated	1,742,781
TRW Incorporated	1,736,810
Science Applications International	1,709,861

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