The California Defense Breakdown Economic Impact Report

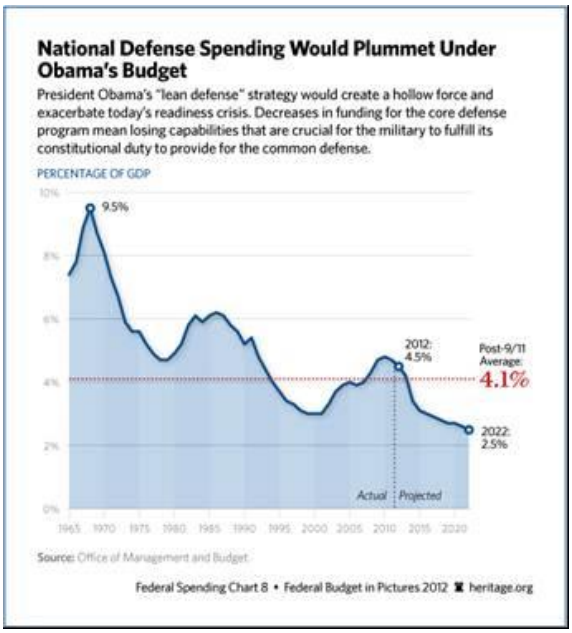
Our military is carrying an unfair burden of deficit cuts. Our Defense budget has absorbed **over 50%** of deficit reduction – yet it accounts for **less than 20%** of federal spending.

The burden will be worse under the Sequestration Budget Cuts – *unless* the President and Congress take action. The 2011 Sequestration law will cut the Defense budget by $500 billion over the next 9 years – totaling about **18%** a year including earlier 2013 – 2021 cuts.

California will lose jobs and businesses under Sequestration Defense cuts.
Sequestration will destroy jobs and businesses in California in 2013. This report shows how average 2013 defense budget reductions of at least **9%** plus the additional Sequestration cuts totaling up to **18%** could affect **California,** using actual 2011 **California** data**. California counties, cities and industries will be hit by these cuts.**

The Military will be unprepared for the threats they will face. Both the Army and Air Force National Guard will reduce training. Including a reduction in initial-qualification training as well as advanced training for intelligence specialists

Army estimates state that **78%** of all non-deploying or non-forward stationed units will be required to curtail training



America's missile defenses will be undermined:

- **The Navy will reduce Ballistic Missile Defense (BMD) Patrols in the Middle East, Atlantic and Mediterranean**
- **Several SSN (nuclear-powered general-purpose attack) submarine deployments will be cancelled**

Sequestration could eliminate the ICBM leg of the nuclear triad

We are facing a growing missile threat from our enemies:

- **The Russian military is developing and deploying an array of new and modernized anti-missile interceptors**
- **North Korea has also been expanding the capabilities of its rockets and missiles**
- **The Chinese ballistic missile force is expanding in both size and types of missiles**

Secretary of Defense Chuck Hagel: "[I]f [sequestration cuts] remain in place for FY 2014 and beyond, the size, readiness and technological superiority of our military will be reduced, placing at much greater risk the country's ability to meet our current national security commitments" 7/10/2013

Former Secretary of Defense Leon Panetta: "We'd be shooting ourselves in the head." 9/22/2011

California job losses under Sequestration could be permanent.

California businesses will not escape the 9% and 18% cuts.

California defense prime contractors earned over $42.30 billion in 2012 protecting America, but now they **face 18% revenue cuts** under Sequestration - starting in 2013**.**

California **defense contractor revenue losses** could be greater than **$7.61 billion** – each year.

California defense contractors may have to **lay off workers or even shut down under Sequestration cuts**.

***Gone*. The USA military's ability to get to threats**

Air Force will be reducing depot maintenance workloads by a third -- Affecting C-17 Globemaster III military transport aircraft, C-130 Hercules military transport aircraft and the KC-135 Stratotanker aerial refueling aircraft.

The Navy will be reducing in its carrier fleet - from 11 to 9. The USS Abraham Lincoln is undergoing a four-year overhaul to increase its life span, the USS Enterprise was deactivated, and the USS Harry S. Truman's deployment to the Persian Gulf was canceled

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***Gone*. California private sector jobs will be cut, as well as state earnings.**

A 2011 nationwide economic impact study from the Center for Regional Analysis at George Mason University predicts that California could lose hundreds of thousands of private sector jobs and tens of billions of dollars under the Sequestration law:

- **California could lose 125,789 jobs.**
- California's economy could lose **$7.41 billion** in lost earnings. California could see a **$10.79 billion** decrease in Gross State Product (GSP).

***The Bottom Line*: Projected Job Loss for California is at least 160,765 jobs.**

America's defenses under Sequestration – *Unprepared*

General Martin Dempsey, Chairman, Joint Chiefs of Staff: "I will tell you personally, if ever the force is so degraded and so unready and then we're asked to use it, it would be ***immoral*** to use the force unless it's well trained, well- led and well equipped." 2/12/2013

"We will not be able to find the money we need to achieve the level of sequestration cuts without a dramatic impact in our readiness." 7/18/2013

General Frank J. Grass, Chief, National Guard Bureau: "As I watch our Guard members again step up as they've always done for 376 plus years in peacetime and war, one of my greatest concerns is about the effects sequestration will have on our nation's outstanding National Guardsmen, as well as on our ability to respond to the governors' needs and our federal mission readiness." 2/12/2013

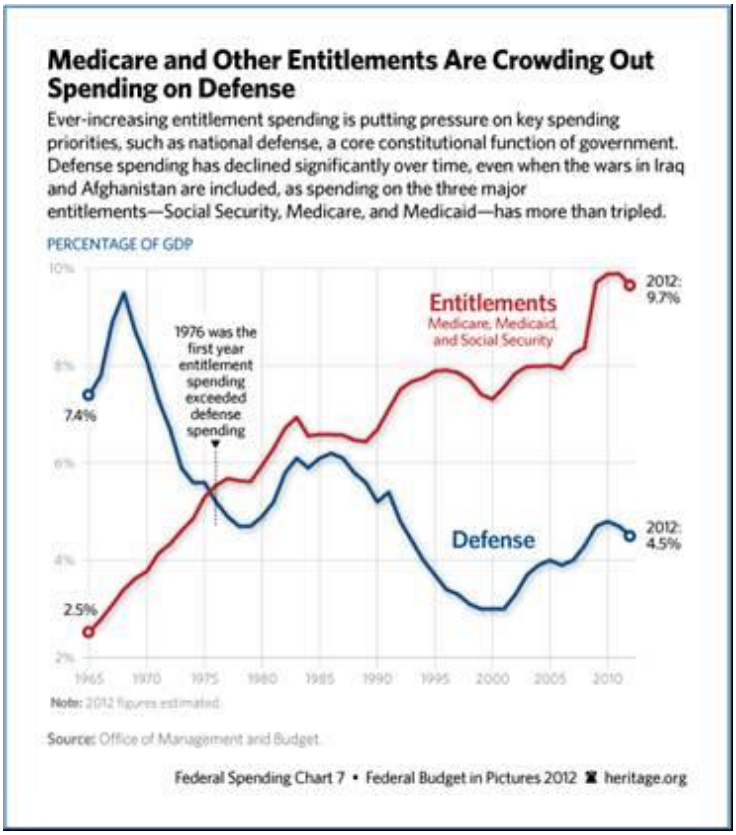
Go to www.forthecommondefense.org/reports to view detailed reports on USA counties, cities, Congressional Districts, industries, and small businesses, and information on data sources and methodology. Additional data sources available at www.governmentcontractswon.com compiled from public data at https://www.fpds.gov.

California defense business revenue losses from Sequestration budget cuts could be permanent.

These California counties could lose the most revenues:

California Top 5 Counties Projected Contract Revenue Reductions (National Average % Cuts)

County Name	2000-2012 Revenue	2012 Revenue (Baseline)	2013-2021 Annual Revenue Reduced By At Least 9%	Under Sequestration: 2013-2021 Annual Revenue Reduced By At Least 18%
Los Angeles	$140,526,339,065	$10,870,896,040	-$978,380,682	-$1,956,761,365
San Diego	$102,249,857,940	$10,219,932,175	-$919,793,932	-$1,839,587,865
Orange	$53,479,886,403	$5,604,456,406	-$504,401,097	-$1,008,802,193
Santa Clara	$58,170,321,299	$5,172,752,415	-$465,547,736	-$931,095,472
Sacramento	$28,284,637,113	$3,206,615,926	-$288,595,445	-$577,190,890



America has an alternative to Sequestration.

Representative Howard P. "Buck" McKeon (R-CA), Chairman of the House Armed Services Committee, and Senator James Inhofe (R-OK), Ranking Member of the Senate Armed Services Committee, Joint Statement:

"America's military has absorbed $487 billion in defense cuts under President Obama, with $500 billion yet to come with sequestration. Refusing to consider reforms to the mandatory spending that is driving our debt crisis, while using our troops as a piggy bank to keep unsustainable spending programs on life support, will have both fiscal and strategic consequences. We urge the President to lead, rather than loop endlessly around a beaten path. It is in his power **to forge a deal that reigns in our debt without levying more taxes on struggling Americans, and without hollowing out an at-war military**." 2/5/2013

California small businesses could be first to go when Sequestration defense budget cuts arrive.

Branches of the military have already announced cuts including lay-offs of temporary and contract workers, cuts in training, furloughs, reductions in force structure, longer deployments, maintenance delays and contract cancellations.

Our troop size will diminish

- Over **200,000** soldiers could, ultimately be eliminated from the Army's active duty, National Guard and Reserve.
- The Army will lose **80,000** active- duty troops.
- The Air Force will remove approximately **9,900** personnel from their ranks within the next five years.
- The Marine Corp. will be reducing its size by **8,000** troops.

California's businesses – especially small businesses – are at risk.

From 2000-2012, **26,810 California businesses** provided goods and services for America's national defense. In 2012, many California businesses were minority owned or other types of small businesses:

- **1,469 minority-owned businesses**, including 207 owned by Black Americans, 511 owned by Hispanic Americans, 37 owned by Native Americans, 484 owned by Asian-Pacific Americans, and 230 owned by other minority Americans.
- **1,232 small businesses** including 774 "8A" and **small disadvantaged businesses** (SDB's)
- **1,328 woman-owned** businesses
- **903 veteran-owned** businesses, including 347 owned by **service-disabled veterans**

California Defense Businesses Projected Revenue Reductions Based On National Average

Type of Business	Numbers of This Business Type 2012	Revenue for This Business Type 2012	Revenue Losses for Business Type 2012 - at Least 9% Reduction	Revenue Losses for Business Type 2012 - at Least 18% Reduction
Minority Owned	1,469	$3,005,340,903	-$270,480,692	-$540,961,384
Small Businesses	458	$1,468,693,890	-$132,182,455	-$264,364,911
Small Disadvantaged	774	$602,714,665	-$54,244,322	-$108,488,644
Veteran-Owned	556	$430,574,032	-$38,751,664	-$77,503,329
Service-Disabled Veteran	347	$657,424,294	-$59,168,189	-$118,336,378
Black American	207	$221,546,943	-$19,939,226	-$39,878,451
Hispanic American	511	$971,825,739	-$87,464,320	-$174,928,640
Asian-Pacific Owned	484	$744,402,212	-$66,996,202	-$133,992,403
Women-Owned	1,328	$1,176,321,452	-$105,868,935	-$211,737,870