

The Kentucky Defense Breakdown Economic Impact Report

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

Our military's burden will be worse under the Sequestration Budget Cuts – unless Congress takes action this year. A 2011 law requires the Defense budget be cut by another \$500 billion over the next 10 years – about 18% a year.

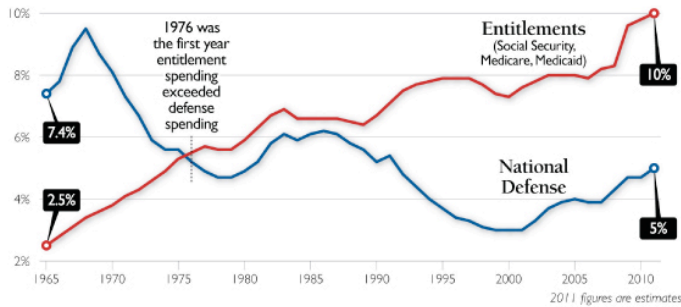
Kentucky will lose jobs and businesses under Sequestration Defense cuts.

Sequestration will destroy jobs and businesses in Kentucky in 2013. This report shows how “National Average” defense budget reductions of at least **9%** and the additional Sequestration cuts of up to **18%** could affect **Kentucky**, using actual 2010 and 2011 Kentucky data. **Kentucky counties, cities and industries will be hit by these cuts.**

Defense Spending Has Declined While Entitlement Spending Has Increased

Spending on national defense, a core constitutional function of government, has declined significantly over time, despite wars in Iraq and Afghanistan. Spending on the three major entitlements—Social Security, Medicare, and Medicaid—has more than tripled.

PERCENTAGE OF GDP



Source: White House Office of Management and Budget.

Federal Spending Chart 7 • 2011 Budget Chart Book heritage.org

Jobs gone. Businesses broke. America's military defenses devastated.

If left in place, Sequestration will cut our military to its smallest size since before World War II – while we face growing threats from Iran and North Korea, a rising China, regional threats in the Middle East, and an ongoing war in Afghanistan.

- **9%:** In 2012, President Obama limited U.S. military capability to fighting one “regional conflict” and one “holding action.” Defense budgets for 2013-2021 were cut **\$487 billion – a 9% cut, at a minimum.**
- **18%:** “Sequestration,” required by law in 2011, mandates **\$500 billion more** in 2013-2021 defense cuts – **an 18% cut, at a minimum.** President Obama said he will veto any changes Congress makes.

Secretary of Defense Leon Panetta: “If the maximum sequestration is triggered, the total cut will rise to about \$1 trillion compared with the FY 2012 plan...The impacts of these cuts would be **devastating**... Rough estimates suggest that after ten years of these cuts, we would have the smallest ground force since 1940, the smallest number of ships since 1915, and the smallest Air Force in its history.” 11/14/2011



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Kentucky job losses under Sequestration could be permanent.

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

Kentucky defense prime contractors earned over \$5.32 billion in 2011 protecting America, but now they may **face 18% revenue cuts** under Sequestration - starting in 2013.

Kentucky **defense contractor revenue losses** could be greater than **\$957 million** – each year.

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

Gone. Many Kentucky public sector jobs will be eliminated under Sequestration.

Congressional experts estimate Kentucky could lose DOD military active-duty and DOD civilian jobs:

- Under Sequestration, 7,190 **military active-duty employees** could lose their jobs.
- Under Sequestration, 2,241 **civilian DOD employees** could lose their jobs.

Gone. Kentucky 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 Kentucky could lose tens of thousands of private sector jobs and billions of dollars under the Sequestration law:

- Kentucky could lose **15,739 jobs**.
- Kentucky's economy could lose **\$929 million** in lost earnings. Kentucky could see a **\$1.35 billion** decrease in Gross State Product (GSP).

The Bottom Line: Projected Job Loss for Kentucky is at least **25,169 jobs**.

America's defenses under Sequestration – "*a hollow force.*"

General Martin Dempsey, Chairman, Joint Chiefs of Staff: "Sequestration leaves me three places to go to find the additional money: operations, maintenance and training. That's the definition of *a hollow force.*" 2/14/2012

"Catastrophic."

General Ray Odierno, Chief of Staff, United States Army: "Cuts of this magnitude would be *catastrophic* to the military...my assessment is that the nation would incur an unacceptable level of strategic and operational risk." 9/22/2011

Go to www.forthecommondefense.org/reports to view detailed reports on Kentucky 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>.

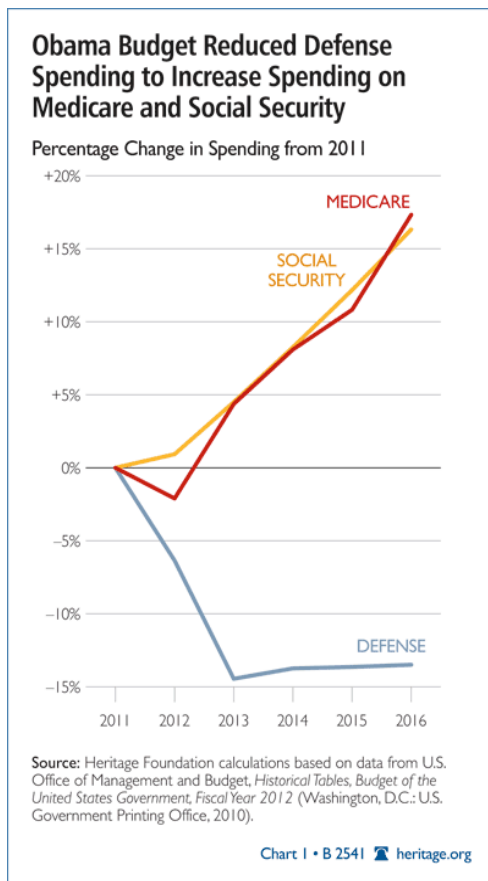


Kentucky defense business revenue losses from Sequestration budget cuts could be permanent.

These Kentucky counties could lose the most revenues:

Kentucky Top 5 Counties Projected Contract Revenue Reductions Based On National Average

County Name	2000-2011 Revenue	2011 Revenue (Baseline)	2013-2021 Annual Revenue Reduced By At Least 9%	Under Sequestration: 2013-2021 Annual Revenue Reduced By At Least 18%
Jefferson	\$28,349,887,299	\$4,315,407,418	-\$388,386,683	-\$776,773,366
Christian	\$1,794,102,682	\$257,806,988	-\$23,202,630	-\$46,405,260
Madison	\$257,993,070	\$240,104,817	-\$21,609,434	-\$43,218,869
Fayette	\$4,416,513,846	\$145,414,292	-\$13,087,287	-\$26,174,574
Boone	\$515,663,573	\$67,522,923	-\$6,077,063	-\$12,154,127



“Very dangerous cuts across the board.”

Secretary of Defense Leon Panetta: “But if [sequestration] happened – and, God willing, that would not be the case – but if it did happen, it would result in a further round of *very dangerous cuts* across the board -- defense cuts that I believe would do real damage to our security, our troops and their families, and our military's ability to protect the nation.” 8/4/2011

“We’d be shooting ourselves in the head.” 9/22/2011

“Dire consequences.”

General Norton Schwartz, Air Force Chief of Staff: “Even the most thoroughly deliberated strategy may not be able to overcome *dire consequences*.” 11/2/2011



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

With at least 9% or Sequestration’s 18% in planned budget cuts, Kentucky’s businesses – especially small businesses – will be at risk.

From 2000-2011, **2,682 Kentucky businesses** provided goods and services for America’s national defense. In 2011, many Kentucky businesses were minority owned or other types of small businesses:

- **50 minority-owned businesses**, including 20 owned by Black Americans, 6 owned by Hispanic Americans, 6 owned by Native Americans, 9 owned by Asian-Pacific Americans, and 9 owned by other minority Americans.
- **62 small businesses** including 36 “8A” and **small disadvantaged businesses** (SDB’s)
- **126 woman-owned** businesses
- **88 veteran-owned** businesses, including 26 owned by **service-disabled veterans**

Kentucky Defense Businesses Projected Revenue Reductions Based On National Average

Type of Business	Numbers of This Business Type 2011	Revenue for This Business Type 2011	Revenue Losses for Business Type 2011 - at Least 9% Reduction	Revenue Losses for Business Type 2011 - at Least 18% Reduction
Minority Owned	50	\$95,018,292	-\$8,551,647	-\$17,103,293
Small Businesses	26	\$84,314,816	-\$7,588,334	-\$15,176,667
Small Disadvantaged	36	\$4,073,205	-\$366,588	-\$733,177
Veteran-Owned	62	\$10,504,298	-\$945,387	-\$1,890,774
Service-Disabled Veteran	26	\$41,892,323	-\$3,770,309	-\$7,540,618
Black American	20	\$19,264,302	-\$1,733,787	-\$3,467,574
Hispanic American	6	\$14,328,801	-\$1,289,592	-\$2,579,184
Asian-Pacific Owned	9	\$5,096,766	-\$458,709	-\$917,418
Women-Owned	126	\$98,972,329	-\$8,907,510	-\$17,815,020

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