

Monterey County Military Economic Impact Report



Prepared by:







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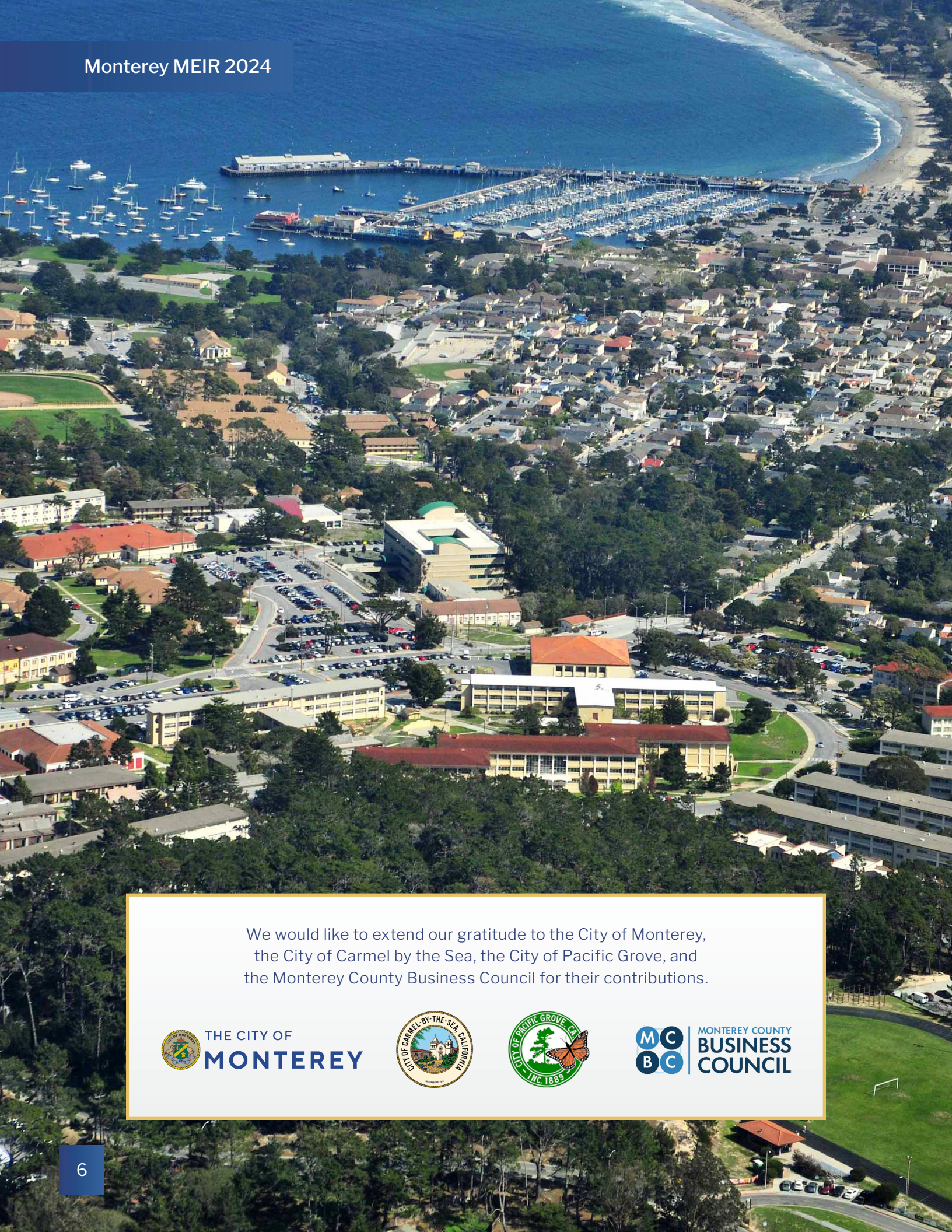
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We would like to extend our gratitude to the City of Monterey, the City of Carmel by the Sea, the City of Pacific Grove, and the Monterey County Business Council for their contributions.



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Executive Summary

The federal government spent more than \$2.4 billion on military and defense activities in Monterey County in Fiscal Year 2023 (FY23). Defense installations within Monterey County include Naval Support Activity Monterey, home to the Naval Postgraduate School, the Navy Research Lab, and the Fleet Numerical Meteorology and Oceanography Center; the Presidio of Monterey, home to the Defense Language Institute Foreign Language Center; Fort Hunter Liggett, a major Army Reserve training installation; Camp Roberts, a major National Guard training center; and Defense Human Resources Activity Monterey at the Department of Defense (DoD) Center Monterey Bay, one of the DoD’s major personnel offices. In addition, US Coast Guard (USCG) Station Monterey is based in the County; 40 personnel operate out of the base, while 15 are assigned to USCG Cutter Hawksbill, an 87-foot Patrol Boat. In total, Monterey County is home to 11,824 defense personnel, who received nearly \$1.4 billion in compensation (see Table 1). Nearly \$682 million in defense contracts and grants from the DoD and USCG were performed in Monterey County, including \$1.3 million in DoD Impact Aid for local school districts. Additionally, pensions, transfer payments, and education and medical benefits for the County’s 17,599 veterans and retirees totaled nearly \$328 million.

Table 1 Direct Defense Spending, Monterey County, FY23

Spending Flow	Total Expenditures
Personnel Compensation	\$1.4 billion
Procurement, Grants, and Aid	\$0.7 billion
Pensions & Transfers	\$0.3 billion
Total	\$2.4 billion

Source: Department of the Treasury; DoD Office of the Actuary; National Center for Veterans Analysis and Statistics; National Association of Federally Impacted Schools; IMPLAN
Note: Values are in 2023 dollars. Values may not sum to total due to rounding.

As direct defense spending ripples through an economy, it generates indirect and induced effects. Indirect effects are caused by business-to-business spending in the supply chain, such as when a defense contractor buys supplies to fulfill its contract. Induced effects occur when households spend their income on the economy, such as when military families go out to dinner at a local restaurant. In total, the \$2.4 billion of direct defense spending generated \$4.9 billion in value added to Monterey County’s economy, along with 27,475 jobs and \$2.5 billion in labor income (see Table 2).

Table 2 Defense Activity Economic Impact, Monterey County, FY23

	Impact	% of Monterey Economy
Employment	27,475 jobs	10.5%
Labor Income	\$2.5 billion	7.6%
Value Added	\$4.9 billion	14.8%

Source: IMPLAN

Note: Values are in 2024 dollars.





Introduction

In June 2024, Matrix Design Group, Inc. (Matrix) was retained by the Monterey Bay Defense Alliance to conduct an economic impact assessment of military and defense activity in Monterey County. This study is an update of the previous economic impact assessment conducted in 2020. As expected, the military and defense sector has remained a significant economic driver for Monterey County.

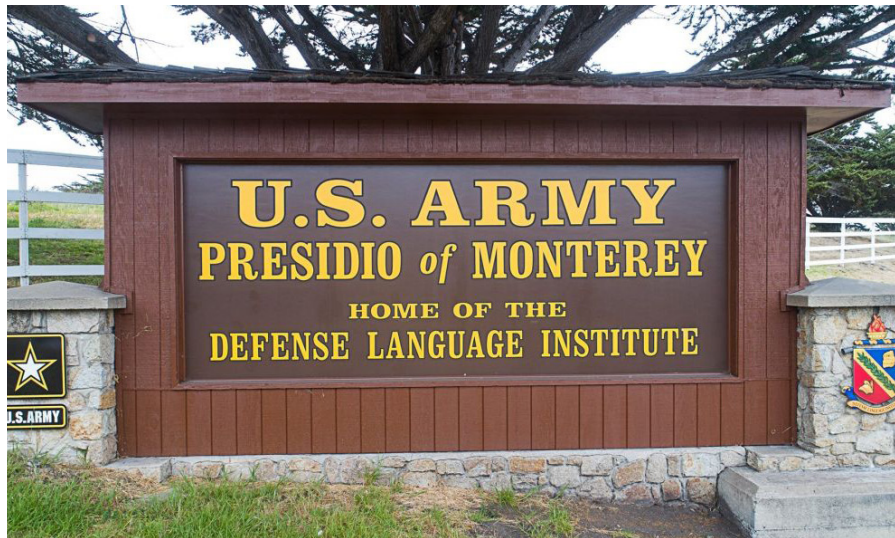
Background

Monterey County, California, has played a pivotal role in U.S. national security since the mid-19th century. In 1846, during the Mexican-American War, U.S. forces established the **Presidio of Monterey**, one of the oldest military posts on the West Coast. Initially used to secure California's coastal defenses, the Presidio continued to evolve over the years, adapting to the needs of the military in various conflicts, including both World Wars. Its geographic location, overlooking the Pacific Ocean, made it an ideal site for defense purposes, and its importance grew as the U.S. military expanded its global reach.

One of the Presidio's most significant transformations occurred in the aftermath of World War II, when it became home to the **Defense Language Institute Foreign Language Center (DLIFLC)**. Established to train military personnel in foreign languages, DLIFLC grew in importance during the Cold War, as the U.S. military recognized the need for linguistic and cultural expertise in dealing with international conflicts and diplomacy. Today, DLIFLC remains a world-renowned institution, training thousands of service members annually in critical languages such as Arabic, Chinese, Russian, and Korean, ensuring that U.S. Armed Forces are well-prepared for global missions.



In addition to the Presidio, Monterey became home to **Naval Support Activity Monterey (NSAM)**, which includes more than 15 tenant organizations. One of those tenants is the **Naval Postgraduate School (NPS)**. Originally established in Annapolis, Maryland, NPS relocated to Monterey in 1951 to expand its capacity to offer advanced graduate education to officers from all branches of the military. NPS has since developed into a premier institution for military research and education, offering graduate programs in engineering, national security, and cyber operations, among others. This has not only enhanced the professional development of military officers but also positioned Monterey as a center for innovation in defense technologies. Other tenants of Naval Support Activity Monterey include the Navy Research Lab and the Fleet Numerical Meteorology and Oceanography Center.



Another significant military entity in the area is the **Defense Human Resources Activity (DHRA) Monterey**, located at the **Department of Defense (DoD) Center Monterey Bay**. DHRA serves as a focal point for human resources services, policy, and program development across the entire defense sector. The presence of DHRA Monterey reinforces the County's role in supporting personnel readiness and management for U.S. military operations. By focusing on workforce development, data analysis, and policy planning, DHRA plays a crucial role in shaping the human capital strategies that keep U.S. military forces equipped with the skills and leadership necessary for global defense missions.

Beyond these educational and administrative hubs, **Fort Hunter Liggett** and **Camp Roberts**, two major training facilities in Monterey County, have further expanded the region's military presence. Established in 1940, Fort Hunter Liggett serves as a vital training area for the U.S. Army Reserve, encompassing nearly 165,000 acres of diverse terrain that allows for large-scale, realistic military exercises. Its vast size and varied geography make it a crucial location for training in combined arms operations, maneuvers, and joint exercises involving all branches of the military. Fort Hunter Liggett also supports numerous other defense activities, including logistics, testing, and development, making it an integral part of U.S. military preparedness.

Similarly, Camp Roberts, located on the border between Monterey and San Luis Obispo Counties, has been a key training installation since its establishment in 1941. Initially one of the largest training camps during World War II, Camp Roberts has transitioned

into a major site for the California National Guard, Army Reserve, and active-duty units. Today, Camp Roberts provides essential facilities for troop training, including ranges for weapons qualifications, maneuvers, and modern urban warfare simulations, ensuring that military personnel are ready for a wide array of combat situations.

The presence of these installations and organizations — the Presidio of Monterey, DLIFLC, NSAM, NPS, Fort Hunter Liggett, Camp Roberts, DHRA Monterey, and USCG Station Monterey — has had a profound economic impact on Monterey County. The constant influx of students, faculty, military personnel, and their families creates a stable source of revenue for local businesses, particularly in housing, retail, and services. Additionally, the military's investment in infrastructure and research initiatives generates numerous civilian jobs and partnerships with local universities and industries. In fact, Fort Hunter Liggett recently celebrated the completion of its \$21.8 million microgrid project, becoming the first Department of Defense installation to implement a microgrid system entirely operating on renewable energy. Over time, the military's presence has become a cornerstone of Monterey's economy by providing a consistent population base and contributing to long-term economic growth.

As Monterey continues to serve as a hub for military education, training, human resources management, and operational readiness, the economic and social ties between the military and the local community remain strong. The military installations not only provide direct economic benefits but also foster a sense of civic pride and collaboration in the region, further enhancing Monterey's reputation as a center for both defense training and academic excellence.



Methodology

The Matrix Team acquired data on defense expenditures from an array of authoritative public sources, as well as directly from the installations. The study primarily employs estimates from Fiscal Year (FY) 2023 – the most current available data at the time of writing. The federal expenditures examined encompass the federal military (Active Duty, Reserve, and DoD civilians), the National Guard, and the U.S. Coast Guard (USCG). To produce the most accurate, comprehensive analysis possible, the Matrix Team strove to capture all defense-related spending flows. These included DoD and USCG contracts and grants performed in Monterey County; compensation (including basic allowance for housing [BAH] and basic allowance for subsistence [BAS] for active-duty, National Guard, and Reserve personnel and per diem for personnel on temporary duty [TDY]); pensions, disability payments, and medical and educational transfers to veterans and retirees; DoD Impact Aid for local school districts; and spouse employment. Personnel data were obtained by consulting the installations. The specific public data sources used to complete the economic impact analysis are listed below:

- ◆ **U.S. Bureau of Economic Analysis:** This U.S. Department of Commerce agency provides data on military and federal civilian employment and compensation for states, counties, and metro areas.
- ◆ **U.S. Department of the Treasury:** Through USAspending.gov, the Department of the Treasury offers detailed data on federal procurement. Spending is categorized by North American Industry Classification System (NAICS), place of performance, and funding agency.
- ◆ **Defense Manpower Data Center (DMDC):** This is the central source for identifying, authenticating, authorizing, and providing information on personnel during and after their affiliation with the DoD.
- ◆ **National Center for Veterans Analysis and Statistics:** This Department of Veterans Affairs clearinghouse provides statistics on the veteran population and pension and transfer payments.
- ◆ **DoD Office of the Actuary:** Congressional district- and state-level military retiree and pension data are presented in biennial reports issued by this entity.
- ◆ **National Association of Federally Impacted Schools:** This nonprofit organization furnishes data on DoD Impact Aid to individual school districts.

Federal defense expenditures stimulate additional rounds of spending by businesses and consumers, thereby supporting jobs and spurring growth in seemingly unrelated industries. Economists have developed models to estimate the total impact of defense spending as it ripples through the economy, commonly referred to as the multiplier effect. Specifically, these models quantify the direct, indirect, and induced effects of spending. Direct effects refer to the initial round of impacts resulting from expenditures on behalf of the federal military, National Guardsmen, Coast Guardsmen, veterans,



and retirees. These first-order effects consist of the immediate changes in employment, wages, and output caused by defense spending in the industries in which they occur. Hence, defense spending's direct effects do not merely materialize as DoD jobs and compensation; they also extend to the industries that perform defense procurement activities and provide medical, educational, and other services to veterans, as well as the school districts supported by DoD Impact Aid. Indirect, or second-order, effects result from business-to-business transactions in the supply chain. In the case of the defense economy, these effects primarily occur when private contractors and installations purchase goods and services used in the production process, otherwise referred to as intermediate inputs. Finally, household spending by defense personnel, veterans, and employees of defense contractors and the companies that form the defense supply chain generates induced, or third-order, effects. Taxes, savings, and commuter income, otherwise known as "leakages," are removed before these impacts are calculated.

This study uses the industry-standard IMPLAN input-output model to estimate the direct, indirect, and induced effects of defense spending on four outcome variables: **Employment**, **Labor Income**, **State and Local Taxes**, and **Value Added** to gross regional product (GRP), the subnational analogue to gross domestic product (GDP). In technical terms, **Value Added** is the difference in value between total output, defined as the gross value of an industry's financial transactions, and intermediate inputs. It is considered a more valid indicator of economic impact than total output, which double counts the value of the goods and services used in the production process. The formula for GRP, which is generalizable to other geographic levels, is below:

$$\text{GRP} = \text{C} + \text{I} + \text{G} + (\text{X} - \text{M})$$

- ◆ **C**onsumption spending by individuals on goods and services
- ◆ **I**nternal investment expenditures by businesses and individuals on capital goods, structures, and residential construction
- ◆ **G**overnment spending
- ◆ **E**xports (gross value)
- ◆ **I**mports (gross value)

This study presents results from a county model that provides a comprehensive analysis of the economic impacts associated with Monterey's military and defense sector. To capture economic impacts that extend beyond Monterey County, the model leverages IMPLAN's multiregional input-output (MRIO) capabilities. By utilizing data on interregional commodity trade and commuting flows, the MRIO method ensures that Monterey is credited for all the economic activity that it generates, regardless of where in California it occurs.





Direct Defense Spending

This section provides a detailed analysis of the major defense spending flows. In total, approximately \$2.4 billion in defense spending was injected into Monterey County in FY23 (see Table 3). Compensation to the County’s 11,824 uniformed and DoD civilian employees totaled \$1.4 billion, making it the largest spending flow. Defense procurement and aid, which supports private industry suppliers and is vital to maintaining the installations’ operations, amounted to an additional \$682 million. This includes \$1.3 million in DoD Impact Aid, which directly supports local school districts. The County’s 17,599 veterans and retirees were also integral to the County’s economic vitality, as indicated by the \$328 million they received in pensions, education benefits, and medical benefits.

Table 3 Direct Defense Spending, Monterey County, FY23

Spending Flow	Total Expenditures
Personnel Compensation	\$1.4 billion
Procurement, Grants, and Aid	\$0.7 billion
Pensions & Transfers	\$0.3 billion
Total	\$2.4 billion

Source: Department of the Treasury; DoD Office of the Actuary; National Center for Veterans Analysis and Statistics; National Association of Federally Impacted Schools; IMPLAN
Note: Values are in 2023 dollars. Values may not sum to total due to rounding.

Personnel Compensation

Monterey County is home to 11,824 full-time defense personnel, which includes 6,343 active-duty and full-time National Guard or Reserve service members and 5,481 civilian employees across all branches. These personnel receive a total of \$1.4 billion in labor income from the Department of Defense. In addition to these permanent personnel, more than 35,000 defense personnel visit for temporary duty throughout the year, contributing their combined \$35 million in per diem to the Monterey County economy. Finally, while military spouses make intangible contributions to their communities regardless of employment status, the analysis focuses on the economic contributions of Monterey’s estimated 1,185 employed active-duty spouses.

Procurement, Grants, and Aid

Most federal dollars awarded to Monterey County — more than 99% — came in the form of DoD contracts (see Table 4). In total, \$678 million was directed to contractors working on behalf of the DoD. DoD grants comprise the next largest portion, at \$2.6 million, followed by DoD Impact Aid at \$1.3 million and USCG contracts at \$0.6 million. DoD Impact Aid plays a critical role in supporting the employment of teachers and other essential school staff, along with facility improvements or maintenance.

Table 4 Total Awards by Type, Monterey County, FY23

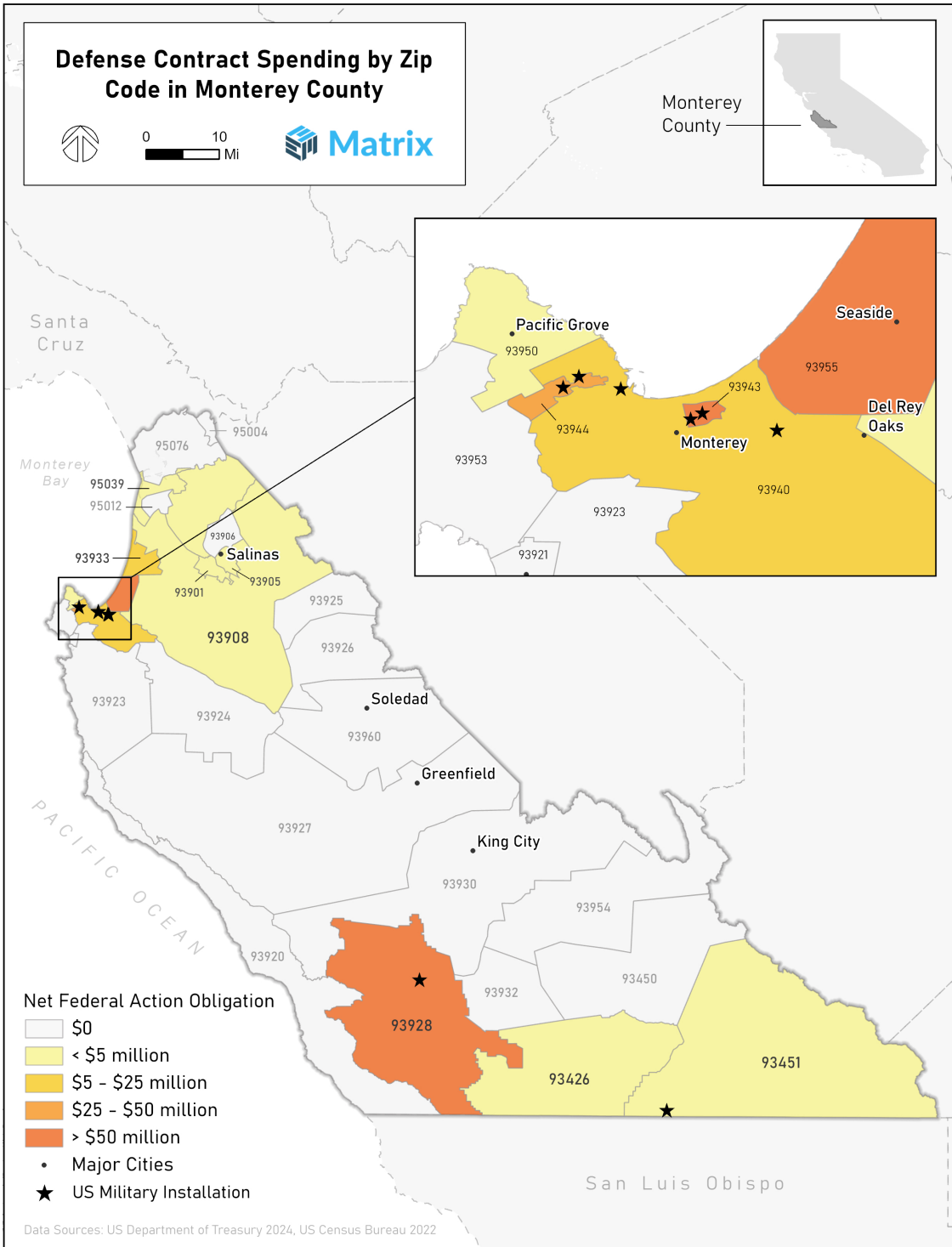
Category	Amount
DoD Contracts	\$677.0 million
DoD Grants	\$2.6 million
USCG Contracts	\$0.6 million
USCG Grants	\$0.0 million
DoD Impact Aid	\$1.3 million
Total	\$682.0 million

Source: Department of the Treasury

Note: Values are in 2023 dollars. Values may not sum to total due to rounding.

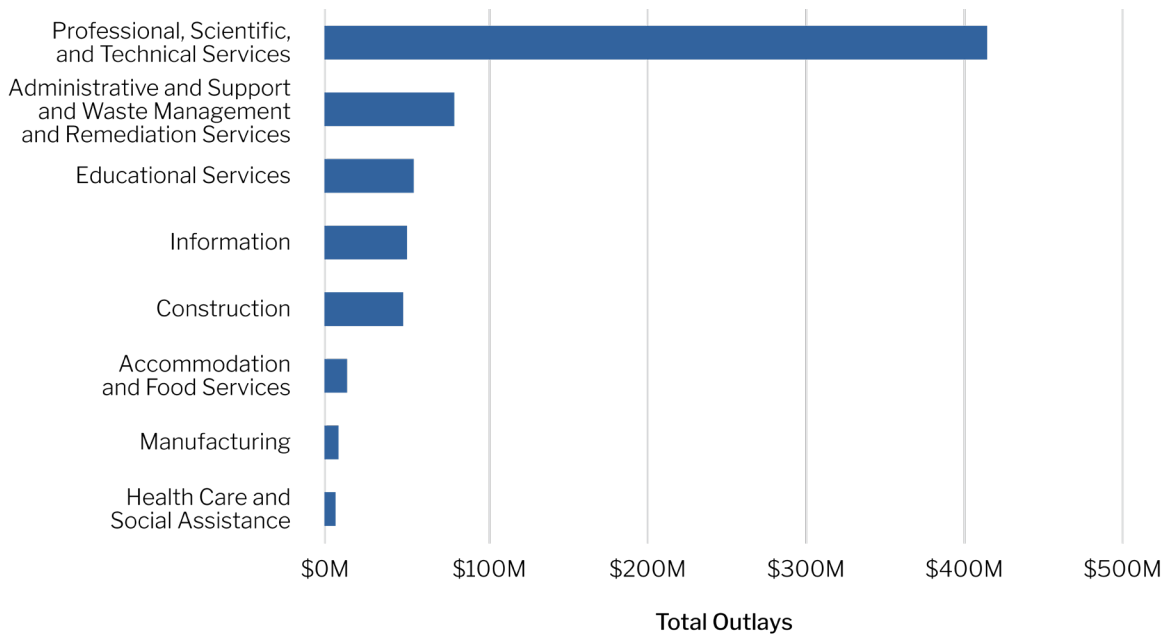
The geographic distribution of the \$678 million of defense procurement (i.e., DoD and USCG contracts) performed in Monterey County is displayed in Figure 1. As expected, the spending was concentrated heavily in the zip codes that contain installations. The City of Seaside (i.e., zip code 93955), home of the Department of Defense Center Monterey Bay, received nearly \$456 million in contracts, mostly for computer-related services. The north central region of the City of Monterey (i.e., zip code 93943), home of the Naval Postgraduate School and Naval Support Activity Monterey, was the site of nearly \$105.5 million of procurement. In northwest Monterey City, the Presidio of Monterey (i.e., zip code 93944) helped attract an additional \$437.5 million of contracts. Significant sums were also injected into other nearby coastal communities. In the southern part of the County, services valued at over \$51.6 million were performed in the Camel Valley area, where Fort Hunter Liggett is based (i.e., zip code 93928). Although defense contracting activities did not occur in the central region of the County, the proximity of these neighborhoods to Monterey’s defense industrial base affords them indirect and induced economic benefits.

Figure 1 Procurement by Zip Code, Monterey County, FY23



Nearly every sector of Monterey County’s economy directly benefited from defense procurement activities to some degree, though the spending was heavily concentrated in only a few sectors (see Figure 2). Most notably, contractors specializing in **Professional, Scientific, and Technical Services** were the beneficiary of \$412.5 million, or 61% of all procurement. Within that sector, the main industries were **Computer Systems Design Services; Other Computer Related Services; Research and Development in the Physical, Engineering, and Life Sciences (Except Nanotechnology and Biotechnology); Engineering Services; Custom Computer Programming Services; and Administrative Management and General Management Consulting Services**. Collectively, these industries’ contracts were valued at nearly \$400 million. The DoD also relied heavily on Monterey’s **Administrative and Support and Waste Management and Remediation Services** sector, with awards totaling \$80.2 million. Spending across the remaining sectors, some of which are not displayed in Figure 2, equaled almost \$185 million.¹ Those funds were overwhelmingly directed to **Educational Services, Information, and Construction**.

Figure 2 Defense Procurement by Sector, Monterey County, FY23



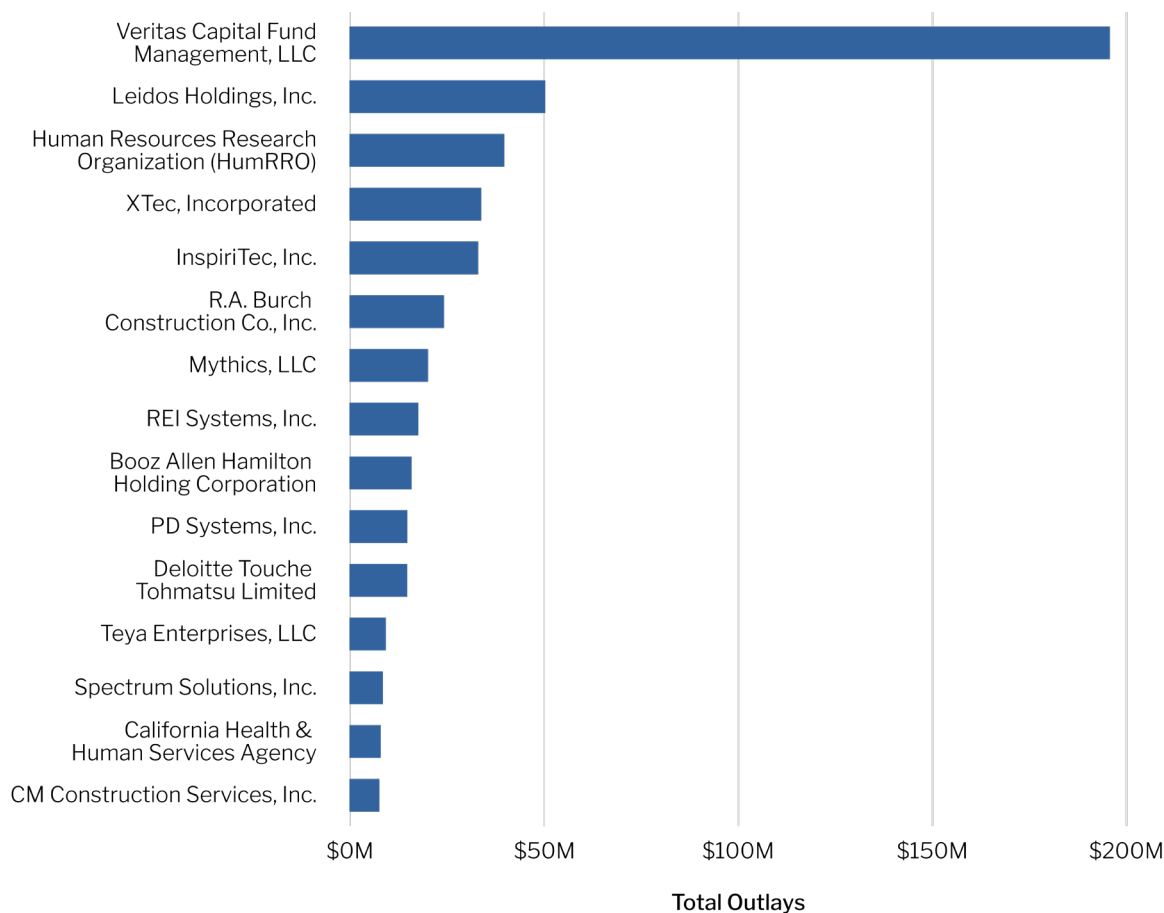
Source: Department of the Treasury
 Note: Values are in 2023 dollars.

¹ The sectors not displayed are Other Services (except Public Administration) (\$1,528,971); Transportation and Warehousing (\$1,249,638); Mining, Quarrying, and Oil and Gas Extraction (\$732,542); Real Estate and Rental and Leasing (\$199,772); Utilities (\$14,243); and Finance and Insurance (\$2,520).



In FY23, 384 federal defense contractors were active in Monterey County, demonstrating the far-reaching impact of its defense economy. The top 15 contractors are identified in Figure 3. R.A. Veritas Capital Fund Management, LLC, which provided an array of technical services, was the largest contractor, securing almost \$200 million of procurement. Leidos Holdings, Inc., which supported the DoD in a similar capacity, also had a major presence in the County, performing services valued at over \$50 million. Nine other contractors were awarded over \$10 million. Their services spanned facilities support, technology, engineering, manufacturing, and construction.

Figure 3 Major Defense Contractors, Monterey County, FY23

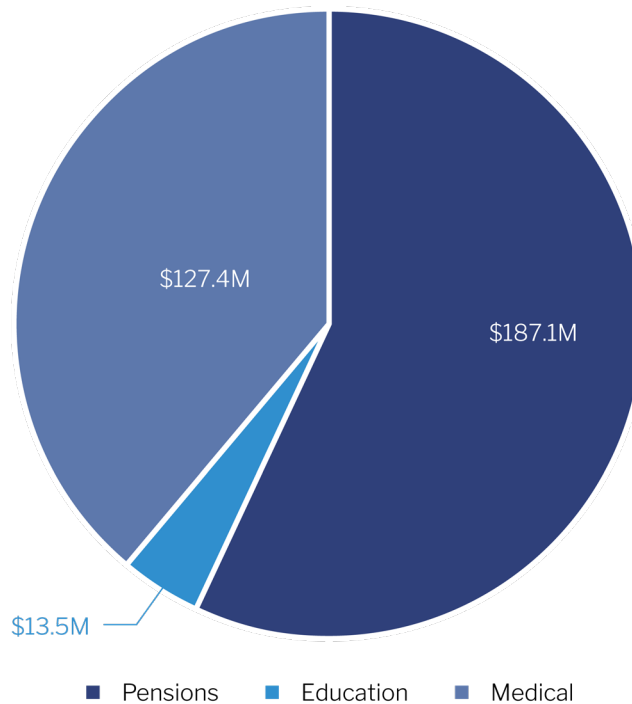


Source: Department of the Treasury
 Note: Values are in 2023 dollars.

Pensions and Transfers

Pensions and transfers to Monterey County’s 17,599 veterans and retirees represent another key pillar of its defense economy (see Figure 4). These expenditures, which fueled household spending on goods and services throughout the local economy, totaled \$328 million. Veterans collected \$187 million in compensation and pensions from the Department of Veterans Affairs (VA) and the DoD, which accounted for 43% of total veteran and retiree benefits. Reflecting the presence of Major General William H. Gourley VA-DoD Outpatient Clinic in Marina, \$127 million was directed toward veterans’ medical care. VA spending on veterans’ education and vocational rehabilitation/employment was also sizeable, amounting to \$14 million.

Figure 4 Pension and Transfer Payments to Veterans and Retirees, Monterey County, FY23



Source: DoD Office of the Actuary; National Center for Veterans Analysis and Statistics
Note: Values are in 2023 dollars.





Economic Impact

As Table 5 demonstrates, the \$2.4 billion of military and defense spending contributed \$4.9 billion to Monterey County’s GRP, representing 14.8% of the economy. Nearly one-quarter of this impact was indirect or induced in nature, highlighting defense spending’s role in supporting local businesses and promoting prosperity. More than 27,000 jobs were generated directly or indirectly by the military and defense sector, accounting for 10.5% of countywide employment. These jobs were not limited to the defense sector; in fact, nearly 60% of Monterey’s industries had at least one additional person employed directly or indirectly due to military spending. Nearly \$2.5 billion of labor income was attributable to the military and defense sector, meaning that the average direct, indirect, or induced job paid \$89,474 annually.

Table 5 Direct, Indirect, and Induced Economic Impacts of Defense Activity, Monterey County, FY23

	Direct	Indirect	Induced	Total Impact	% of Monterey Economy
Employment	17,883	1,967	7,624	27,475	10.5%
Labor Income	\$1.8 billion	\$0.1 billion	\$0.5 billion	\$2.5 billion	7.6%
Value Added	\$3.8 billion	\$0.2 billion	\$0.9 billion	\$4.9 billion	14.8%

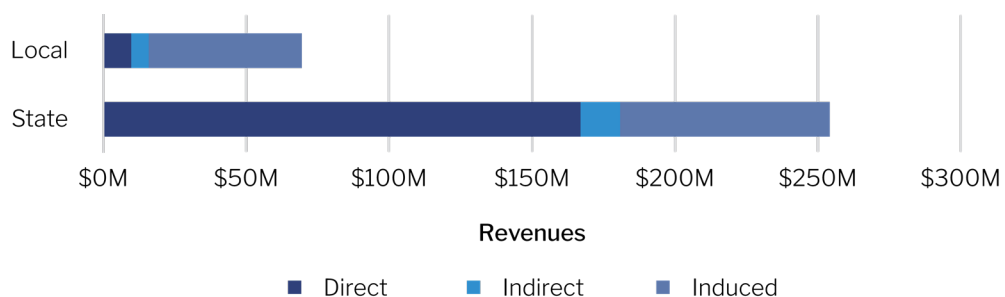
Source: IMPLAN
 Note: Dollar values are in 2024 dollars. Components may not sum to totals due to rounding.





Defense spending contributed significantly to state and local tax revenues in California and Monterey County (see Figure 5). More than \$69 million in local taxes and \$254 million in state taxes were associated with Monterey’s defense economy. Each of the major defense spending flows generates revenue. First, the economic activity attributable to defense procurement generates sales, corporate, and income tax revenue. Indeed, defense contractors hire local workers, make purchases from local suppliers, and accumulate corporate profits. Second, DoD personnel, as well as defense contractor employees, pay both income and sales taxes. Sales tax revenue is raised through induced means (i.e., when households purchase goods or services in the local economy). This explains why local tax revenue is overwhelmingly induced, rather than direct or indirect, in nature. Third, unlike VA benefits, military retiree pensions are subject to state income taxes in California, and veterans’ pension and transfer payments spent in the local economy are another source of sales tax revenue.

Figure 5 Defense Activity Tax Revenue, Monterey County, FY23

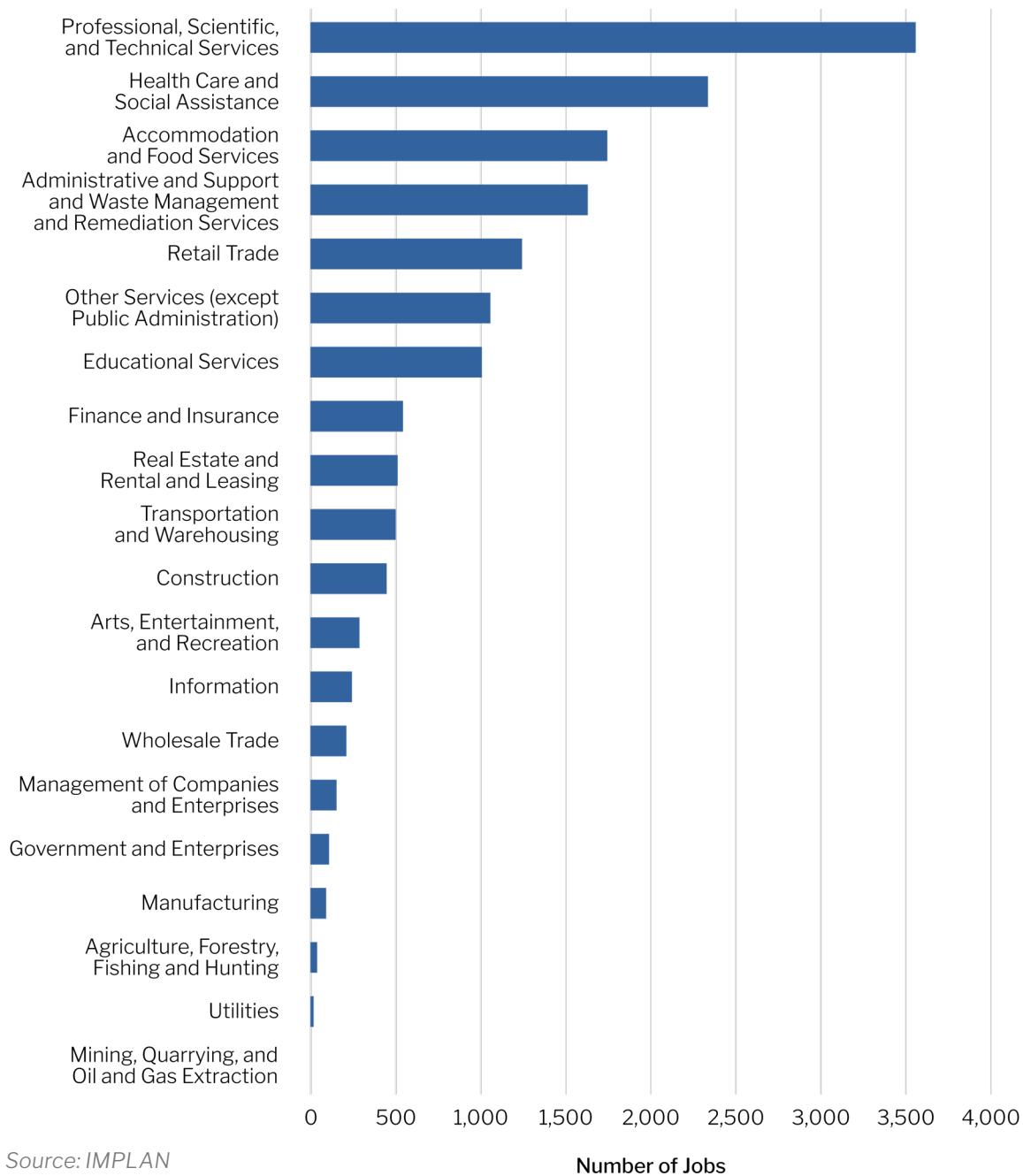


Source: IMPLAN

Note: Values are in 2024 dollars.

Figure 6 shows the employment impact in each industry, aggregated by two-digit NAICS codes and excluding direct employment of military personnel. The industry that benefited most from defense spending was *Professional, Scientific, and Technical Services*, followed by *Health Care and Social Assistance* and *Accommodation and Food Services*. The more than 3,500 jobs created in *Professional, Scientific, and Technical Services* represent over a quarter of the County's total jobs in this sector. In the latter two sectors, 2,332 and 1,740 jobs were the product of defense spending, respectively. As the figure demonstrates, the impacts of defense spending extend to nearly every sector of Monterey's economy.

Figure 6 Defense Activity Employment Impact by Industry (Excluding Military), Monterey County, FY23



Source: IMPLAN





Conclusion

Monterey County has long played a vital role in our nation's defense. From the establishment of the Presidio of Monterey in the mid-19th century through the creation of the Defense Language Institute Foreign Language Center, Naval Postgraduate School, Naval Support Activity Monterey, Department of Defense Center Monterey Bay, Fort Hunter Liggett, and Camp Roberts, Monterey County has provided critical training and educational sites for all branches and all components of our Armed Forces. Defense spending in the County totaled \$2.4 billion; as those dollars rippled through the economy, they added \$4.9 billion to Monterey County's economy, equal to 14.8% of its gross regional product. Defense activity is directly or indirectly responsible for 27,475 jobs across nearly 60% of Monterey County's industries, comprising 10.5% of total employment and demonstrating the far-reaching impacts of defense spending. The State of California and Monterey County received a combined \$323 million in additional tax revenues due to defense activity in this County alone. The findings represent incontrovertible evidence that military and defense activity constitute a vital pillar of Monterey's economy.







MBA
Monterey Bay Defense Alliance

