



## NATIONAL DEFENSE: Texas Contractors May Feel New Sequester Cuts

Texas, the second-largest recipient state for Defense Department prime award contract dollars, may experience more than a hiccup if a second round of sequestration-tied federal budget cuts proceeds throughout fiscal 2014, which began Oct. 1, 2013. Companies in the state were awarded \$20.4 billion in fiscal 2013 and trailed only firms in Virginia, home of the Pentagon, with \$23.3 billion, department data show. Larger, multiyear projects were largely spared during the initial round of cuts.

Texas could lose almost \$6.5 billion in defense contractor revenue over 10 years, the third most behind California and Virginia, Pew Charitable Trusts estimated last year. Of the top 10 largest defense-related companies in the world as identified by the Stockholm International Peace Research Initiative, seven are represented in the Dallas–Fort Worth area. The companies make a variety of aviation, electronic and communications products, and most employ skilled workers.

Tarrant County, which includes Fort Worth, has an especially significant concentration of defense contractor-tied employment. Lockheed Martin, which has almost 15,000 workers and is the county’s third-largest employer, is ramping up production of its next-generation F-35 aircraft. The \$391 billion, multiyear program is one of the Pentagon’s most ambitious.

—Michael Weiss



## INCOME: Despite Gains, Texas Still Trails U.S. in Key Measures

Three years after the recession ended, real (inflation adjusted) median household income improved for the first time in Texas and stopped declining in the U.S. Nevertheless, other economic benchmarks show Texas still trails the nation.

Texas’ real median household income grew 0.8 percent to \$50,740 in 2012, the first increase since 2008, according to the Census Bureau’s American Community Survey. Nationally, median income was essentially flat, up 0.1 percent to \$51,371. San Antonio recorded the largest increase in median household income among the 25 most-populous metropolitan areas in 2012, up 3.8 percent to \$51,486.

The rise helped the Texas poverty rate decline to 17.9 percent in 2012 from 18.5 percent in 2011, while the nationwide poverty rate remained unchanged at 15.9 percent. The Texas poverty rate fell for the first time since the recession, narrowing the gap with the national poverty rate.

Not all the news was as positive. Texas continues to lead the nation in the share of residents who lack health insurance. The proportion of uninsured Texans increased 0.9 percentage points to 24.6 percent in 2012, while the U.S. rate declined 0.3 percentage points to 15.4 percent. Texas, Nevada, New Mexico and Florida are the only states in which more than one-fifth of residents don’t have health insurance.

—Christina English



## BORDER: Staffing at Crossings Adds to GDP, Study Says

Customs and immigration agent staffing at the nation’s ports of entry has far-reaching economic impacts, according to a University of Southern California study supported by the Department of Homeland Security. The department, which didn’t endorse the findings, oversees Customs and Border Protection (CBP) operations.

Each officer added to existing staff at a port of entry is associated with an annual \$2 million increase in gross domestic product (GDP) and 33 additional jobs. Most of the economic benefits associated with the additional staffing would come from shorter queues in ground passenger travel, with only a small contribution—about \$120,000 in GDP and one job—from facilitating truck freight transportation.

The study finds that cuts in staffing levels similarly have significant implications for the flow of legitimate travel and commercial activity across U.S. borders. CBP agents temporarily avoided mandatory furloughs and the loss of overtime hours due to budget sequestration in fiscal 2013. Staffing was largely unaffected by the partial federal government shutdown in October, though paychecks were delayed. The department’s 2014 budget allows for a record 25,252 officers, adding 1,600 through appropriations and 1,877 through proposed user fee increases.

—Melissa LoPalo