

HB 1831 HD2

Measure Title:

RELATING TO MILITARY AFFAIRS

Report Title:

Military Affairs Liaison Special Fund; Nonprofit Entity

Description:

Creates the military affairs liaison special fund within a nonprofit entity to support the nonprofit entity's duties as the state liaison in matters relating to the military. Requires adjutant general, with the governor's concurrence, to select the nonprofit entity. Appropriates funds to the special fund. Takes effect July 1, 2020. (HB1831 HD2)

WRITTEN ONLY

TESTIMONY BY GEORGINA K. KAWAMURA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON PUBLIC SAFETY AND MILITARY AFFAIRS
ON
HOUSE BILL NO. 1831, H.D. 2

March 24, 2009

RELATING TO MILITARY AFFAIRS

House Bill No. 1831, H.D. 2, establishes the Military Affairs Liaison Special Fund as a separate fund of a nonprofit entity to support its role in serving as liaison in matters relating to the military and to provide oversight for the military's presence in Hawaii and the impact defense spending has on Hawaii's economy. This special fund would be funded with general fund appropriations. House Bill No. 1831, H.D. 2, appropriates funds from the general fund in Fiscal Year 2010 and Fiscal Year 2011 for deposit into this fund.

As a matter of general policy, this department does not support the creation of any special or revolving fund which does not meet the requirements of Sections 37-52.3 and 37-53.4 of the Hawaii Revised Statutes. Special or revolving funds should: 1) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries of the program; 2) provide an appropriate means of financing for the program or activity; and 3) demonstrate the capacity to be financially self-sustaining. It does not appear that the fund will be self-sustaining.

The Chamber of Commerce of Hawaii
1132 Bishop Street, Suite 402
Honolulu, HI 96813

Testimony to the Senate Committee on Public Safety and Military Affairs
Tuesday, March 24, 2009
1:30 PM
Conference Room 229

RE: HOUSE BILL NO. 1831, HOUSE DRAFT 2, RELATING TO MILITARY AFFAIRS

Chair Espero, Vice Chair Bunda, and members of the committee.

My name is Charles Ota and I am the Vice President for Military Affairs at The Chamber of Commerce of Hawaii (The Chamber). I am here to state support of House Bill No.1831, House Draft 2, Relating to Military Affairs.

The Military Affairs Council (MAC) has served as the liaison for the state in matters relating to the U.S. military and provided oversight for the State's multi-billion dollar defense industry since 1985.

This measure is critical to protecting Hawaii's fragile economy from adverse impacts on Hawaii's defense industry resulting from base closure and force realignment actions by the US Department of Defense (DOD), and the competing interests of other states that have already established measures to preserve and expand its defense industry.

HB 1831, HD2 proposes to create a **Military Affairs Liaison Special Fund** within a nonprofit entity to support the nonprofit entity's duties as the state liaison in matters relating to the military. Some of the duties include: serving as the advocate for the military and small businesses desiring to do business with the military and other federal agencies; promoting a strong and viable partnership between the state and county governments and the military commands; building rapport with installation commanders and military communities; facilitating business development opportunities for small businesses in defense and other federal contracting; participating in discussions regarding the schooling of military children in Hawaii's public schools; and supporting the military in complying with federal and state laws on protecting and preserving Hawaii's natural resources, cultural sites, and artifacts.

The measure further requires the state Adjutant General, with the Governor's concurrence, to select the nonprofit entity, and appropriates funds to the general fund.

We fully support the bill as statewide oversight for the defense industry is essential to protecting the second major source of revenues to Hawaii's economy.

In Section 1, the paragraph refers to "...military expends approximately \$5,600,000 annually in Hawaii..." We suggest that it be revised to read the correct amount, which is "\$8,200,000".

However, we would like to specifically address the proposal to create a “special fund” to receive state funds in covering the operational costs of the military affairs liaison function.

Instead of a special fund, we suggest that consideration be given to establishing a **Military Affairs Liaison Trust Fund**. A trust fund has the flexibility in allowing for a public/private partnership in providing oversight for Hawaii’s growing multi-billion dollar defense industry.

This partnership would allow for the flow of both public and private resources in establishing strong and viable relationships with senior military commanders and key officials in Hawaii and the Pentagon and congressional leaders on Capitol Hill, and in conducting important military affairs events such as the annual Military Partnership Conference and Military Appreciation Month. Furthermore, it would enable Hawaii’s key business leaders and retired flag and general officers to participate in providing effective oversight.

The current economic crisis confronting Hawaii demands that appropriate measures be taken to protect the state’s second major source of revenues now rather than later. The proposed action is similar to steps already taken by twelve other states that, like Hawaii, have a multi-billion dollar defense industry. Texas, Kentucky, Georgia, Virginia, Maryland, Florida, New Mexico, Connecticut, Kansas, Indiana, California, and Utah have recognized the imperative need to protect against adverse measures that would result in military downsizing or closure of a base. Such actions would be devastating to Hawaii’s economy.

Here is a quick look at the defense industry’s place in Hawaii’s economy. Despite sustaining decreases in military presence over the years, the defense industry has rapidly expanded to approach tourism as the primary source of revenues to Hawaii’s economy. With annual expenditures growing from \$3.2 billion in 1998 to exceeding \$8.2 billion in 2007, the defense industry accounts for generating more than \$12.2 billion in revenues for hundreds of local small businesses. Moreover, it accounts for creating more than 110,000 jobs for residents that bring home some \$7.6 billion in household earnings annually. A preliminary report from DBEDT indicates that the direct and indirect impacts of defense spending have now exceeded \$14.0 billion.

These significant benefits to Hawaii should hold true for the foreseeable future as security threats continue to focus attention in the Asia Pacific and the state maintains a strong and viable partnership with the US Department of Defense (DOD) and military commands.

However, please understand that it is imperative that the state establish proper oversight to closely monitor steps by the DOD to realign forces and direct base closure actions brought on by budgetary pressures.

An example of a DOD-forced action is the near closure of the Pearl Harbor Naval Shipyard, which is the state’s largest industrial complex. The 2005 Base Realignment and Closure (BRAC) Commission proposed that the shipyard be closed. The MAC responded by preparing convincing testimony and rallied the support of Hawaii’s Congressional delegation, the Governor, and the Mayor of Honolulu to successfully retain the shipyard, saving more than 4,300 high paying jobs for residents and a billion dollar industrial complex.

An example of the MAC helping to expand the economy would be its key role in a military initiative that has pumped billions of dollars into Hawaii’s economy. The MAC coordinated with the

military commands and private developers to help implement the innovative plan to privatize the military's family housing program, an action that brought business opportunities to hundreds of local small businesses and jobs for residents. This public-private venture will pump \$10-15 billion into Hawaii's economy through 2054.

The military, which also serves as a major ambassador in our communities with its presence at public events, fundraisers, and other volunteer engagements, provides many opportunities for vendors in Hawaii to sell their products and services in commissaries and other retail outlets and military logistics purchases, thus supporting the theme "Buy Local."

Furthermore, the military has been active in setting high standards and setting the pace in sustainable environments and renewal energy initiatives. The military collectively spends millions of dollars annually in environmental and energy initiatives.

It is evident that the MAC's active role in assisting with military affairs and providing oversight for the multi-billion dollar defense industry on behalf of the State of Hawaii underscores the importance of this legislation.

For these reasons, we respectfully recommend that HB 1831, HD2 be passed with the recommendation to establish a trust fund in lieu of a special fund, that "trust fund" be inserted to replace "special fund" wherever mentioned, and that Section 1 correctly states that the military expends approximately \$8,200,000 annually in Hawaii.

Thank you for this opportunity to testify.