

**HB 1831**

WRITTEN ONLY

TESTIMONY BY GEORGINA K. KAWAMURA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE SENATE COMMITTEE ON WAYS AND MEANS  
ON  
HOUSE BILL NO. 1831, H.D. 2, S.D. 1

April 3, 2009

RELATING TO MILITARY AFFAIRS

House Bill No. 1831, H.D. 2, S.D. 1, establishes the Military Affairs Liaison Trust Fund as a separate fund of a non-profit 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 trust fund would receive general funds through legislative appropriations. House Bill No. 1831, H.D. 2, S.D. 1, appropriates funds from the general fund in Fiscal Year 2010 and Fiscal Year 2011 for deposit into this fund. This bill makes no other appropriation to fund the program, which this bill establishes on July 1, 2020.

We are opposed to this bill. Given our current fiscal situation, we cannot afford to divert any general fund revenues from core government services, or to establish new programs.

STATE OF HAWAII  
DEPARTMENT OF DEFENSE

TESTIMONY ON HOUSE BILL 1831 HD2 SD1  
A BILL FOR AN ACT RELATING TO MILITARY AFFAIRS

PRESENTATION TO THE  
SENATE COMMITTEE ON WAYS AND MEANS

BY

MAJOR GENERAL ROBERT G. F. LEE  
ADJUTANT GENERAL

April 3, 2009

Chair Mercado Kim, Vice-Chair Tsutsui, and Members of the Committee:

I am Major General Robert G. F. Lee, State Adjutant General. I am testifying on House Bill 1831 HD2 SD1. We support House Bill 1831 HD2 SD1 which establishes a military affairs liaisons trust fund.

If House Bill 1831 HD2 SD1 is passed, it will allow the Department of Defense, with the concurrence of the Governor, to select a nonprofit entity that will serve as a liaison between the State and the military commands in Hawaii. As one of the largest contributors to Hawaii's economy, it would be advantageous to expand, foster, and continue our excellent relationships with the U. S. military.

This nonprofit entity will be the catalyst between the military, State and counties for a variety of actions such as being the advocate between the military and small businesses, supporting the military in realistic training while ensuring compliance with State and federal environmental laws, and to promote activities and programs to enhance the quality of life for military families.

Enactment of this bill will send a strong signal to the US Department of Defense and the senior military leadership that Hawaii truly supports their commitment and continued presence in this State in support of our National Military Strategy for the Asia/Pacific region.

More importantly, the establishment of this trust will provide a vehicle for the Department of Defense to receive and manage not only appropriated funds, but also donations and contributions from private organizations to ensure a strong partnership with one of our major contributors to our State's economy, the United States military.

Chair Mercado Kim, thank you for the opportunity to submit this testimony supporting this very important measure.



## **Testimony to the Senate Committee on Ways and Means**

**Friday, April 3, 2009**

**9:45 AM**

**Conference Room 211**

**RE: HOUSE BILL NO. 1831, HOUSE DRAFT 2, SENATE DRAFT 1, RELATING TO MILITARY AFFAIRS**

**Chair Kim, Vice Chair Tsutsui, 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 Hawai'i (The Chamber). I am here to state our strong support of House Bill No.1831, House Draft 2, Senate Draft 1, 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.

HB 1831, HD2, SD1 proposes to create a Military Affairs Liaison Trust Fund within a nonprofit entity to support the nonprofit entity's duties and responsibilities as the state liaison in matters relating to the military by:

- 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 and employment opportunities for small businesses and residents;
- participating in discussions regarding schooling of military children in Hawai'i's public schools;
- facilitating coordination with local governments and private landowners in the use of lands and other resources for military use;
- supporting the military in complying with federal and state laws on protecting Hawai'i's natural resources and cultural sites and artifacts;
- promoting programs and activities to enhance the quality of life for military personnel and their families; and
- serving as the advocate for the military and small businesses.

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.

**Passage of this bill is critical to establishing the state's responsibility in ensuring that adequate measures are in place to preserve and expand the second major source of revenues in Hawai'i's fragile economy and sources of excellent job opportunities for more than 110,000 residents.**

Here is a quick look at the defense industry's rapid growth in Hawai'i and its current impact on Hawai'i's economy and workforce:

- Defense expenditures increased dramatically from \$3.2 billion in 1998 to more than \$8.2 billion in 2007.
- The direct and indirect impacts of these expenditures generated more than \$12.2 billion in revenues for hundreds of local small businesses, and
- Created 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 defense expenditures now exceed \$9.2 annually, increasing the direct and indirect impacts to more than \$14.0 billion.

**The Military Affairs Council (MAC) was established as an unencumbered affiliate of The Chamber of Commerce of Hawaii in 1985 at the request of the State to perform the duties and responsibilities outlined above. This was at a time when agriculture and tourism were the leading industries in Hawaii. As indicated by the data above, the defense industry has grown exponentially since 1985 and the scope of duties and responsibilities and associated costs are well beyond that which can be provided by the Chamber's membership.**

For example, Chamber membership dues provides for hiring one person to manage the military affairs program. There are no funds to hire a staff to adequately accomplish work to optimize contract opportunities for local small businesses and gain the full economic benefits from a more than 100,000 member military community living in Hawaii. We do not have data on this impact, but we believe that this could amount to several million dollars in lost contracts to out-of-state businesses, jobs for residents, and sales to local businesses, with corresponding losses in tax revenues.

It should be noted that the Governor, Mayor of the City and County of Honolulu, State Senate President, and State Speaker of the House are members of the O`ahu Council, which is comprised of Hawai'i's senior military commanders and business leaders. The Council was formed in 1947 to discuss common issues on the military's presence in Hawai'i and has a role in providing oversight for the defense industry. The MAC administers the affairs of the Council.

We believe that the measures proposed in this bill will establish the required level of oversight necessary to preserve and expand the State's defense industry. It provides for maintaining the positive relationships established with the US Department of Defense and military commands over the years, and promoting the attractiveness of Hawai'i in continuing to serve as the headquarters for US military operations in the Asia Pacific. Equally important, it provides for monitoring military actions in Hawaii and in Washington, DC to challenge base closures or force realignment actions that would result in reducing defense spending.

The proposed action is similar to steps already taken by twelve other states that, like Hawai'i, 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 defense measures that would result in military downsizing or closure of a base. These states suffered significant revenue losses resulting from base closures and force realignments.

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. It is very likely that the state would have lost its largest industrial employer had it not been for decisive actions taken by the MAC.

The 2005 Base Realignment and Closure (BRAC) Commission proposed that the shipyard be closed because of its poor performance record and higher cost of operations. The MAC responded quickly by forming the "Save the Shipyard Coalition" that included key shipyard managers and union leaders, business leaders, and government officials to develop Hawai'i's game plan. The MAC-led coalition prepared a convincing testimony that was signed by the Governor, and rallied the support of Hawai'i's congressional delegation and the Mayor of Honolulu to successfully gain a narrow one vote victory on the 9-member Commission. This saved a billion dollar industrial complex from closure and more than 4,300 jobs for residents.

An example of the MAC helping to expand the defense industry would be its key role in a military initiative that has pumped billions of dollars into Hawai'i's economy. The MAC coordinated with the military commands and private developers to help implement a congressionally mandated plan to privatize the military's family housing program. The MAC coordinated with the developers to favor using hundreds of local small businesses. The arrangement in Hawai'i is also unique in that it includes a Project Labor Agreement with local unions that provides hiring union workers. This public-private venture will pump \$10-15 billion into Hawai'i's economy through 2054.

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

We would like to specifically address Section 2, paragraphs (a) and (b) of this bill:

- Paragraph (a) specifies that general fund appropriations be deposited into the trust fund. We recommend that it be revised to specify that funds from private and other public sources may be deposited into the trust fund to supplement general fund appropriations. We also recommend that the reference to "special fund" be replaced with "fund".
- Paragraph (b) stipulates that if the selection of the entity is rescinded, moneys in the trust fund shall revert back to the State and shall be deemed to be state general funds. This procedure was written when deposits into the trust fund were limited to state general funds. However, if deposits from private and other private sources are to be permitted, we recommend that deposits from these other sources be returned to the appropriate source.

The above recommendations remove the burden placed on the general fund in meeting 100% of costs. We believe that greater flexibility is needed by allowing for use of public and private resources to meet the duties and responsibilities of the trust fund. Private funds have been used to conduct the annual Military Partnership Conference to update government and business leaders on the status of Hawai'i's defense industry, and sponsor Military Appreciation Month to improve relations with the military and enhance the quality of life for the military community.

In light of the above, we respectfully recommend passage of that HB 1831, HD2, SD1, subject to the revisions recommended above.

Thank you for this opportunity to testify.