

## Impact of Defense Spending in Hawaii RAND Study – June 2011

### Significant Data

The number of defense personnel in Hawaii peaked during 1980s, declined significantly through the 1990s, and increased moderately to its present level of 75,473 personnel (includes personnel afloat). This includes Active Duty, National Guard, Reserve, and DoD Civilians as follows:

Army: 21,421

Navy: 14,237

Air Force: 4,621

Marine Corps: 6,026

Coast Guard: 1,372

Hawaii Army National Guard/Reserve: 5,380

Hawaii Air National Guard/Reserve: 3,028

Navy Reserve: 821

Marine Corps Reserve: 77

Coast Guard Reserve: 121

DOD Civilians: 18,369

The above does not include the dependents of military families, which is estimated to number around 75,000.

The number of dependents of DOD civilians employed in Hawaii is estimated to number more than 18,000. This assumes that half of the 18,369 DOD civilians are married and half of those married have one child. We can estimate that the total DOD civilian presence in Hawaii, including civilian dependents, totals around 36,369.

This means that the total number of Active Duty military, DOD civilians, National Guard, and Reserve personnel and their family members total more than 168,000.

Hawaii is also home to more than 117,000 veterans, including 16,088 military retirees. They account for 13.7% of Hawaii's population.

It should be noted that military presence is the prime reason for the nation's large prime defense contractors establishing branch offices in Hawaii. This not only provides added defense-related dollars but benefits residents with good jobs and mentoring opportunities for Hawaii's emerging dual use/research and development firms, which could lead innovation initiatives in Hawaii.

The RAND report states that annual Defense spending in Hawaii includes an estimated \$4.074 billion (after taxes) for personnel and \$2.452 billion for procurement, making a total of \$6.526 billion in defense expenditures.

The input/output impact of the \$6.526 billion in defense expenditures is estimated to total \$12.2 billion, making it the second major source of revenues in Hawaii's economy outside of state and county governments, and next to tourism. This represented 18.4% of Hawaii's Gross State Product of \$66.4 billion.

Moreover, defense-related expenditures account for creating more than 101,500 good paying, full-time equivalent jobs for residents, with annual household incomes from those jobs totaling \$3.506 billion. This represents about 16.5% of Hawaii's workforce of 613,000 full time and part time workers, or 20% of Hawaii's full-time workforce of 520,000.

Defense expenditures of \$2.307 billion for procurement contracts where Hawaii is the principle place of performance has doubled since

the mid-1990s when expenditures dipped to less than \$1.0 billion. More than half of the vendors had a Hawaii address.

Seventy percent of procurement contracts went to four industries with construction leading the way. Construction had 34% of procurement contracts followed by professional, scientific, and technical services with 20%, administrative and support services with 8% and petroleum and coal products manufacturing with 8%.

A substantial number of federally funded projects for military bases ranging from \$400 million to \$800 million annually were received because of the influence of our congressional delegation, two of whom are very senior in the US Senate. The senior congressman in the House did not seek re-election and a senior Senator will retire in 2012, leaving only one senior Senator. This coupled with the demise of “earmarks” is likely to have a negative impact on future funding for defense construction.

In summary, revenues generated by defense-related spending form the third major pillar in Hawaii’s economy, along with tourism and state/county government. Defense spending is a critical source of revenues to Hawaii’s small businesses and good paying jobs for the workforce.