

OFFICE OF MILITARY AFFAIRS
The Digest of Administrative Reports to the Governor
Fiscal Year 2018-2019

At a Glance

ROBERT T. ROSS, Executive Director
OFFICE OF MILITARY AFFAIRS (OMA)

Established – July 2007

Statutory Authority - Connecticut General Statute 32-58b

Central Office – 450 Columbus Boulevard, Suite 5, Hartford, CT 06420

Recurring Operating Expenses - \$200,000.00

Organizational Structure – As an independent agency, OMA is staffed with a full-time Executive Director, designated as a department head in the executive branch, reporting directly to the Office of the Governor. The Executive Director is supported by Department of Economic and Community Development (DECD) staff members who provide administrative services for OMA in various functions, including but not limited to, office administration, financial management, legal counsel, information technology, economic research, government, public and legislative affairs.

Mission

The Office of Military Affairs promotes and coordinates state-wide activities that enhance the quality of life of all branches of military personnel and their families and to expand the military and homeland security presence in this state.

Statutory Responsibility

Under the provisions of Connecticut General Statute 32-58b, OMA coordinates policies and programs to enhance the quality of life of service members and their families from all branches stationed in or deploying from Connecticut. OMA develops and implements strategic initiatives to prevent the closure or downsizing of Naval Submarine Base New London. OMA advocates for Connecticut's defense industries with efforts to retain established defense industries and encourage the relocation of new defense manufacturing to the state. And OMA serves as liaison to the Connecticut congressional delegation on defense and military issues.

The legislation setting forth duties and responsibilities of the OMA Executive Director was revised by the Connecticut General Assembly to more accurately reflect the ongoing activities of the office. The revised legislation was signed into law by the Governor on June 19, 2015.

Connecticut's Enduring Role in National Security

Connecticut defense contractors and their suppliers in the state had an outstanding year. And expectations for the years ahead are very high, due in large part to legislation passed by Congress and signed into law in early 2018, substantially raising caps on defense spending for FYs 2018 and 2019, and projecting increased funding for *Virginia*-class and the new *Columbia*-class submarines designed and built at Electric Boat in Groton, CT.

Connecticut Defense Contracting in 2018

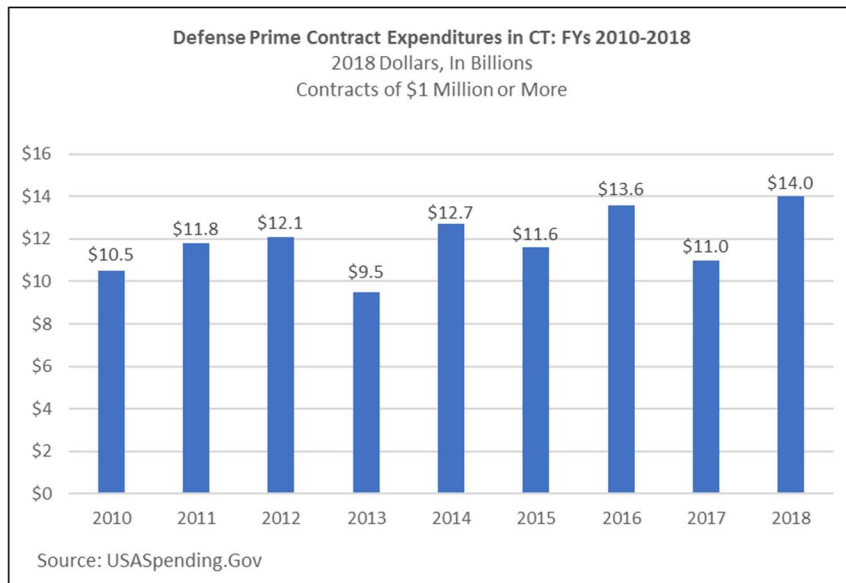
The year 2018 was a very good one for the Connecticut defense industrial base, with \$13.8 billion in contracts awarded to prime contractors in the state. Three major contracts accounted for roughly half of the total amount:

- A \$2.5 billion award on Feb. 31 to United Technologies Aerospace Systems by the Defense Logistics Agency (DLA) for aviation-related spare parts and related services for all of the military branches.
- A \$2 billion contract to Pratt & Whitney on May 31 from the Naval Air Systems Command for F-35 Joint Strike Fighter engines for the Navy, Marine Corps and Air Force, along with Foreign Military Sales customers.
- A DLA contract worth \$2.46 billion to United Technologies to furnish Air Force depots with repairables and consumable parts.

It was the third highest year for defense contracts since 2007, the year OMA was established and started tracking contracts to Connecticut companies or companies doing business in the state as reported by DOD. The best year was 2014, when CT defense contracts soared to \$27.1 billion. Almost two-third of that amount came from the largest shipbuilding contract in Navy history, \$17.6 billion, awarded to Electric Boat for construction of 10 *Virginia*-class submarines. Electric Boat builds the submarines along with Huntington Ingalls Industries and is the prime contractor. The second highest year was 2017, when the Connecticut's defense contract awards amounted to \$23.04 billion. This marks the first time since 2007 that the state's defense industry has had two consecutive years with annual contracts of more than \$10 billion.

Trend in Prior Year Contracting

Figure 1 below shows the trend in defense spending to Connecticut companies for fiscal years 2010-2018. The chart is based on data from the federal government website USASpending.gov and is calculated from contract dollars *actually obligated*. The amounts differ significantly from those tracked by OMA as reported by DOD, which are based on contracts *as awarded*.



[Figure 1]

For example, the \$2.5 billion contract awarded to United Technologies Aerospace Systems on Feb. 21, 2018, for aviation spare parts – as announced that day by DOD – has a five-year base with one five-year option period. The contract dollars will be obligated, or actually spent, over the life of the contract, which could be as long as 10 years. While DOD reported this – and OMA tracked it – as \$2.5 billion contract, USASpending will report the amounts actually spent each year over the contract’s life.

Also, as stated above, DOD only announces – and OMA tracks – prime contracts of \$7 million or more. However, USASpending tracks DOD prime contracts as low as \$3,000. Its contract data can be measured in various increments of contract values above that. Figure 1 is based on contracts worth \$1 million or more. Thus, the USASpending amounts are higher than those reported by OMA since they include many relatively small contracts.

And, as noted above, another significant difference between the OMA/DOD contract numbers and those of USASpending is that the former are based on calendar years, while USASpending tracks contract spending by fiscal years. Despite these differences, the USASpending data is very helpful in depicting trends over a prior-years timeframe, just as the DEPPS report projects spending trends over a future-years period.

Figure 1 shows strong and fairly steady defense contract spending in Connecticut for the nine-year period 2010-2018, with each year except 2013 above \$10 billion. The dip from \$12.1 billion in 2012 to \$9.5 billion in 2013 is most likely the result of government-wide spending caps known as “sequestration,” imposed by the Budget Control Act of 2011 (BCA). Passed by Congress with the goal of lowering federal budget deficits, the cuts took effect in 2013 and included significant defense spending reductions for that year. The spending caps were subsequently raised by Congress in two-year increments from FYs 2014 through 2019. In the spring and early summer of 2019 congressional leaders were in discussions on lifting the spending caps for 2020. The current budget caps expire at the end of FY 2019. If not raised, on Oct. 1 of 2019 automatic cuts of approximately \$120 billion across the board for domestic and military spending would be triggered by the BCA.

The decline from 2016 to 2017 is almost certainly based on the difference in reporting on contract awards as tracked by OMA and actual spending reported by USASpending explained above, as well as the difference between calendar and fiscal year reporting. Total defense contracts awarded to Connecticut companies during CY 2017 announced by DOD totaled a lofty \$23 billion, one of the best years ever for the state’s defense industry. This included several multi-billion, multi-year contracts. For example, Pratt & Whitney in 2017 received a \$6.7 billion Air Force contract for sustainment of F-119 engines used on the F-22 jet fighters. The contract life was through 2025, with funds actually obligated gradually until then. While this contract accounted for a sizeable amount of the \$23 billion reported by OMA for 2017, USASpending takes into consideration only amounts spent each year between 2017 and 2025. Thus, the 2017 amounts reported in USASpending are lower than those tabulated by OMA.

Suppliers to Prime Contractors

Another measurement of the health of the state’s defense industrial base is the value of sub-contracts awarded by the prime contractors to their suppliers in Connecticut. Although such spending is hard to quantify, the Submarine Industrial Base Council tracks amounts spent or contracted to submarine suppliers for major submarine programs.

In February 2019 the Council issued a state-by-state report showing contracts awarded to submarine industrial base suppliers over the past five years for major submarine programs. For Connecticut, the amount was \$861.7 million. This was significantly higher than a similar report issued by the Council in March 2018, when the Connecticut sub supplier contract amount for the prior five years

was \$605.4 million. The increase is a clear indicator that Connecticut suppliers are benefitting substantially from strong and growing funding for the *Virginia*-class and *Columbia*-class submarine programs.

Moreover, in its 2019 report the Council notes that while its data is a good representation of the economic impact that submarine programs have on states and communities, “it is estimated that thousands of additional lower tier suppliers exist across the U.S. that are not represented.” That is almost certainly true in Connecticut.



Connecticut Governor Ned Lamont shakes the hands of more than 125 deploying Connecticut Air National Guardsmen assigned to the 103rd Air Wing during the unit's sendoff ceremony at Bradley Air National Guard Base, Tuesday, June 18, 2019. (Photo courtesy of Ms. Allison Joanis, Public Affairs Specialist, Connecticut National Guard)

The National Coast Guard Museum

The United States Coast Guard is the only military service that does not have a national museum. On April 5, 2013, after a decade of false starts and failed attempts, the Commandant of the Coast Guard announced the decision to build a National Coast Guard Museum (NCGM) in downtown New London. The National Coast Guard Museum Association (NCGMA) proposed a world class museum at the head of New London City Pier. Then Governor Malloy participated in the announcement and committed up to \$20 million in state funding to build a pedestrian bridge to connect the museum with all elements of the New London multi-modal transportation hub.

On April 17, 2013, the Governor directed all state agencies to collaborate in this undertaking and to help the U.S. Coast Guard and City of New London advance the project. He also directed the OMA to coordinate the efforts of state agencies on his behalf.

Negotiations with stakeholders advanced swiftly. On July 26, 2013, the State Bond Commission approved \$500,000 for advance engineering and design of the pedestrian bridge and authorized the DECD to enter into an assistance agreement with the NCGMA. The State of Connecticut, City of New London, USCG and NCGMA negotiated a Memorandum of Agreement to clearly define roles and responsibilities in this partnership to build the museum. The State Bond Commission approved the remaining balance of \$20 million for the pedestrian bridge on April 13, 2018.



Rendering by Payette®

Much of the financing for the \$100 million museum is being raised in a national fundraising campaign coordinated by the NCGMA. Contingent upon this fundraising effort and a series of prerequisite agreements with area stakeholders, construction could begin as early as 2020.

Creating Military Value in Submarine Base New London

Chief among the reasons to create OMA was the very real probability that the Submarine Base (SUBASE) in Groton would be closed. Twice it was targeted by the DOD for closure in the Base Realignment and Closure (BRAC) process. Twice, *Team Connecticut*, a group of public and private sector individuals, got organized and worked tirelessly to reverse the almost certain closure of the base. Today, the primary task of OMA is to do proactively what *Team Connecticut* had to do reactively in 1993 and 2005. We don't want to wage this battle again.

The predictable economic catastrophe associated with the potential closure of the SUBASE is obvious to anyone familiar with southeastern Connecticut. The loss of the positive effects we realize from the base -- its \$5 billion annual economic impact and over 15,000 jobs -- would be devastating. The ripple effect throughout the state would simply be the reverse of what we experience today. Hundreds of small businesses deriving their business and clientele from the base would go under. Without this economic anchor, the regional economy would be severely impacted.

It is likely that another BRAC round will eventually be approved by Congress. Although DOD did not request a BRAC in its Fiscal Year (FY) 19 and 20 budgets, BRAC requests were made for six straight years prior to FY 19 and DOD is expected to renew such a request in the FY 21 budget. OMA efforts will continue to focus on developing and executing strategic initiatives to enhance the *military value* of the base in preparation for the next BRAC round when it comes.

Today the SUBASE is undergoing a remarkable transformation as old infrastructure is demolished and replaced with modern capacity. People familiar with the SUBASE recognize its ongoing dramatic transformation into a modern campus of new buildings, specifically designed for unique operations, specialized training and high-tech support functions associated with producing and maintaining our nation's submarine force.

Working in a close partnership with Navy officials in Connecticut and at the Pentagon, OMA has established a legal framework through which the state can transfer funds to the Navy for carefully selected projects.

Previous state-funded projects have included construction of new buildings to support operations and maintenance, construction of training equipment, installation of a new high efficiency boiler for base-wide steam utilities, and purchases of land for encroachment mitigation on both the northern and southern perimeters of the base. Collectively, these projects represent a wholly unique partnership with the Navy in diverse and creative areas of base improvements.

As important as these ongoing state-funded investments are, they represent only a small fraction of the military construction projects underway on the base. Since 2005, there have been over \$400 million worth of planning, demolition and construction projects on the base, with about \$27 million of them funded by the state. So, the state is an important but modest partner in a much larger effort to modernize the base.

OMA will continue to work closely with our congressional delegation, state and local officials, regional stakeholders and Navy leadership to identify future projects as part of our ongoing strategy to enhance the *military value* of the base and protect it from closure in a future BRAC round.

Quality of Life and Military Service in Connecticut

Advocating for service members and their families has become one of the most important roles of OMA. Military families stationed here for duty assignments or training enjoy supportive local communities, excellent public schools and the unique experience of living in New England. As families in transition, they occasionally need reasonable accommodations and OMA actively engages state agencies and local organizations on their behalf. Many examples of this advocacy can be read on the OMA website.

The OMA is a member of the national Association of Defense Communities (ADC), a Washington-based organization that represents states and communities nationwide that host military installations. The Southeastern Connecticut Council of Governments was recently designated an ADC Great American Defense Community for their outstanding collective efforts to support military bases, service members and their families.



Photo by Mark C. Jones

Conclusion

Connecticut's Office of Military Affairs demonstrates an efficient model for achieving tangible strategic outcomes. Since it was established, the office has produced a partnership with the Navy that was unprecedented in the United States. The SUBASE is now in a much better position to withstand another round of BRAC. The Connecticut National Guard and U.S. Coast Guard Academy are realizing and planning for expansions with new facilities to support their missions. The State and City of New London are looking forward to being the home of the National Coast Guard Museum. The OMA helped coordinate consistent and sustained support for increases in defense and military economic impacts within the state. Most importantly, OMA has advanced the *quality of life* and *quality of service* for service members and their families stationed here and deploying to destinations around the world.

Connecticut's diversified defense industries continue to thrive due to the high quality and strategic relevance of the products designed and manufactured throughout the state. Our defense industries enjoy superb reputations for their highly skilled workforces, outstanding management and efficient business practices.

Residents should be proud of Connecticut's long history as what George Washington called the *Provisions State*. It is an important part of our character, embedded in the economic fabric of our state and a legacy that should be carefully protected. The Office of Military Affairs will continue to seek opportunities to enhance the military and defense industry presence in Connecticut and advocate for the many organizations and people in our state - particularly military members and their families - who serve and support our nation's defense.

Information Reported as Required by State Statute

The OMA is required by statute to prepare and submit a report of activities, findings and recommendations annually to the Governor and the joint standing committees of the General Assembly having cognizance of matters relating to commerce and public safety, in accordance with the provisions of section 11-4a of the general statutes. The most recent annual report is publically available on the OMA website. www.ct.gov/oma