

Office of Military Affairs

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 – Third Floor, 505 Hudson Street, Hartford, CT 06420

Recurring operating expenses - \$250,000.00

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 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.

Defense Industry Analysis

The Office of Military Affairs conducts ongoing trend analysis to understand and project defense spending in Connecticut, a significant sector of our state economy.

The decline in defense spending nationwide and in Connecticut that began in 2012 will continue in the years ahead. This is due to (1) the continued drawdown of U.S. forces from Afghanistan, (2) congressionally imposed budget cuts due to concerns over federal deficit levels. The latter are encapsulated in the Budget Control Act (BCA), which contains mandatory reductions in the defense budget of \$54.7 billion per year for the 10-year period that began on January 1, 2013. The budget reduction process is known as “sequestration.”

The long-term impacts of the BCA and sequestration on defense spending in general and, specifically, on the Connecticut defense industrial base are difficult to gauge. This is because of ongoing and incremental efforts by Congress to alleviate at least some of the near-term impact of the mandated cuts, both on defense and non-defense programs. However, it is clear that there will be a general downward trend in defense spending.

In preparing this report, OMA utilized the Department of Defense (DoD) publication, “Projected Defense Purchases: Detail by Industry and State, Calendar Years 2012 through 2018,” issued in November 2013. This is an annual report produced by the Director, Cost Assessment and Program Evaluation, Office of the Secretary of Defense. It is based on the Defense Employment and Purchases Projection System, or “DEPPS” and is known as the DEPPS report. This report is a snapshot in time and cannot account for congressional budget changes agreed to following its publication. For example, the budget resolution agreed to by Congress in early December 2013 that alleviated BCA cuts of approximately \$30 billion in defense spending for fiscal years 2014 and 2015 is not taken into account.

DoD data shows that the outlook for Connecticut’s defense industrial base through 2018 continues largely unchanged from our conclusions in the previous OMA Annual Report (2011-2012): While defense spending will decline in the state, it will eventually level off. Overall, the impact will be less severe than in other leading defense contracting states and the nation as a whole.

Before looking at future defense contract spending, it is instructive to review the recent history of DoD contracting in Connecticut. As shown in *Figure 1*, defense contract spending in the state rose dramatically from the year 2000. This was due mainly to the huge amount of defense spending following the 9/11 terrorist attacks in 2001, and the contracting associated with the wars in Iraq and Afghanistan. For Connecticut, there was a six-fold increase, from slightly more than \$2 billion in 2000 to just above \$12 billion in 2012. With the congressionally imposed spending restraints referred to above, the trend downward started in 2013.

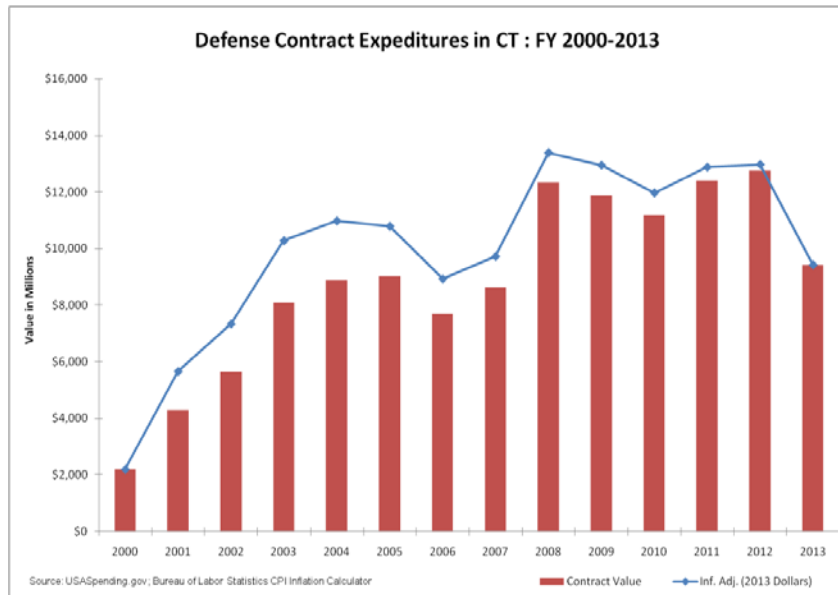


Figure 1

¹ Figures 1-3 Source: USASpending.gov; Bureau of Labor Statistics CPI Inflation Calculator

Figure 2 shows total projected DoD purchasing in Connecticut, 2013-2018. “Purchasing” is defined as direct payments for contracts – both products and services – and pay to military and civilian personnel. It puts such purchasing for 2013 at \$14.729 billion, down about \$240 million from 2012. The projections then show a steep decline 2013 to 2014 of some \$2.6 billion, to \$12.181 billion. The amount increases slightly in 2015 but generally remains steady through 2018.

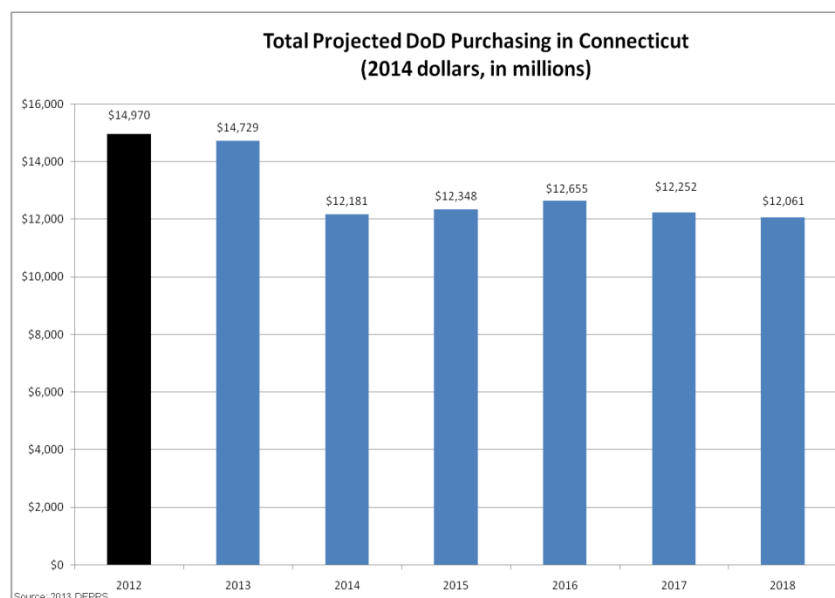


Figure 2

The steep decrease from 2013 to 2014 is not explained in the DEPPS report but appears related to budget factors and perhaps the Iraq and Afghanistan drawdowns. See *Figure 3*, which compares Connecticut with nationwide projections for total projected defense spending. Roughly the same steep decline for Connecticut 2013-2014 is projected for the nation as a whole. However, the national trend continues to decline in the out years, while the Connecticut projections are more favorable.

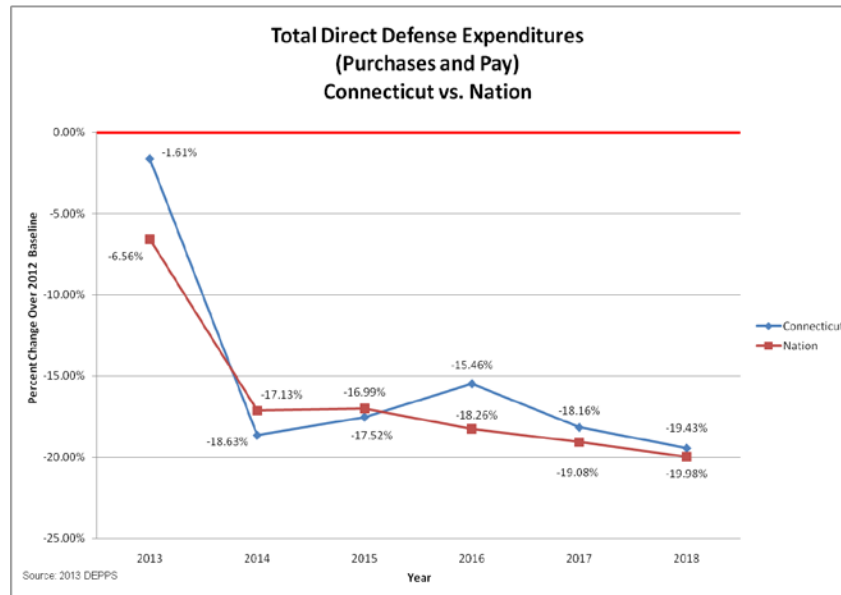


Figure 3

As stated at the beginning of this section, the latest defense and federal spending estimates and projections confirm the trend that became apparent in 2012: While defense spending in the state will decline in the years ahead, the impact on Connecticut will be less severe than in most other large defense spending states. This is due mainly to the following factors:

1. The main defense products and services that come from Connecticut, submarines (including design and engineering), military jet engines, helicopters, will continue to play essential roles in the national defense strategy for the foreseeable future.
2. In addition to initial product sales, these types of products require maintenance and sustainment, including parts, for the decades of their service lives.
3. Jet engines and helicopters are highly desired items for Foreign Military Sales to other countries; such sales offset declines in domestic sales.

Accordingly, the future seems promising for the Connecticut's defense industrial base. This includes not just the big prime contractors, but the many hundreds of suppliers, many of

them small businesses across the state. More detailed defense industry analysis is available on the OMA website: www.ct.gov/oma.

Submarine Base New London and the Submarine Industrial Base

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 \$4.5 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, in every industry cluster.

Creating Military Value

It is clear that another BRAC round will eventually be approved by Congress. DoD will continue requesting another BRAC round every year until one is approved. Subject matter experts widely believe it could happen as early as 2017. 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.

In 2007, the General Assembly authorized \$50 million for investments in *military value* at the SUBASE to protect it from closure. Since then, funding has been directed to several carefully selected projects. This strategy is built on the criteria used by prior BRAC Commissions and aims to assess and enhance the *military value* of the base, thereby decreasing the likelihood it would be targeted for closure. By increasing *military value* in operations, infrastructure and efficiency, we reduce the feasibility of closure because DoD simply can't afford to recreate that capacity anywhere else. It's not about sunk cost. It's about current and future *military value*.

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.

In March 2012, Governor Dannel P. Malloy met with Secretary of the Navy Ray Mabus in his Pentagon office to discuss the SUBASE. The Governor confirmed that the state will continue its unprecedented partnership with the Navy to transform the base and support service members and their families.

Previous state-funded projects have included construction of new buildings to support operations and maintenance, construction of training equipment, construction 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.

In addition to the projects funded through OMA, in July 2013 the Connecticut departments of Energy and Environmental Protection and Economic and Community Development awarded a \$3 million planning grant to the SUBASE for early planning of a microgrid to be developed on the base. This microgrid will provide energy security for base operations and potentially reduce the operating cost of the base by incorporating clean cogeneration capacity and highly efficient power controls and distribution systems. Governor Malloy again met with Navy Secretary Ray Mabus to enlist the Navy's staff expertise in the project and to discuss creative methods for private sector funding in a future long-term power purchase agreement. Secretary Mabus agreed to provide his authority and staff expertise to this project and sent a delegation to meet with state and local officials at the SUBASE.

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 \$200 million worth of planning, demolition and construction projects on the base, with about \$14 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.

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 54,000 square foot museum at the head of New London City Pier. It will be adjacent to the Union Station, the Greyhound bus station and Cross Sound Ferry landings. 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.



National Coast Guard Museum Project
New London, Connecticut
Prepared for the National Coast Guard Museum Association by Gauchat/Santos, January 2013

Negotiations with stakeholders have 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.

Much of the financing for the \$100 million museum will be 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 2017.

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.

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 is 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. OMA has 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.

The state's diversified defense industries continue to thrive. Even as the nation prepares to dramatically cut defense spending, Connecticut will be less severely impacted 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

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:

http://www.ct.gov/oma/lib/oma/oma_annual_report_2013_final.pdf