

REPORT TO THE 28TH LEGISLATURE
Act 119, Section 32, Session Laws of Hawai'i 2015

EXECUTIVE SUMMARY

The Special Advisor on Federal Funds Maximization (Special Advisor) and the Military Affairs Liaison were established by Act 119, Session Laws of Hawai'i (Act 119) in recognition of the importance of federal funding and the military sector to the State's economy. These positions are important to maintaining relationships that will support sustained federal and military funding within the State, while advancing future opportunities in these areas.

The Special Advisor, who joined the Governor's Office on February 23, 2015, was established to maximize the benefits of federal funds to Hawai'i's economy by:

1. Supporting the coordination of statewide Federal Awards Management;
2. Increasing drawdown of federal funds in targeted areas; and
3. Coordinating responses from Hawai'i state departments to inquiries and requests from federal agencies.

The Military Affairs Liaison, who joined the Governor's Office on September 22, 2015, was established to enhance the benefits of the military sector in Hawai'i by:

1. Serving as the Governor's liaison between the State, the community, and the military sector;
2. Representing the interests of the State in building relationships with the federal Department of Defense (DoD); and
3. Preparing for future opportunities to incorporate the military sector in developing Hawai'i's innovation economy.

Rationale for Continued Funding -- Special Advisor on Federal Fund Maximization

The Special Advisor offers critical assistance to the Office of the Governor related to federal fund management, notification and implementation of federal policies, and building and maintaining relationships with federal agencies and national organizations. The importance of these functions cannot be over emphasized, given the fact that federal funds contribute substantially to Hawai'i's economy. These functions will need to be carried on through the end of the current fiscal year and beyond, if Hawai'i wants to be able to sustain and grow federal formula grants and other federal awards.

The Special Advisor is in a unique position to understand the view points and challenges of both the state departments and federal funding agencies. The Special Advisor joined the Governor's office on February 23, 2015. Since then she has met with numerous key federal and state officials to learn about the issues the State has faced in drawing down federal formula grant awards.

Federal and state officials have identified four federal programs that face challenges spending down federal funds:

1. Environmental Protection Agency's (EPA) Drinking Water State Revolving Fund Loan Program, administered by the Hawai'i State Department of Health (DOH);
2. Department of Housing and Urban Development's (HUD) Native American Housing Assistance and Self Determination Act (NAHASDA) Native Hawaiian Housing Block Grant administered by the Department of Hawaiian Home Lands (DHHL);
3. Federal Aviation Administration's (FAA) Airport Improvement Project grants administered by the Department of Transportation, Airports Division; and
4. Federal Highways Administration's (FHA) apportionment funds, administered by the Department of Transportation, Highways Division.

Federal and state officials have identified the following barriers faced in varying degrees by all of the state agencies identified above:

1. Lack of uniformity in reporting and tracking federal funds
2. Outdated information technology infrastructure
3. Insufficient professional capacity
4. Challenges of state procurement processes
5. Burdensome internal procedures and controls

These barriers been identified as major issues delaying draw down of federal funds. The Special Advisor is hosting monthly Working Group strategy sessions with Deputy Directors from each of the agencies, along with other key staff, to address the barriers identified above and mitigate their impact on the federal fund draw down process. The resolutions will have phased implementation dates, with proposed implementation beginning in the first quarter of CY2016 and ending in the last quarter of CY2016. The Special Advisor will also provide regular updates through CY2016 to federal officials, key legislators, and members of Hawai'i's Congressional Delegation to keep them apprised of progress. The Special Advisor also intends to pursue opportunities to collaborate with the Congressional Delegation in efforts to bring more federal dollars into the State.

The Special Advisor provides assistance to state agencies to ensure goals and milestones set forth by the federal agencies are met. As noted by the Governor in his State of the State address, the Federal Highways Administration reduced its federal funds balance by \$100 million dollars in Fiscal Year (FY) 2015, representing the largest drop in the past five years and bringing the balance down to its lowest level since FY2002. Additionally, the EPA recently notified DOH that it is now in compliance on spend down of the Drinking Water Revolving Fund, and the remaining \$8 million will soon be released to the State.

The Special Advisor is working most closely with DHHL to identify ways to address this agency's unique issues with drawing down federal funds to support DHHL projects. Unlike other state agencies, DHHL is headed by an executive board consisting of the Director and eight appointed commissioners. This factor compounds the decision-

making and implementation process, as the Director lacks unilateral authority in moving projects forward. The Special Advisor will continue to work with the Director to determine how best to collaborate with the commissioners to identify and prioritize project that will support timely draw down of the NAHASDA funds.

Finally, the Special Advisor will continue to serve as liaison between the Office of the Governor and the federal agencies on policy matters beyond funding, and will continue to provide critical support to the Governor on important federal initiatives such as the expansion of international preclearance at Hawai'i airports. The Special Advisor will also continue to serve as the Governor's liaison to important national organizations such as the National Governors' Association (NGA), which has recommended that states appoint a senior level point of contact within each Governor's office. The Special Advisor is uniquely positioned to serve as liaison to the NGA, given her knowledge of federal policy issues and the relationships she has developed with federal officials.

Rationale for Continued Funding -- Military Affairs Liaison

Hawai'i's strategic advantage has made it possible to currently have a very dynamic military profile consisting of not only U.S. Pacific Command Headquarters (USPACOM) but also the pacific region command headquarters of U.S. Pacific Fleet (USPACFLT), U.S. Army Pacific (USARPAC), U.S. Pacific Air Force (USPACAF), and Marine Forces Pacific (MARFORPAC) as well as the disaster response capability of our Hawai'i State National Guard who have assisted with disaster events not only in Hawai'i but in other nations across the pacific.

The Military Affairs Liaison joined the Governor's office on September 22, 2015. Since then, he has met with the leadership of commands here in Hawai'i to better understand their mission, their organizations, and their efforts to incorporate their commands into the community. Through building these relationships, the Military Affairs Liaison will represent the Governor as the State's ambassador reflecting the importance of the military profile to Hawai'i's economy.

Attendance at the recent Military Affairs Council (MAC) annual meeting and partnership conference, underscored the importance of "partnerships" and "relationships" with the military sector that have served our State well to this point. To better understand the impact of the military on Hawai'i's economy, the Military Affairs Liaison is evaluating how to further breakdown defense spending in Hawai'i from the macro level. There is a need to have updated information to that contained in the RAND Corporation's – Technical Report "National Defense Research Institute: How Much Does Military Spending Add to (the) Hawai'i Economy." In pursuing an update to this data, the intent would be to also create an online site to provide information about the historic, current and future significance of the military to assist in shaping Hawai'i's economy.

Hawai'i, as are other states, seeks to maintain and innovate using the military investments in their states. This includes getting in front of friction points affecting our military partners ability to train in Hawai'i while supporting community concerns throughout the State. As well as, continuing to be vigilant by ensuring that the bases and forces we currently support will not be affected by any potential future Defense Base Closure and Realignment Commission (BRAC) efforts to ensure that our combat units continue to have the capability to properly train in preparation for combat deployments within the missions of the Hawai'i-based commands. Seeking ways to partner with our military sector in development of technology transfer will support state infrastructure such as cybersecurity and renewable energy.

The Military Affairs Liaison will further assist with sharing as well as fostering through community engagement more "good news stories" of the contributions of the military sector in partnerships within the state that occur beyond the gates of military installations. Following are some examples of community benefit and financial assistance provided by the military sector to various communities within our state:

- Leileihua High School's CyberPatriot Team composed of JROTC members and assisted by local teachers as well as employees of the Kunia Field Station (US Navy/NSA), competing for the fifth year in Washington D.C. in the Cyber Patriot National Championship "Finals".
- National Security Administration's STEM Education Partnership Program (or MEPP) which provides a catalog of classroom instruction on STEM course work from which teachers/institutions may select curriculum in kindergarten through grade 12.
- U.S. Department of Defense, Office of Economic Adjustment (OEA) grants (80 percent federal funds with 20 percent state funds match) to the following Hawai'i public schools –
 - \$33 million grant award for renovation and new buildings at Hale Kula Elementary
 - \$103 million grant application for renovation and new construction at Solomon Elementary
 - Pending grant application for Mokapu Elementary School

EXPENDITURES AND BUDGET REQUEST

Act 119 authorized 2.0 temporary positions and \$300,000 in general funds for FY16. Of the \$300,000 in general funds, \$229,800 was allocated in Act 119 for personnel costs. After personnel, the next most significant cost is for out of state and neighbor island travel. Examples of beneficial trips include:

- Special Advisor – Western Governors’ Association Winter Meeting
 - The Special Advisor represented Governor Ige who sponsored a resolution to express support for the expansion preclearance. The resolution was passed and adopted by the WGA, an organization representing the Governors of 19 western states and 3 U.S.-flag islands. Expansion of preclearance would include Narita International Airport, a critical gateway airport to the State of Hawai‘i.

- Military Affairs Liaison – Pohakuloa Training Area (PTA) briefing
 - The Military Affairs Liaison traveled to Hilo and gained important insights into current army funding commitments related to PTA as well as sharing the on-going environmental efforts of the Natural Resources office at PTA.

Attachment A includes itemized actual expenditures from July 1, 2015 to December 31, 2015.

RECOMMENDATION

The Office of the Governor recommends the continuation of general fund support for both positions and operating expenses beyond June 30, 2016, based on the following:

The positions of Special Advisor on Federal Funds Maximization and Military Affairs Liaison are new positions, created to focus on two important contributors to the State’s economy. The incumbents in these positions have begun important work, but additional efforts must continue in order to determine the return on investment.

The recommendation is that both positions be funded through Supplemental Fiscal Year 2017 (July 1, 2016 to June 30, 2017). The Governor’s Office supplemental budget request includes continued funding of salaries at current level.

The request also includes that sufficient operating budget be appropriated for travel to national events, meetings with officials in Washington D.C., and for neighbor island site visits and meetings.

Attachment A includes planned expenditures from January 1, 2016 to June 30, 2016.

**ATTACHMENT A
ITEMIZED EXPENDITURES**

	FY16 July 1 - Dec. 31	FY16 Jan. 1 - June 30	FY16 TOTAL
Personnel			
1.0 FTE Special Advisor on Federal Funds Maximization	60,000.00	60,000.00	120,000.00
1.0 FTE Military Affairs Liaison	54,600.00	54,600.00	109,200.00
Personnel Sub-Total	114,600.00	114,600.00	229,200.00
 Travel			
Neighbor Island Travel	168.40	1,600.00	1,768.40
Out of State Travel	1,467.28	18,000.00	19,467.28
Travel Sub-Total	1,635.68	19,600.00	21,235.68
 Other Operating Expenses			
Supplies and printing	200.00	200.00	400.00
Computers	2,500.00	2,500.00	5,000.00
Cell phone	300.00	300.00	600.00
Subscriptions		5,000.00	5,000.00
Other Operating Expenses Sub-Total	3,000.00	8,000.00	11,000.00
 Grand Total			
	119,235.68	142,200.00	261,435.68