



Project Profile: Hawaii

Impact Statement

Data from the Hawaii Defense Economy (HDE) website provides a good foundation of information to inform proactive economic development efforts supporting the growth and sustainment of key defense sectors in the state. The HDE website proves a valuable resource for defense suppliers and state leaders, so much so that the Hawaii state government plans to host it eventually to ensure that it is sustained and kept current over time. An action plan to be developed will provide support for key defense suppliers in the state through workforce initiatives and visibility with legislators.

Key Project Takeaways

Hawaii's work to collect, analyze, and organize data about their defense industry into the Hawaii Defense Economy website (HDE) increased awareness among leaders and organizations in the state about the significance of defense suppliers to the overall state economy. The information gathered and analyzed by HDE allowed the state to better understand the impact of changes to defense spending, military operations, or personnel numbers in Hawaii. It also is proving to be a valuable tool for Hawaii-based companies to learn more about the DOD's stakeholders, contracting trends, growth segments, and business opportunities.

Project Description

Rationale

The defense industry is the second largest sector in Hawaii's economy, and the military has long been a core part of the state's economy, thanks to its strategic location in the Pacific. The state is home to all military services, with 6 commands and 18 installations located across the islands. With this presence, Hawaii built a sizable defense contractor community, with approximately \$2 billion spent on defense contracts every year and over 64,000 defense and nearly 18,000 civilian personnel stationed across the islands. Hawaii continues to receive military investment in areas such as construction, ship-repair, and building maintenance. Hawaii is also home to many cutting-edge research and development projects with some of the nation's top defense contractors.

Like many defense-dependent regions, Hawaii's economy is vulnerable to fluctuations in the DoD budget. Before the Office of Economic Adjustment's (OEA) investment, there was only limited data on the state's defense sector, with little awareness of the defense supply chain companies operating in the state. As a result, this sector of the economy did not receive the attention and support found in other states. Hawaii sought an OEA grant to enable the state to develop a data base that informs support for the defense economy, better organizes the sector, and aligns planning and resources to help defense companies adapt to new opportunities, changing DoD priorities and requirements.

Program Activities

Through the state's first OEA Industry Resilience (IR) award, the Hawaii IR team engaged in the following activities, led by the Hawaii Department of Labor and Industrial Relations – Office of Community Services (OCS):

- Stakeholder Directory: Created a comprehensive supplier directory of businesses and institutions that are part of the military supply chain in Hawaii to enhance collaboration between stakeholders;
- Supply Chain Map: Developed a public-facing defense supply chain map, including economic data, infographics, and a baseline economic model; and
- Action Plan: Used the data collected to develop a plan of action for Hawaii's defense contractor community to better collaborate and align planning, workforce development, and education efforts.

The grantee collected, analyzed, and organized data on the defense industry in the state. They compiled this information in the Hawaii Defense Economy website, www.HawaiiDefenseEconomy.org, focused on improving understanding of Hawaii's defense industry supply chain and the economic impact of defense contracts and grants awarded in Hawaii. The website includes data analysis tools that allow the user to analyze and provide insights into the industry, such as the top contractors and the flow of sub-awards. Analyses identified cybersecurity, missile defense, and shipyard repair as key defense industries concentrated in the state.

The Team deployed the website and its tools across the state with a concerted marketing effort and support from a Project Leadership Team and partners. These included the Chamber of Commerce Hawaii, the Military Affairs Council (MAC), local defense contractors, and economists from the State and the University of Hawaii. The grant's communications team also spoke with communities throughout the state, making them aware of the web tool and its features. Data resulting from these activities helped inform an Action Plan that included recommendations to sustain support for the state's defense sector.

The content on the HDE website has not been updated since the end of the first award in 2017. Much existing content, such as the supply chain map, business opportunities, and the ability to search by contractors, is now behind a password-protected firewall. The Team introduced the log-in requirement to track organizations accessing the site for outreach purposes.

In the second award, Hawaii's Department of Business, Economic Development and Tourism is leading a three-part effort:

- Refresh and update the data residing in the HDE website and improve security measures and functionality to enable a more complete analysis of key areas of DOD impact and actionable support strategies;
- Develop a SWOT analysis of key industries in the Hawaii defense economy; and
- Develop an action plan to enhance the State's ability to support the defense industry.

This work is underway with staff and contractor engagement on track. Partners include those involved in the first OEA award plus the US Indo-Pacific Command Chief Economist, the PTAC (when it is re-opened),

and the Military Affairs Committee of the Chamber of Commerce. The contractor (Batra, LLC) is evaluating the current website, conducting focus groups, and gathering input to define the desired content and functionality updates and improvements. They are considering enhancements to provide for more analytics for the state to better understand the impacts of defense spending (e.g., the economic impact of relevant jobs, a “leakage analysis” to document where DOD funds enter and leave the state) and a more sustainable platform for the site. The contractor also proposed modifications to improve the site’s user interface, making it easier for state officials to update. After the completion of the IR Grant, the State of Hawaii plans on taking responsibility for updating and maintaining the site.

The project team recently surveyed over 500 of the state’s defense contractors to gauge their knowledge/interest in other non-DoD related capabilities, inform the SWOT analysis, and suggest potential actions to address challenges. The survey’s 21 questions sought information on businesses’ ability to transition to other sectors should defense spending decrease, awareness of specific programs (Opportunity Zones, Enterprise Zones, Foreign Trade), skilled workforce needs, and understanding of cybersecurity requirements. This information will inform the Action Plan for enhanced support, which will likely include partnering with educational institutions to develop curricula to train workers and businesses, and promote resiliency of the defense sector.

Resiliency Impacts

Increasing awareness of the Defense Industrial Base

Prior to the HDE website, the state recognized that billions of dollars poured into Hawaii through defense contracts; however, it did not have a great understanding of the suppliers or stakeholders. The analysis enabled by the site’s tools highlighted how the range of work and products supporting defense varies from information technology and cybersecurity to construction, and food and fresh produce. The state marketed the HDE website extensively among defense suppliers, stakeholders, and partners. The availability and functionality of this resource increased awareness about the nature and scope of defense suppliers across the state and highlighted the importance of the defense sector to the Hawaii economy. Moreover, the website enabled defense suppliers to understand and pursue new business opportunities as well as identify risks to continued success.

The potential for impacts in this area is greater under the second award because of the data updates planned and technical and analytical enhancements under consideration at this time. It is possible that defense suppliers can use the upgraded website to diversify their customer base to additional services or Commands.

Readiness Impacts

Training and People Support

The SWOT analysis will lead to an Action Plan that details opportunities to strengthen the defense supply chain and key support industries. One essential component of this support includes enhancing the skills of current and potential defense industry workers, involving curriculum development and customized training in important skill and technology areas that are high priority to the DOD and the state’s contractor base. Building on relationships developed with educational partners in the state, this component has the potential to generate significant impact for DOD and the defense industrial base.

The Action Plan will likely address the need for cybersecurity awareness and contractor compliance with DOD cyber requirements. The U.S. defense industry invests billions of dollars into cybersecurity through the NSA, which has a large presence in Hawaii. The DoD also invests millions of dollars in contracts for cybersecurity at Pearl Harbor and at the Pacific Missile Range Facility on Kauai. While the federal dollars invested in IT and cybersecurity contracts in the state of Hawaii are relatively small compared to other sectors, this is an area of tremendous growth potential. Currently, there are only a handful of Hawaii-based companies with contracts for cybersecurity, making up just 18 percent of all Hawaii contracts. The presence of both the defense industry and NSA in Hawaii puts the state in a great position to develop new job opportunities in the cyber and IT fields and to build partnerships and resources that will benefit local businesses and schools. The state's MEP Center, the Hawaii Technology Development Corporation, is interested in partnering with the Hawaii IR Team to deliver cybersecurity training.

Other Community Benefits

Alignment with State Programs

Because the Hawaii Department of Business, Economic Development and Tourism is managing the OEA award, there are many opportunities to align this work and work products with the state's strategies to support the defense sector. The fact that the state will eventually host the upgraded website increases the likelihood that it will be maintained and updated regularly. Moreover, the state can modify analytical tools and other content as needed to reflect opportunities for support from complementary state initiatives. The action steps and action plan are specifically designed to engage components of the economic development ecosystem to expand opportunities and remove barriers to growing defense companies in the state. Under the arrangement envisioned, it will be in the state's interest to keep the strategies current and aligned with emerging priorities.

Lessons Learned

There was a lapse in time and staffing between the initial award involving research, creation, and launch of the HDE website and the second award to fund the website's update and the SWOT analysis. This lapse resulted in a loss of project momentum and institutional memory with changes in staffing. OEA and grantees should ensure that, in each project funded, there are enough redundancies to guarantee no single point of failure and to enhance continuity and sustainability over time.

The grantee also stressed the importance of engaging early with key resource partners, especially those community partners such as the SBDC, local Chambers, and others essential for resiliency. The project's engagement directly with contracting commands brought important insights about small business challenges in working with DOD contracting requirements and expectations that can generate opportunities to remove obstacles to growth and new business development.