

The Hawaii Defense Breakdown Economic Impact Report

Our troops are carrying an unfair burden of deficit cuts. To date our Defense budget has absorbed **over 50%** of deficit reduction – yet it accounts for **less than 20%** of federal spending.

Our military's burden will be worse under the Sequestration Budget Cuts – unless Congress takes action this year. A 2011 law requires the Defense budget be cut by another \$500 billion over the next 10 years – about 18% a year.

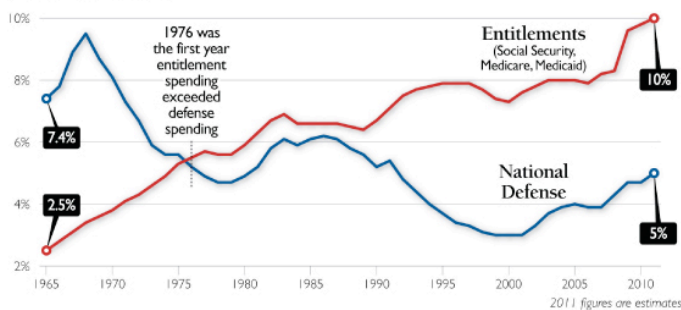
Hawaii will lose jobs and businesses under Sequestration Defense cuts.

Sequestration will destroy jobs and businesses in Hawaii in 2013. This report shows how “National Average” defense budget reductions of at least **9%** and the additional Sequestration cuts of up to **18%** could affect **Hawaii**, using actual 2010 and 2011 **Hawaii** data. **Hawaii counties, cities and industries will be hit by these cuts.**

Defense Spending Has Declined While Entitlement Spending Has Increased

Spending on national defense, a core constitutional function of government, has declined significantly over time, despite wars in Iraq and Afghanistan. Spending on the three major entitlements—Social Security, Medicare, and Medicaid—has more than tripled.

PERCENTAGE OF GDP



Source: White House Office of Management and Budget.

Federal Spending Chart 7 • 2011 Budget Chart Book heritage.org

Jobs gone. Businesses broke. America's military defenses devastated.

If left in place, Sequestration will cut our military to its smallest size since before World War II – while we face growing threats from Iran and North Korea, a rising China, regional threats in the Middle East, and an ongoing war in Afghanistan.

- **9%:** In 2012, President Obama limited U.S. military capability to fighting one “regional conflict” and one “holding action.” Defense budgets for 2013-2021 were cut **\$487 billion – a 9% cut, at a minimum.**
- **18%:** “Sequestration,” required by law in 2011, mandates **\$500 billion more** in 2013-2021 defense cuts – an **18% cut, at a minimum.** President Obama said he will veto any changes Congress makes.

Secretary of Defense Leon Panetta: “If the maximum sequestration is triggered, the total cut will rise to about \$1 trillion compared with the FY 2012 plan...The impacts of these cuts would be **devastating**... Rough estimates suggest that after ten years of these cuts, we would have the smallest ground force since 1940, the smallest number of ships since 1915, and the smallest Air Force in its history.” 11/14/2011



CENTER FOR SECURITY POLICY

Hawaii job losses under Sequestration could be permanent.

Hawaii businesses will not escape the 9% and 18% cuts.

Hawaii defense prime contractors earned over \$2.21 billion in 2011 protecting America, but now they may **face 18% revenue cuts** under Sequestration - starting in 2013.

Hawaii **defense contractor revenue losses** could be greater than **\$398 million** – each year.

Hawaii defense contractors may have to **lay off workers or even shut down under Sequestration cuts.**

Gone. Many Hawaii public sector jobs will be eliminated under Sequestration.

Congressional experts estimate Hawaii could lose DOD military active-duty and DOD civilian jobs:

- Under Sequestration, 6,812 **military active-duty employees** could lose their jobs.
- Under Sequestration, 4,600 **civilian DOD employees** could lose their jobs.

Gone. Hawaii private sector jobs will be cut, as well as state earnings.

A 2011 nationwide economic impact study from the Center for Regional Analysis at George Mason University predicts that Hawaii could lose hundreds of private sector jobs and hundreds of millions of dollars under the Sequestration law:

- Hawaii could lose **714 jobs**.
- Hawaii's economy could lose **\$422 million** in lost earnings. Hawaii could see a **\$614 million** decrease in Gross State Product (GSP).

The Bottom Line: Projected Job Loss for Hawaii is at least **12,126 jobs**.

America's defenses under Sequestration – "*a hollow force.*"

General Martin Dempsey, Chairman, Joint Chiefs of Staff: "Sequestration leaves me three places to go to find the additional money: operations, maintenance and training. That's the definition of *a hollow force.*" 2/14/2012

"Catastrophic."

General Ray Odierno, Chief of Staff, United States Army: "Cuts of this magnitude would be *catastrophic* to the military...my assessment is that the nation would incur an unacceptable level of strategic and operational risk." 9/22/2011

Go to www.forthecommondefense.org/reports to view detailed reports on Hawaii counties, cities, Congressional Districts, industries, and small businesses, and information on data sources and methodology. Additional data sources available at www.governmentcontractswon.com compiled from public data at <https://www.fpbs.gov>.

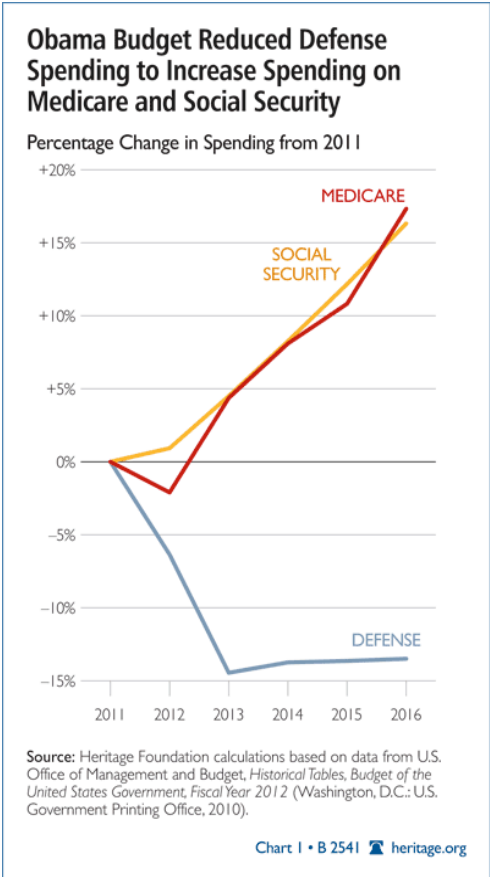


Hawaii defense business revenue losses from Sequestration budget cuts could be permanent.

These Hawaii counties could lose the most revenues:

Hawaii Top 5 Counties Projected Contract Revenue Reductions Based On National Average

County Name	2000-2011 Revenue	2011 Revenue (Baseline)	2013-2021 Annual Revenue Reduced By At Least 9%	Under Sequestration: 2013-2021 Annual Revenue Reduced By At Least 18%
Honolulu	\$14,699,318,724	\$2,142,980,789	-\$192,868,279	-\$385,736,557
Kauai	\$251,600,311	\$55,760,528	-\$5,018,448	-\$10,036,895
Maui	\$213,992,829	\$7,008,774	-\$630,790	-\$1,261,579
Hawaii	\$132,335,492	\$3,963,876	-\$356,749	-\$713,498



“Very dangerous cuts across the board.”

Secretary of Defense Leon Panetta: “But if [sequestration] happened – and, God willing, that would not be the case – but if it did happen, it would result in a further round of *very dangerous cuts* across the board -- defense cuts that I believe would do real damage to our security, our troops and their families, and our military's ability to protect the nation.” 8/4/2011

“We’d be shooting ourselves in the head.” 9/22/2011

“Dire consequences.”

General Norton Schwartz, Air Force Chief of Staff: “Even the most thoroughly deliberated strategy may not be able to overcome *dire consequences*.” 11/2/2011



Hawaii small businesses could be first to go when Sequestration defense budget cuts arrive.

With at least 9% or Sequestration’s 18% in planned budget cuts, Hawaii’s businesses – especially small businesses – will be at risk.

From 2000-2011, **2,624 Hawaii businesses** provided goods and services for America’s national defense. In 2011, many Hawaii businesses were minority owned or other types of small businesses:

- **431 minority-owned businesses**, including 17 owned by Black Americans, 21 owned by Hispanic Americans, 55 owned by Native Americans, 324 owned by Asian-Pacific Americans, and 14 owned by other minority Americans.
- **240 small businesses** including 121 “8A” and **small disadvantaged businesses** (SDB’s)
- **179 woman-owned** businesses
- **124 veteran-owned** businesses, including 33 owned by **service-disabled veterans**

Hawaii Defense Businesses Projected Revenue Reductions Based On National Average

Type of Business	Numbers of This Business Type 2011	Revenue for This Business Type 2011	Revenue Losses for Business Type 2011 - at Least 9% Reduction	Revenue Losses for Business Type 2011 - at Least 18% Reduction
Minority Owned	431	\$794,334,790	-\$71,490,134	-\$142,980,268
Small Businesses	119	\$266,962,043	-\$24,026,585	-\$48,053,170
Small Disadvantaged	121	\$244,601,299	-\$22,014,118	-\$44,028,236
Veteran-Owned	91	\$108,540,095	-\$9,768,609	-\$19,537,218
Service-Disabled Veteran	33	\$42,461,605	-\$3,821,545	-\$7,643,089
Black American	17	\$5,211,581	-\$469,042	-\$938,085
Hispanic American	21	\$57,396,242	-\$5,165,662	-\$10,331,324
Asian-Pacific Owned	324	\$448,495,743	-\$40,364,618	-\$80,729,237
Women-Owned	179	\$129,675,270	-\$11,670,775	-\$23,341,550

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