



NORTH CAROLINA MILITARY AFFAIRS COMMISSION

**Minutes of the 2nd Quarter April 2, 2019, Economic Development Committee meeting
Department of Commerce (DOC), DOC Large Conference Room, 301 N. Wilmington Street, Raleigh, NC**

MEMBERS IN ATTENDANCE:

Chair Cresswell Elmore
Frank Bottorff (by-phone)
David Hayden
Arnold Gordon-Bray (by-phone)

MEMEBERS ABSENT:

David "Crockett" Long
Timothy McClain

ADDITIONAL ATTENDEES:

Jamie Norment, ACT (by-phone)
Scott Dorney, NCMBC
Will Best, Department of Commerce
LTC David Baker, NC National Guard
Ron Massey, City of Jacksonville (by-phone)
Paul Friday, NCMAC Member (by-phone)
Kelly Jackson, DMVA

WELCOME/INTRODUCTORY REMARKS: CHAIRMAN CRESSWELL ELMORE

Chairman Cresswell Elmore called the meeting to order at 10:05 am

OLD BUSINESS: CHAIRMAN CRESSWELL ELMORE

Chairman Elmore asked if there was any old business that needed to be discussed by the committee. Kelly Jackson said she had received the Purchase Order (PO) for the Cluster Analysis and that work will start soon to update that document. David Hayden asked about the timeframe for this project. Kelly Jackson said that the service was for 6 months with a 6-month extension. She also said that Cassidy and Associates had been selected as the NCMAC Lobbying firm and they started their contract on April 1, 2019.

CONSENT MINUTES: CHAIRMAN CRESSWELL ELMORE

Chairman Elmore requested a motion to approve the minutes from the 1st Quarter meeting of the committee on January 31, 2019. David Hayden made a motion to approve the minutes, which was seconded by Arnold Gordon-Bray and passed by unanimous vote.

BUDGET UPDATE: FRANK BOTTORFF

Frank Bottorff said that there was not much to report reference the budget and the Purchase Orders (PO's) that had been talked about earlier. The NCMAC did approve to send Robert Hosford to the Association of Defense Communities Conference in Miami. He has sent information on what presentations that he attended and will give an update to the Full Commission at our next meeting. We have also paid a couple of administrative items. There should be some other payments in the near future for the Lobbying Service and Cluster Analysis. We do need to continue forward on the Community Grants process. Frank Bottorff also said that he will be talking to Chairman Martin about the invoice for Economic Development for North Carolina (EDPNC) that we received. He has talked to

Minutes for the 2nd Quarter Economic Development Committee meeting
April 2, 2019
Page 2

Cresswell Elmore and Chris Chung about this matter. Chris Chung has had other employees working on leads that Brad Helton was working prior to his leaving EDPNC. They will determine how do pay this invoice. Chairman Elmore said that he knew that EDPNC was conducting interviews for that vacant position. Frank Bottorff said that he thought they were close to a selection. No future discussion.

MARINE CORPS AIR STATION (MCAS) CHERRY POINT AND FLEET READINESS CENTER EAST (FRC EAST)
UPDATES: JAMIE NORMENT

Jamie Norment gave the committee an update on Cherry Point reference economic development. Cherry Point faces 2 major challenges in the immediate future. The first is hurricane recovery. There is damage on the Air Station side and FRC East caused by the hurricane. That has not been funded with any supplemental appropriation from Congress. It is working its way through Congress in various forms but right now that recovery must be taken out of operations and maintenance budgets which are already stretched with the current backlog. That is a big challenge. At FRC-East specifically they can not use an entire hangar and that is a major drag on their ability to perform their mission. That hangar needs to be repaired and we are pressing hard in Washington to get the supplemental appropriations done and get those paid for not out of hide but from the supplemental appropriations. That is a big challenge from the hurricane.

The second is military construction dollars. The Air Station is on track with funding has been appropriated for the reconstruction of the flight line and related facilities as they prepare for the F-35. That has been thrown into some disarray due to the President's National Emergency Declaration in relationship to securing the Southern Border. All the NC Military Construction (MILCON) dollars is on the list for diversion to the Southern Border emergency spending. None of the money has been moved yet and nothing has been finalized on which projects will be diverted, if any. I am cautiously optimistic that the Cherry Point funding will not be diverted as they are all related to the F-35 or to supporting the warfighter for readiness. Those are 2 of the highest criteria for keeping the money where it is. Our biggest concern is a delay in the MILCON funding stream and then the ability to contract for that work. The Cherry Point projects really need to get contracted out this year or early next year to stay on track to receive the F-35's as planned. We could be looking at a delay of one year or more as a worst-case scenario due to law suits and Congress' inability to make a decision on appropriations. The President has indicated that if Congress funds his current FY budget request completely for the Southern Border, which is over \$8 Billion, then he will not need to take any military constructions dollars and divert them. That is a carrot, but I am not optimistic that Congress can get their act together to pass something that will meet the President's demands.

The good news is that FRC-East is bursting at the seams with people and work. They are hiring Engineers and labor. They have a new apprentice program that they are working through with Craven Community College. That is on a very good track. FRC-East was awarded a small contract for almost \$13 million as a portion of the V-22 contract. This is funded through a private contractor. Most people don't know that FRC-East does a lot of defense contractor work directly and not for the Department of the Navy or Marine Corps. They do operate like a business. It was announced that the Mouge Company has awarded an almost \$13 million contract. These small contracts all add up to the \$1 billion that they normally generate for the community.

Minutes for the 2nd Quarter Economic Development Committee meeting
April 2, 2019
Page 3

On Wednesday the FRC-East Commanding Officer, Executive Officer and Chief Civilian will be in Raleigh to present to the Department of Transportation (DOT) Board of Transportation Economic Development Committee. That is an open meeting at 2 pm. That morning at 11:00 the FRC East team will be meeting with the Governor. They will ceremonially finalizing the Memorandum of Understanding (MOU) that the State has executed with the Department of the Navy. This allows the State funding that was appropriated by the General Assembly to go to the FRC-East Lift Fan facility. That is a \$5 million appropriation (grant), from the State to the Navy for the benefit of FRC East. This will be linked to economic development. Those funds will be used to capital construction and bring permanent civilian jobs to the state. Chairman Elmore asked if those funds were earmarked? Jamie Norment said yes it was earmarked for as best that they could make it and go to support the Lift Fan facility. The expectation is that the money will be used to build a Lift Fan Processing Center. This is not subject to the President's ability to divert these funds.

I know that we will be talking about Legislation that has been filed and that does relate to economic development directly in terms of the study and the prohibition of wind turbine development. That does impact Cherry Point. I can talk about that later if you want me to.

Arnold Gordon-Bray asked about the destruction that occurred due to the hurricane and was not being addressed by outside sources. Why aren't Federal Emergency Management Agency (FEMA) funds going for the repair or is there some federal requirement that prevents it from being diverted because there are other federal funds? Jamie Norment said that reading the law and regulations, FEMA is prohibited from funding any hurricane recovery projects for any federal building or federal installation. General Services Administration (GSA), and the Department of Defense (DOD) can't receive federal funds. It is up to Congress to appropriate special money for that hurricane recovery or the department just takes it out of hide. Frank Bottorff said that Jamie Norment was correct, and they are eligible for FEMA funding. Jamie Norment said that is a problem. Arnold Gordon-Bray asked if that was the same during Andrew? I thought that hurricane Andrew was considered an anomaly and I think that this one would be considered an anomaly too. This is a 2-part question that I am asking because I am not sure that everyone is understanding that both at a Congressional level and the folks in the money world understand that there are separate pots. I don't believe that the people and the voters understand that those impacts that you articulated very clearly endangers the recovery of Cherry Point. There is a second part to my question about the delays. You talked about that delays and the cost. The cost is that you did the initial estimate and now you are into the repair phase. There is a maintenance cost and sustainment cost. How much is it costing us to not repair in terms of real dollars and performance or impacts on readiness. This needs to be articulated and made into short points for the Governor and our Congressional leadership. Jamie Norment said that he agreed. We are working on those numbers with FRC East leadership and Air Station Leadership. The problem is that they can't release anything unofficially but must go through the Chain of Command. But from Senator Tillis' office, they can request information and develop that information. We have some rough numbers and estimates and are working with the Senate Arms Services Committee Staff on finalizing those estimates. We will be getting that information out as soon as we can, but they are always subject to change. I think you are correct that not only is there a delay cost based on the hurricane recovery but there is a tremendous cost on the new construction. Every year that they delay there are additional costs because of the escalating price of materials and labor. We are looking at over \$1 billion in new construction at Cherry Point. That was

Minutes for the 2nd Quarter Economic Development Committee meeting
April 2, 2019
Page 4

The number 6 years ago. I have not seen an updated number since then, but you are going to increase the cost to the Air Station or reduce the scope of the work. We are trying hard not to get into a situation where we are shrinking the MILCON projects. Arnold Gordon-Bray said that there is another danger that we are not talking to and that is the fact that there are costs that I am sure the Contractors are going to pass on to the us for having systems and equipment that was associated with or laid aside and he is going to include the cost. I think that when we start looking at costs we need to ensure that we are very clear in laying out costs as it stands and then projected costs of what each month, day or quarter costs us additionally, so we can create some sense of urgency. More important than all of that is readiness.

NORTH CAROLINA MILITARY BUSINESS CENTER (NCMBC): SCOTT DORNEY

Scott Dorney had a few comments for the group. The MILCON numbers for the for FY 2020 have come out and you have them in you packet. Our Fiscal Year (FY) 2020 program for MILCON for NC is \$465 million. That is up from \$315 million in 2019 so that is a nice increase. But Jamie Norment did mention the threat of diversion of those funds to the Southwest Boarder area. We looked at the same document that Jamie Norment did, and I will yield to him as he is a lawyer. There was a substantial list of projects in NC that were funded as far back as FY 2016 that included on that list. My reading of the criteria that came out with that list would indicate that there are only 3 projects in NC that are at risk. One at Camp Lejeune, Cherry Point and Seymour Johnson. The criteria said no barracks, housing and nothing funded in FY2019, only projects in FY2020. This is all up for discussion and politics. The good news is that we have a \$465 million MILCON program for FY2020. I think this is the 3rd largest in the country.

In your packet is a new release that we put out. The federal contracting dollars for 2018 were very positive. There was a \$1 billion increase in federal contracting in NC from FY 2017 – FY 2018. We went from \$5 billion to \$6 billion in prime contract awards. That is great news. We had a significant increase in DOD portion of that federal contracting. I was concerned about FY2018 but feel good about FY2019 because our MILCON programs is good and the hurricane damage. The good news side of the hurricane is the contracting work that will be done. Contracting for 2018 was better than we anticipated and prime contractors in 99 Counties out of 100 Counties. David Hayden asked what can we do to get that 100 County involved. Scott Dorney said we will need to work on Polk. I think it is Polk County, but I will check on that and get back to you.

Upcoming Events:

Southeast Region Federal and Defense Textile Summit, April 23-24, Hickory, NC

Medical, Biomedical and Biodefense Support to the Warfighter Symposium, June 11-12, Chapel Hill, NC

Legislation that has been introduced: Senate Bill 342, NC Military Business Center Funds. We are very happy that there has been a bill introduced in the Senate that supports an increase in funding for the NCMBC. I must credit the NCMAC for this legislation. Your indorsement of increased funding was very influential. The bill that was introduced and sponsored by Senator D. Davis, Wayne County, Senator Edwards, Buncombe/Henderson Counties and Senator Burgin, Harnett County. It has bilateral support and geographic diversity. We continue to get more co-sponsors to sign on. I just want to thank the Economic Development committee and the NCMAC for their support of this increased funding. We are looking for a companion bill in the House and Rep Lewis, Harnett County is putting together a bill with

Minutes for the 2nd Quarter Economic Development Committee meeting
April 2, 2019
Page 5

similar support from across the state.

DEPARTMENT OF COMMERCE (DOC): WILL BEST

Will Best reported on a couple of items from the Department of Commerce (DOC). Will Best mentioned that \$65 billion for the 12% of Gross Domestic Product (GDP), I looked up the 3rd quarter of 2018, GDP for NC and it was about \$570 billion for NC. If we apply 12% to that it will be \$68.3 billion. So that figure continues to go up and we need to update it. Scott Dorney said that we all quote that same figure and he thought it was a 2014 or 2016 study that had that information. That is a Commerce report that has that number and we supply information for that report. Scott Dorney also mentioned that he would appreciate any help from this committee to help get the companion bill on the House side for the increase in NCMBC funding. David Hayden said that another way to push this is at the Quarterly NCMAC meeting. We have a Legislative Committee as part of the NCMAC and that is where we should go for assistance. Scott Dorney said that Senator Brown has been a force behind this.

Will Best talked about the Mapping Tool Project. We were in a position and had publicly opened the mapping tool up. Recently, prior to April and at the end of March both the Marine Corps and the Air Force provided additional comments and they want to apply additional review to the Military Training Routes (MTR) that may or may not be shown that they feel are relevant. This was based on the surface and floor and above mean sea level flight areas. The Air Force made a comment that Snow Bird Military Operations Area (MOA) in the western part of the state and Echo MOA above Seymour Johnson, those areas that were shown on the map previously have a floor of 7,000 and 11,000 feet above mean sea level respectively. Those altitudes that they are flying is not an impact to anything on the ground, so the military each respective military agency and their geospatial components, want to review the data before we go public again. They want it to be a true reflection of their needs and operations. The impact is as truthful as it can be.

David Hayden asked if Will Best would suggest that one possible outcome would be that they reduce the areas that we are seeking to protect? Will Best said that could happen. David Hayden asked when will you get feedback from the services, so you can move forward? Will Best said that the services are reviewing the geospatial data this week. I can't give you an exact date, but I would think this month.

OPEN DISCUSSION:

Chairman Cresswell Elmore asked if there were any open discussion items?

Kelly Jackson talked about the legislation that had been filed this session.

Senate Bill 231: Study military Economic Zones (Sponsors: D. Davis, Brown and Perry)

House Bill 340: Amend Appt for Compact on Education/Military

Senate Bill 342: NC Military Business Center Funds

Senate Bill 230: Excused Absences for Military Children

Chairman Cresswell Elmore commented about the EDPNC and that as soon as they hire a replacement for Brad Helton we will have him attend the next Economic Development committee meeting and give use an update.

Minutes for the 2nd Quarter Economic Development Committee meeting
April 2, 2019
Page 6

Chairman Cresswell Elmore informed the committee that he has passed the leadership role to David Hayden. He will be going into retirement and does not want to be re-appointed to the NCMAC. The Speaker of the House will honor that request. I plan to leave this committee in the great hands of its members. I will be moving to the Raleigh area in the future. Scott Dorney commented that Cresswell Elmore had done a fantastic job on the Chairman of the Economic Development Committee. David Hayden commented that he was honored when Chairman Martin asked him to chair this committee. He knows that he has big shoes to fill. He said on behalf of the Economic Development Committee members, we thank Cresswell Elmore for his leadership and how he has kept the committee in check. We look forward to interacting with Cresswell Elmore in the future. We will carry on the banner of the Economic Development Committee.

David Hayden asked Will Best if they could meet in the future, so they could talk about the mapping tool. He would like to meet with Secretary Tony Copeland, Department of Commerce.

ADJOURNMENT:

Chairman David Hayden adjourn the meeting at 11:13 am.