

Date of Hearing: July 3, 2012

ASSEMBLY COMMITTEE ON JOBS, ECONOMIC DEVELOPMENT AND THE  
ECONOMY

V. Manuel Pérez, Chair

SB 245 (Rubio) – As Amended: June 22, 2011

SENATE VOTE: 28-8

SUBJECT: Military installations: plan for retention and sustainability

SUMMARY: Re-establishes the Office of Military Support (OMS) within the Business, Transportation and Housing Agency (BTH) for the purpose of serving as a clearinghouse for state activities related to the military including base closures. Specifically, this bill:

- 1) Expresses legislative intent that, among other things, California has experienced five rounds of base closures resulting in the closure of 29 bases since 1988 and additional bases may be considered in the future. Further, it expresses that California lost more federal payroll jobs in its 29 base closures under rounds one to four than all the rest of the states put together.
- 2) Establishes the OMS, within BTH, for the purpose of providing a central clearinghouse for all defense retention, conversion, base reuse, and sustainability activities in the state and to interact and communicate with U.S. military installations.
- 3) Requires the Governor to appoint a Governor's Advisor on Military Affairs (AMA), who will be responsible for the operations of OMS. The AMA's compensation is set by the Secretary of BTH with the approval of the Department of Personnel Administration.
- 4) Authorizes OMS to establish a Military Advisory Committee (MAC) to advise the OMS on military-related matters including, but not limited to, active U.S. Department of Defense (DOD) installations and defense conversion issues. Meetings of the MAC may be called on an as needed basis. No reimbursement for expenses or payment of per diem is authorized for members of the MAC. Membership is unlimited and may include policy level representatives from state agencies and departments, higher education systems, and Members of the Legislature.
- 5) Requires OMS to, among other responsibilities:
  - a) Utilize and update the plan prepared by a prior Military Advisors Council for the 1985 Base Realignment and Closure (BRAC) proceeding. The updated plan is required to include basic information about California's current military installations, outline a retention strategy, and coordinate related activities between potentially impacted communities, the Legislature, the Governor, and California Congressional delegation. The plan is also required to identify military installations or missions in other states that could be recruited to California. An updated plan is due to the Legislature by January 1, 2015.
  - b) Develop a strategic plan for state and local defense sustainability, retention and conversion efforts, which addresses the state's role in assisting communities with

potential base closures and those impacted by previous closures. OMS may coordinate with interested state and local entities on the strategic plan to retain current DOD installations, facilities, bases and related civilian activities in California.

- c) Conduct outreach and provide a network to facilitate assistance and coordination of all defense retention and conversion activities within the state.
- d) Support the development and coordination of state retention advocacy efforts at the federal level.
- e) Conduct an evaluation of existing state retention and conversion programs and provide the Legislature with recommendations on the continuation, elimination or modification of those programs including an assessment of the adequacy of funding levels.
- f) Serve as the primary state liaison with the DOD and its installations in the state including resolving any disputes or issues between the DOD and state entities.
- g) Review and make recommendations regarding state actions or programs that may affect or impact DOD installations or the state's military base retention and reuse activities.
- h) Authorize, to the extent that moneys are available, that OMS:
  - i) Act as a central clearinghouse for base retention or conversion assistance activities, information, funding, regulations, stakeholder input, and application procedures for federal and state grants;
  - ii) Provide technical assistance to communities with potential or existing base closure activities;
  - iii) Identify available state and federal resources to assist workers, businesses, communities and educational institutions;
  - iv) Standardize state endorsement procedures and develop fast-track review procedures for proposals seeking state funds to match federal defense conversion funding; and
  - v) Establish and maintain electronic access to databases in such fields as defense-related companies, industry organization proposals for the state and federal defense industry, community assistance, training and base retention.
- 6) Requires OMS to solicit and accept funds from industry, foundations or other sources to support its operations. Private funds are required to be deposited into a Military Support Account, which is created by this bill, within the existing Special Deposit Fund in the State Treasury.
- 7) Requires OMS to prepare a study considering strategies for the long-term protection of lands adjacent to military bases from development that would be incompatible with the continuing missions of those bases.

- 8) Authorizes BTH, with input from OMS, to establish a military support grant program to provide moneys to communities with military bases to assist them with the development of a retention strategy.

EXISTING LAW:

- 1) Establishes BTH for the purpose, among other things, of overseeing and coordinating the activities of various government entities and programs with responsibility for maintaining the strength and efficiency of California's infrastructure and financial markets. BTH is specifically designated as the state lead agency in issues of international trade, excluding agriculture.
- 2) Establishes the Governor's Office of Planning and Research (OPR) for the purpose, among other things, of developing guidelines for the preparation and content of city and county general plans, including providing advice on civilian development and its relationship to military installations.
- 3) Establishes the Governor's Office of Business and Economic Development (GO-Biz) within the Governor's Office for the purpose of serving as the lead state entity for economic strategy and marketing of California on issues relating to business development, private sector investment and economic growth. GO-Biz also serves as the administrative oversight for the California Business Investment Service and the Office of the Small Business Advocate.

FISCAL EFFECT: The measure was referred from the Senate Committee on Appropriations to the Senate Floor pursuant to Senate Rule 28.8.

COMMENTS:

- 1) Author's Purpose: According to the author, "Over 230,000 active duty and civilian personnel are currently employed by the Department of Defense and California receives close to \$60 billion of the Department's direct expenditures. While the military has always been an important participant in California's economy, in today's current economic downturn the military's role is even more crucial and the Legislature must take a leadership role in preserving the state's relationship with the military."
- 2) Governor's Reorganization Plan (GRP 2) and SB 245: On May 3, 2012 Governor Jerry Brown submitted GRP 2 to the Legislature for its review. Among other changes, the GRP 2 proposes to eliminate BTH and redistribute its economic development programs to GO-Biz.

The reorganization plan will go into effect on July 3, 2012 unless a resolution of disapproval is passed by a majority vote in one of the houses. As SB 245 proposes to establish OMS within BTH, the Committee may want to consider relocating OMS to GO-Biz.

- 3) Selecting the Best Strategy: DOD has requested two new BRAC rounds, one in 2013 and another in 2015. While it is still unclear whether a new commission will be constituted to develop a list of base closures and realignments, two measures [SB 245 and AB 342 (Atkins)] are currently before the Legislature proposing conflicting views of how the state's relationship with DOD and base closures should be carried out.

Staff has prepared the chart below to help Members select a potential strategy for moving forward. For the purpose of this exercise, the role of BTH in SB 245 is replaced by GO-Biz, as suggested in the prior comment.

<b>Comparison of Key Elements of SB 245 and AB 342</b>						
	<b>Lead Agency</b>	<b>Advisor on Military Affairs</b>	<b>Stakeholder Council</b>	<b>Strategy for Base Reuse</b>	<b>Coordinate with Local Communities</b>	<b>Addresses Retention and Conversion</b>
<b>SB 245</b>	BTH/GO-Biz	Yes	Yes	Yes	Yes	Yes
<b>AB 342</b>	OPR	No	No	Yes	Yes	Yes

While the measures have many areas in common, the capacity of OPR and GO-Biz differ significantly. OPR, as an example, has expertise in land use planning including the California Environmental Quality Act and has existing relationships with local planners, and therefore, local governments across the states. GO-Biz, to its credit, has an existing network of regional and local economic developers, as well as community development financing entities.

One possible solution would be to use both OPR and GO-Biz in moving forward on a proactive and comprehensive strategy to (a) leverage economic opportunities of existing bases; (b) protect current bases from closure; and (c) support sound conversion practices, should a base be selected for the BRAC closure list.

If OPR were to maintain the lead agency status for U.S. military engagement and focus its efforts on resolving land use conflicts with DOD, GO-Biz could take the lead in facilitating the development of an economic development strategy that highlights the value of California and its regions in delivering the military mission. Other areas where GO-Biz would have expertise is in the economic development conveyance (EDC) authority under Base Closure and Realignment Law, as well as other economic and community development related rules and considerations.

Subsequent comments describe the state's historical base closure structure, the current activities of OPR related to DOD and local planning, and related legislation from the current and previous sessions.

- 4) **Military Base Closures and the Impact on California:** Due to its strategic west coast location, good weather, wide open spaces and varied terrain, California has historically served as valuable location for military bases, installations and military-related manufacturing facilities. Following World War II, California's private sector economy leveraged war-time public investments into an almost unparalleled California technology boom driven by the deepening Cold War with the Soviet Union and renewed interest in the commercialization of military initiated research and development. Companies such as Lockheed Martin and McDonald Douglas which played key manufacturing roles during the war, began to expand production lines to meet the needs of new civilian customers, while still retaining their position within the U.S. military industrial complex.

In 1988, as the Cold War was drawing to a close, President Ronald Reagan and the U.S. Congress looked to downsizing military facilities. Recognizing the challenges Congress would face by directly selecting bases for closure, the BRAC process was established to have an independent commission periodically review DOD facility needs and submit a list of recommendations for Congressional consideration. Once the BRAC list is submitted, Congress has the limited options of approving or disapproving the list – no amendments are allowed. Since 1988, five successive BRAC Commissions have been convened (1989, 1991, 1993, 1995 and 2005) and have recommended the closure of 350 military installations and the related realignment in operations and functions across the world.

Given the significance of the state's economic gains in post-war America, as high as \$66 billion in defense spending in 1988, it is not necessarily surprising that federal policies to reduce and realign the U.S. military presence would substantially impact California. Even recognizing that, data suggests that California facilities were disproportionately affected. In the first four BRAC rounds, California lost more federal payroll from its 29 base closures than all of the rest of the states combined. The military payroll in California dropped by over 100,000 civilian and military workers and an additional 300,000 private sector defense industry jobs were lost due to base closures and reduction of federal military spending. These losses are in stark contrast to the post-Vietnam closures where California lost only 7 of the 100 bases closed nationwide.

According the terms of the bill, California currently has over 30 active bases, with 237,000 active duty and civilian defense personnel. Direct DOD expenditures in California are over \$59 billion including employees, contracts and capital investments. The DOD pays \$3 million annually in fees, permits, and licenses with the state.

- 5) The State's Engagement on Base Closure and Reuse: Research undertaken in preparing this analysis suggests that in the early BRAC rounds, there was very little state-level activity. Base retention advocacy was organized at the local level, San Diego being one notable example. As an example, Governor Pete Wilson issued Executive Order W-21-91 which formally designated the Governor's Office of Planning and Research (OPR) as the state's central point of contact and liaison for closure and reuse of military bases; established an internal working group led by OPR to address economic, employment and planning issues; and established the California Base Closure Environmental Committee to expedite environmental remediation of closing bases.

The state role in conversion was sequentially heightened in 1993 when Governor Wilson transferred lead entity status from OPR to the Trade and Commerce Agency (TCA) with the issuance of a second and third executive order. EO W-50-93 established the intra-governmental California Military Base Reuse Task Force and the latter order, EO W-44-93, established the intergovernmental California Council on Defense Industry Conversion and Technology Assessment (Defense Conversion Council). The Governor committed \$61.7 million to the Defense Conversion Council in order to "boost defense conversion efforts and help California compete for additional federal funds." The State Senate and Assembly also chose a higher profile strategy to address base closure issues with each house convening special committees: the Senate Select Committee on Defense Closures and the Assembly Task Force on Defense Conversion. Legislation passed later that year codified the key points of the EO including designating TCA as the lead coordinating agency, as well as requiring

the state's network of nonprofit regional technology alliances to provide technical assistance to small and medium size businesses on defense conversion programs [SB 458 (Hart), Chapter 445, Statutes of 1993].

In 1994, state activities expanded to more aggressively protect California bases from closure. EO W-87-94 established the Office of Military Base Retention and Reuse (OMBRR) within the TCA. By most measurement, California fared better, comparatively, to other areas of the nation in the following BRAC round. OMBRR was retained subsequent to the 1995 round of base closures in order to provide ongoing assistance to communities with closed bases, as well as communities with active installations in an effort to ensure continued viability and retention. The OMBRR was codified through the enactment of SB 1099 (Knight et al), Chapter 425, Statutes of 1999.

In 2003, the Legislature and Governor decided to eliminate the TCA, which resulted in the transfer of the Defense Conversion Council and OMBRR to BTH. The Governor established a new position of Governor's Advisor on Military Affairs and expanded the role of the OMBRR to include issues related to the aerospace industry, resulting in a name change of Office of Military and Aerospace Support (OMAS)[SB 926 (Knight and Ashburn), Chapter 907, Statutes of 2004.] The bill also authorized local governments to access funds at the California Infrastructure and Economic Development Bank in order to develop projects on or near a military base that would enhance the base's mission of making California more competitive in future BRAC rounds. The authority for OMAS sunset on January 1, 2007.

SB 245 essentially codifies the 1999 and 2003 legislation, excluding the aerospace industry provisions. Additional bills related to the state's military base closure and conversion activities are described in the comment, "Related Legislation."

- 6) OPR's Relationship with the Military: In response to nearly a decade of conflicts between U.S. military and state and local land use activities, Governor Arnold Schwarzenegger issued Executive Order EO S-16-06, to re-establish the position of the Governor's AMA.

Under this executive order, OPR is designated as the lead coordinator for state policies that affect the military, including but not limited to, land use planning, development of legislation that strengthens the California-DOD relationship, and work on regulatory issues that affect the sustainability of defense operations in California. In 2011, AB 342 (Atkins) was introduced to substantially codify the EO, excluding the appointment of an AMA. Amendments taken in January 2012 expand OPR's duties, as outlined in the executive order, to additionally include base realignment and closure issues, thereby creating a conflict with SB 245. Below are some examples of the types of activities OPR has undertaken in its role as liaison with the U.S. military.

- a) OPR prepared "The California Advisory Handbook for Community and Military Compatibility Planning" to provide guidance to local governments, the military and developers on how to address land use activities near military installations and activities.
- b) OPR created a mapping tool that local governments and developers can use to identify whether proposed planning projects are located in the vicinity of military bases and military airspace.

- c) OPR prepared a supplemental General Plan guidance on addressing military compatibility issues when developing, updating or significantly amending general plans.
- 7) Future BRAC Rounds: The White House has called for two new BRAC rounds as a mechanism for reducing the DOD budget. Both the House and Senate Armed Services Committees have produced 2013 spending bills, however, that deny DOD's request to establish a BRAC in 2013. The Conference Committee charged with reconciling the two bills contains no pro-BRAC members, which would likely result in delaying the base closure process another year, according to a Washington Post article 6/20/12.

DOD intends to use the potential savings from the closures to offset Congress' 10-year DOD cut target of \$487 billion. Without authority for additional BRAC rounds, DOD will be required to make deeper cuts in other areas of military spending, which would likely impact California with its significant annual military spending.

- 8) Technical Issues: SB 245 proposes a variety of studies, strategies and advocacy responsibilities, some of which appear redundant. Staff recommends that the requirements of the bill be streamlined to allow flexibility in program delivery.
- 9) Related Legislation: Below is a list of related legislation from the current and prior session.
- a) AB 342(Atkins) Office of Planning and Research as DOD Liaison: This bill directs OPR to serve as the state's liaison to the U.S. Department of Defense in order to facilitate coordination regarding issues that are of significant interest to the state and the department, particularly with regard to any proposed federal Base Realignment and Closure actions. Status: The bill is pending on the Senate Floor.
- b) SB 268 (Roberti) Defense Conversion Matching Grant Program: The bill created the Defense Conversion Matching Grant Program, administered by the Office of Strategic Technology within the TCA, and overseen by the Defense Conversion Council. Also appropriated \$5.5 million from the Petroleum Violation Escrow Account to fund defense conversion efforts. Status: The bill was signed by the Governor, Chapter 441, Statutes of 1993. (The program was repealed on 1/1/99.)
- c) SB 458 (Hart) California Defense Conversion Act of 1993: This bill enacted the California Defense Conversion Act of 1993 to enable the state to assume a leadership role in converting to a peacetime economy. Also, the bill created a 15-member Defense Conversion Council in the TCA with prescribed powers and duties, including the establishment of criteria for designation of regional technology alliances. Status: The bill was signed by the Governor, Chapter 445, Statutes of 1993. (The Act was repealed on 1/1/99.)
- d) SB 926 (Knight and Ashburn) Consolidation of Defense Retention and Conversion Programs: The bill changed the name of OMBRR to OMAS, transferred its functions to BTH, and set forth its duties and authority with respect to state and local defense retention and conversion, consolidating all such programs under a single office within state government. The bill also provided for the use of state Infrastructure and Economic Development Bank funds by local governments to develop projects on or near a military

base that enhance the base's mission. Status: The bill was signed by the Governor, Chapter 907, Statutes of 2004.

- e) *SB 1462 (Kuehl) Local Government Coordination with U.S. Military*: This bill required cities and counties to forward to branches of the United States Armed Forces copies of significant proposed amendments to their general plans in instances where the proposed action lies within military special use airspace or low-level flight paths. Status: The bill was signed by the Governor, Chapter 906, Statutes of 2004.
- f) *SB 1468 (Knight) Local Planning and Military Installations*: This bill required cities and counties to include military installations, aviation routes, airspace, and readiness activities in their state-mandated general plans, and requires OPR to provide guidance to local officials as part of its advisory General Plan Guidelines. Status: The bill was signed by the Governor, Chapter 971, Statutes of 2002.
- g) *SB 1698 (Ashburn) Extension of OMAS*: The bill extended the authority for the Office of Military and Aerospace Support (OMAS) for two years, until January 1, 2009, and expanded the duties of the OMAS to include outreach to the aerospace industry for the purpose of fostering aerospace enterprises in California. Status: The bill was signed by the Governor, Chapter 681, Statutes of 2006.

REGISTERED SUPPORT / OPPOSITION:

Support - None received

Opposition - None received

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