



NORTH CAROLINA MILITARY AFFAIRS COMMISSION

**Minutes of the 4th Quarter October 8, 2019, Economic Development Committee meeting
Wells Fargo Building (Smith-Anderson), Floor 23, 150 Fayetteville Street, Raleigh, NC**

MEMBERS IN ATTENDANCE:

David Hayden, Chairman
Frank Bottorff (by-phone)
David "Crockett" Long
Arnold Gordon-Bray (by-phone)
Timothy McClain (by phone)

ADDITIONAL ATTENDEES:

Will Best, Department of Commerce
Denny Lewis, EDPNC
Ron Massey, City of Jacksonville (by-phone)
Secretary Larry Hall, DMVA (by phone)
Kelly Jackson, DMVA

MEMEBERS ABSENT:

William Lewis

NCMAC MEMBERS:

Paul Friday
Stanley Walz

WELCOME/INTRODUCTORY REMARKS: CHAIRMAN DAVID HAYDEN

Chairman David Hayden called the meeting to order at 10:02 am. He welcomed everyone and had all the attendees introduce themselves. There were 5 committee members in attendance for a quorum.

CONSENT MINUTES: CHAIRMAN DAVID HAYDEN

Chairman Hayden requested a motion to approve the minutes from the 3rd Quarter meeting of the committee on July 17, 2019. Timothy McClain made a motion to approve the minutes, which was seconded by Arnold Gordon-Bray and passed by unanimous vote.

OLD BUSINESS: CHAIRMAN DAVID HAYDEN

Chairman Hayden asked if there was any old business to discuss. No comments from the group.

BUDGET UPDATE: FRANK BOTTORFF

Frank Bottorff said that the Commission had approved a budget at the last NCMAC meeting. To-date we have paid the following items/invoices.

Item:

Cassidy and Associates (Lobbying Service)
Dr. Kathy Sturgis (Facilitator Svc)
EDPNC
NC Military Foundation (Cluster Analysis)

Spent:

\$ 76,500 (July – September)
\$ 4,640 (August – September)
\$ 30,000 (July)
\$ 40,281.00 (July)

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<u>Item:</u>	<u>Spent:</u>
Temporary Solutions (Stipend)	\$ 90.75 (September)
Office Supplies	\$ 182.10 (September)
Travel	\$ 767.56 (July – September)
Misc.	<u>\$ 441.25</u>
TOTAL	\$ 152,902.66

There were no expenses out of the normal expenses.

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

Jamie Norment was not able to attend the meeting due to a conflict. No update at this time.

FORT BRAGG UPDATES: ARNOLD GORDON-BRAY

Arnold Gordon-Bray said that he did not have an update for this meeting but would send out an update from Fort Bragg by the end of the week.

ECONOMIC DEVELOPMENT FOR NORTH CAROLINA (EDPNC): DENNY LEWIS

Denny Lewis gave an update for EDPNC. He has been very busy preparing for the Association of the United States Army (AUSA) meeting scheduled for 14-16 October. The Secretary of Commerce and Secretary Larry Hall will be attending AUSA this year. They are coordinating the meetings and working very closely with Stuart Ruffin. He went to Fleet Readiness Center-East (FRC-East) and met with their folks last month. That meeting was coordinated by North Carolina Military Business Center (NCMBC), Mary Beth Fernell. They spent more than a couple of hours trying to understand what they need, how they compete with our industries and what type of industry support they need. That information will help him to target companies, especially at AUSA. This week he is going to Elizabeth City and meeting with the Air Logistics Center personnel. Also, some additional meetings with DonCorp, who does support for the Air Logistics Center. Next week is the AUSA.

Defense Industry Manager, Economic Development Partnership of North Carolina

AUSA Prep and Coordination with Industry, Govt, Commerce, Universities, and DANC

- Meeting with Beth Gargan and Susan Fleetwood to coordinate AUSA Marshall Dinner invites/RSVPs
- Ft Bragg AUSA Awards Luncheon in Fayetteville. Met for 30 minutes with General Ham, Pres of AUSA, and General McQuiston, AUSA Membership, to discuss Governor attending AUSA and get their full support.
- Organized and hosted AUSA coordinate meeting with MAC, NCMBC, NCDDBA & NCMF (now the Defense Alliance of NC)
- Research on AUSA Industry Targets, communications with same, coordination for meetings with Sec Commerce at AUSA on Mon 14 Oct. Key 30 minute Meetings: Accenture, Telephonics, Booze Allen Hamilton, Sunlight, Textron.
- Coord with Ft Bragg AUSA to co-sponsor AUSA Reception. Invitation designed/developed by EDPNC and sent out to over 100 govt and industry

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- Drafted and working on marketing tri-fold for AUSA with marketing

Outreach: Learn, Educate, Inform

- Met with the Fleet Readiness Center-East (FRC-E) Business Director, staff and NCMBC rep at Cherry Point (Havelock) for introductions and to explore their needs and how EDPNC may help.
- Attended and moderated panel at the Ft Bragg Defense Trade Show
- Moderated a panel and exhibited at the NC Aerospace Summit at the NCSU McKimmon Center
- Attended NAVFAC event in Charlotte and met with 12 **non-NC** construction and A&E companies. Led to 2, possibly 3 leads.
- Attended NCDBA and NCSU IES meeting with briefing on the DIDI report
- Represented EDPNC at the Def Alliance of NC Board meeting on 18 Sep
- Briefed the Defense Alliance of NC Legislative Committee

Strategy Development & Pursuit

- North Carolina has an incredible **human performance** ecosystem consisting of academe, private, and public-private entities covering physiological, psychological, human powered sensors, and human machine interface. Several professional and college athletic programs are participating in ongoing developments and JSOC has expressed interest. This human performance capability combined with the active duty Army, Air Force, and Marine presence in North Carolina could be a natural fit for a DoD “**human-centered development/design**” center of excellence.
 - ✓ Meetings at AUSA with Accenture and BAH will address this
- The **North Carolina Regional Internet of Things** (NC RiOT ncriot.org) is a public private partnership with multiple sponsors that focuses on innovative technologies for smart cities and all aspects (infrastructure, RF, antennas, cyber security) of the growing Internet of Things. NCSU and the Wireless Research Center just won a \$24M grant for 5G development. This partnership with industry, the university system, and government is ripe for creating a “5G or next generation” hub that could help safely lead the nation’s movement to 5G networks.
 - ✓ SAIC confirmed with Sec Hall at AUSA. PAE and others pending.

Lead Qualification *(company names not provided to ensure privacy)*

- On-going discussions with **XXXXXX**..an International company looking to expand its imminent manufacturing facility in NC to producing batteries for submarines
 - ✓ Several conversations with Navy experts on battery acquisitions
 - ✓ Met with xxxxxx and Womble Dickinson to discuss and brought NCMBC into the discussion
 - ✓ AUSA Meeting with Sec Commerce scheduled
- **XXXXX Corporation**...SB defense company in environmental remediation and program management from Norfolk looking to relocate & develop land vic Elizabeth City
 - ✓ Coord and calls with local Economic Developer
 - ✓ Meeting set up for 11 Oct with Christian Lockamy (ECPCED) and Richard Olson (City of EC). I will attend.
 - ✓ Move office from Norfolk to E City
 - ✓ Approximately 120 acres...possible warehouse, manufacturing, and office space
 - ✓ Support USCG ALC contractors and then move to Jacksonville to do same

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- **XXXXX**...SB environmental remediation company looking to relocate from MD to NC. Connected with EDPNC realtor. Decision in Feb. 5-10,000 SF. 6-8 employees to start plus dozens of employees working Federal contracts throughout NC.
- Provided Defense Information for a pop-up meeting with **XXXXX** regarding a facility in NC to build submarine parts.

CLUSTER ANALYSIS UPDATE: STUART RUFFIN

Stuart Ruffin called into the meeting. Stuart Ruffin said that they had been working the AUSA meetings for about 11 years. This is one of the most fluid environments for booking industry meetings we have ever experienced. Denny Lewis and EDPNC have been great partners in bringing these meetings to fruition and getting things on the books. This has been a unique year for us.

The Cluster Analysis study has been going very well. The intent of this was to understand where the Department of Defense (DoD) Technology growth areas are particularly strong, how NC could support those technological growth areas, and then to develop and implement strategies to connect the former with the latter. That has been the process that we did back in 2009 and restart this year with funding from the NCMAC and partnership of a whole bunch of organizations. There have been approximately 20 organizations and over 30 people from these groups giving of their time and resources. We could not make this happen without the funding and the organizations that are working on this project. We are best when we are working together, and this is a great example of that.

During Phase I of the process, we set out 6 target focus technology areas. They were human performance; data and knowledge management; power; autonomous systems; advanced manufacturing; and materials. It is those areas where we have the right confluence to DoD opportunities in NC special innovation to be successful. We have been working with the Research Triangle Institute (RTI) and looking at the entire life cycle of innovation and product development around those particular areas. Everything from Research and Development (R&D), to products and services and how can we be supportive in that space. We are learning that NC has a lot to offer. There are a ton of assets in this state and we are thankful to the **North Carolina** Defense Industry Diversification Initiative (NCDIDI), who contributed over 400 different companies and assets across the State that worked in each of those market areas. This was very helpful.

I want to give you a broad picture overview and a look at the employment in those particular market areas. If you look at each of those 6 target areas, NC is growing in those collectively faster than in any other State. But in 4 of those 6 areas we are number one or number two in the Nation for employment growth in that past 5 years. The ones that we are number one in is data and knowledge management and human performance. It seems that we have picked the right target growth areas. If you look at our distribution of where those dollars are being spent or where those employment numbers are being allocated, it is overwhelming toward research and development. It is always hard to say who exactly is on the bleeding edge of a particular technology area but that is about as strong of an indication as we can find to show that NC is a head of the curve in those technology areas and well positioned and contributing to DoD in some of its cutting edge technology needs.

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At this stage of the process we are interviewing a series of companies that have technology to be in the technology sector but are currently not part of that sector. We are looking at them and asking why not and why haven't you gone after this market opportunity. So far, they have a lot of positive things to say about North Carolina's support for them. Two areas for improvement include visibility of opportunities and access to decision makers. Between the Defense Alliance, NCMBC and a series of other organizations we have in the State, that is an itch we can scratch. So, ultimately we are getting very encouraging comments from this as we go into Phase III of this project which will start the first week of November. This is where we will develop our specific strategies having understood where DoD is growing and where we are. Also, developing strategies for how we can grow in this space as quickly and effectively as possible. We will continue to flush these strategies out. We are looking at the end of the year to have the report out and then be implementing on these strategies that we have developed. We will have more updates coming out on that.

Arnold Gordon-Bray said that Stuart Ruffin said three things that were very powerful. He thought that it would be helpful to build a short 2 or 3 minute pitch with 3 specific targets in mind for AUSA. Each of these groups will have offices on one of the hallways at AUSA, specifically Training and Doctrine Command (TRADOC), Futures Command and the Army G-3. The Army G-3 will have a place in that hallway and calendars that they work up for meetings. They have a team that will be in the offices specifically to set up to go ahead and get targets of opportunity. They keep some things focused and some things flexible. So, if you have an appetite better target that goes after those things that we mentioned, you can get time on those calendars. If you leave something and then tell them this is what you are going to hit, those are the decision makers. TRADOC, Futures Command and G-3 and hit them with a comment and let them know that you are talking to the other elements. It will lead to follow on discussions for exactly what you are trying to do, if you have not done that already. Stuart Ruffin said that was perfect. There is some time that they are planning to do that in advance of the Marshall Dinner and during the reception portion have some scheduled links up there, and at the President's Reception we can get in with some of the primaries. We are thinking on the exact same lines.

Chairman Hayden said that Arnold Gordon-Bray's points are good and that he is specifically asking for Stuart Ruffin to provide something for himself and others, to have a pitch so we are consistent with our message. Arnold Gordon-Bray said that is correct. And to his point of things that they can go after. So, if not and why not. That would be very powerful and being able to leverage the AUSA crowd that is there. I would say that everyone from the NCMAC that is attending the AUSA conference should have this in their hip pocket.

Chairman Hayden asked who would have the action for getting this document together? He asked Stuart Ruffin if he could handle this. Stuart Ruffin said that he would do it. Chairman Hayden said that he appreciated Stuart Ruffin doing this. It is important for all of them to have talking points when needed. Denny Lewis said that one of the problems that NC has is that we don't have any of the decision makers down here for the programs. There is not one Professional Employer Organization (PEO) or acquisition official down here that runs the big programs. Arnold Gordon-Bray said that we do have an advocate, but he is not a primary but a user. That is the Forces Command G-3/7 side. They can put the requirement on them that challenges the Forces Command G-3/7. He is too near term but in the radius. He is not thinking that way but if you can put him on to answer a question that is in the out

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years, he becomes a bit of an advocate. He also sits on some of the wargaming issues. His interest isn't there, but his mind is. If you can get him to try to be conversant on demand because we are fighting war games 2028-2030. He is hearing that discussion and he is providing input. We can get him to at least join the chorus of the demands because he is seeing some of the things that we are going to fight. He can become a critical element in getting to that decision maker. His boss is one of the Army's Holy Grail of conversationalist. That is at Fort Bragg plus the 18th Airborne Corps Commander is really a greater among equals. That is another player in this discussion, because he is very different. There are 2 at Fort Bragg, one behind the golf ball and the one at 18th Airborne Corps. Denny Lewis said that he thought Arnold Gordon-Bray was correct when it came to the requirements standpoint. He still thinks that we need to have a Center of Excellence that NC is known for in terms of across the DoD. Whether it is big data, like the report that Stuart Ruffin referenced or human performance that we have some stuff that is compelling for a big company to come down here to establish themselves. Then that would attract more DoD folks down here that would work with the requirements folks to actually come up with programmatic solutions. I don't know why PEO soldiers are at Fort Belvoir or rapid equipping of forces at Fort Belvoir, both of those should be in NC because of the reasons that Arnold Gordon-Bray just said. We need to do something to attract them. That is the overall strategy that I mentioned before. I agree but there are parts to that and phases to that, that we need to consider.

Chairman Hayden said that being equipped to answer the question, if the opportunity presents itself, is as important as having a plan to do so. So, if Stuart Ruffin gets us something to have in our hip pocket, it will be nice to refer to something. Denny Lewis said that he would work with Stuart Ruffin to get 4-5 talking points so that everyone is on the same sheet of music. The talking points will be the same as what the Secretaries are saying to the Industry people. Paul Friday said that they have a general set of bullets. There is a lot of specificity that will be of more value to those companies down the road once the mapping is completed and the next phase is done. Then we will look at the supply chain linkage and cluster line up of all the companies in the state. That is where Commerce and others are working hard on to get to that point. There are generalities that can be stated. Chairman Hayden said that is why the talking point can be so valuable. No further discussion.

NORTH CAROLINA MILITARY BUSINESS CENTER (NCMBC): SCOTT DORNEY

No update from NCMBC.

MILITARY INCOME TAX RELIEF: DAVID HAYDEN

Chairman Hayden said that at the last NCMAC meeting Chairman Martin asked that the Economic Development Committee to look into this topic. Look into getting an exemption for military retired pay for military members who were not grandfathered by the lawsuit in 1989. So, everyone who came on active duty after 1989 who is now retired, their military retired pay is subject to State income tax. One of the things and there was a loud cry during the NCMAC meeting, several people like Rep Cleveland said that we all talk about this topic, but nothing ever happens. Chairman Martin asked that this committee look into this. Chairman Hayden has reached out to Rep Cleveland and he recommended that we look at a website for the 4th Branch. This is a non-profit organization that is focused on income tax relief for retirees. Their focus is not just military, but they also advocate for state and federal employee that have retired. I have reviewed their website and they are trying to throw everyone in together and push legislation that gives all state, federal and military retirees retired pay income tax

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exemption under state tax laws. I was also pointed to the NC Veterans Council, I had lunch with Evan Thompson, Chairman of the NC Veterans Council and Randy Cash, Navy Chaplain. After the lunch and our discussion, they invited me to their quarterly meeting to speak on this topic. You may recall that at the NCMAC meeting, someone made the comment that Veterans organizations need to advocate for this otherwise nothing is going to happen in the state legislature. What you have represented at the Veterans Council were 20 different Veterans organizations from across the state. They allowed me time to speak on the topic and advocate for this. I was trying to light a fire under them that if they want to be a real military friendly state and go after the younger retirees and came on active duty after 1989, you need to advocate for this tax relief and show them that you are actually interested in advancing what is in their best interest. I also talked about how retirees start companies and get jobs that pay a lot more than their retired pay. Then you will have a larger tax base that the state can tax. This makes sense to do this specifically for military retirees. There was some discussion about how well the concern is if the state passes a law to grant an exemption for military retirees that that would generate a lawsuit from state and federal employees who are not beneficiaries of that exemption. They may claim that they have been discriminated against which is what happened in the original litigation in the 80s. I am not aware of any other details on that matter. I need more information on that and will be getting more information. I can tell you that the Veterans organizations that were at the meeting are in support of tax relief for military veterans. I expect a request from the Veterans Council to speak at the NCMAC in November and I recommend that they do that and let us know what their position is. I hope they will come up with a consensus from the Veterans group across NC.

Crockett Long said that when mentioning the groups that got thrown into that pot, does that muddy the water? David Hayden said that it does make the poll larger and a larger impact, but he does not know how much more of an impact. He does not have the data on that yet. The 4th Branch supposedly has a study on that but he has not seen that on the website yet that supports the military retirees and other retirees. Also, how exempting their retired pay from taxation has a positive impact. They also do other things once they retire and draw their retired pay. They get other jobs and earn more than what their retired pay is. Many of us continue to work and start businesses. There is a lot more information to come forward. The Veterans organizations support is crucial for this initiative. We are gathering more information and there is more to follow. I wanted to share my discussion with Evan Thompson and the Veterans Council. Chairman Hayden asked Kelly Jackson to send out the website for the 4th Branch and for everyone to look at the site. He also said that the military is the only group that signs a blank check and gives it to their Country when they take the Oath of Office and join the military. Paul Friday asked if he knew how many other states have only addressed the military side versus the states that have addressed all of that? Chairman Hayden said that he was getting information on all of that this week. He is still gathering information. Crockett Long said that for him this is a no brainer. Why hasn't the state already done something like this? Chairman Hayden said that he agreed with Crockett Long's comment. This is not that big of an impact on the state and they get more money for the state by what they do after they retire. Apparently what they told him who was involved in lobbying in the state legislature at this Veterans Council meeting is that there is almost unanimous support in the legislature, but they are trying to resolve this potentially legal issue if they are to grant this exemption to the military retirees and would they be inviting litigation from state and federal retirees.

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Arnold Gordon-Bray said that he was going to throw a grenade into the room. I believe that there are some in the collective NCMAC that also question the fact that NC has grown, the fastest growing state in population in the past 10 years and just under 9% growth and that we have a relatively strong military retiree party coming in. There are some that believe that they are already coming to the state and they are not getting the first part. There is discussion that there is the immediate amount of people they are not looking at some of those really big earners and medium earners that are making choices associated with taxes. They are taking a visceral look and similarly just like the people making that choice there are people with a significant amount of dollars that we will lose. They are not listening to the second part of your argument about the amount of dollars that will be made in the future and that needs to be codified and capture the talent that we are also losing. If you ask for a show of hands and show their hands and not a silent consent. I think it is important to do that because some don't really believe that. Chairman Hayden said that he did not disagree that there are some that are aware of some other notions and why do we need to do something and leave things the way they are. Our mandate on the NCMAC is to encourage Economic Development in our defense industry. I think that the one thing that we can do is get the Veterans Groups to advocate for this and I think we have that ball rolling. Another thing that I told them is that you are targeting them for membership, and you need to let them know that there is value in their membership. I think there is a study in the 4th Branch website but I have not found it yet. It supposedly addresses the financial impact of the retirees staying in the state and doing other things. I think there are studies that refute that perception that it is a tremendous tax loss. If nothing else they can consider doing a new study, the Veterans Council or finance a study. Kelly Jackson said that she had put a copy of the Veterans Councils bookmark of their 2019 priorities in the folders. Chairman Hayden said that the Evan Thompson had invited him to speak at their Statewide Conference in November. Frank Bottorff said that the Bailey settlement reference for the tax relief in 1989. You had to be vested by that time, which was 5 years of active duty time August 12, 1989, which means that no one that came in after August 12, 1984 was eligible for the tax relief. There is probably only a handful of people remaining in the military at the 3 and 4 Star level that are still eligible for that tax relief.

NC4ME FUNDING: DAVID HAYDEN

Chairman Hayden talked about the paperwork that needed to be completed to move forward with the NCMAC's support of NC4ME. He reviewed the 3 documents with the members. The work that NC4ME does is unique and looked at by other states. The NCMAC has budgeted and approved funding for NC4ME for \$40,000. Crockett Long said that he is a board member of NC4ME, and they are a worthwhile organization and he has hired employees through that organization. Chairman Hayden said that he agreed that this company adds great value. Frank Bottorff made a motion to continue funding NC4ME. The motion was seconded by Tim McClain and passed by a unanimous vote. Tim McClain also commented that he echoed the comments by Crockett Long and David Hayden. This organization has been a steady performer for years and delivering true value to large companies in NC. It is not just hiring veterans but the transition out of the military into civilian life and hopefully staying in NC. It is also a good resource for hiring managers and senior leaders at the big companies. Hats off to Kimberly Williams and Stuart Ruffin for all of their work. Chairman Hayden said that the motion has passed, and this information will be shared with Chairman Martin.

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ECONOMIC DEVELOPMENT COMMITTEE PRIORITIES: DAVID HAYDEN

Chairman Hayden talked to the committee about the 3 priorities for the Economic Development Committee. The 3 priorities are Defense Industry Growth, Workforce Development and Economic, Technological and Higher Education. He had talked to Kirk Warner, Strategic Plan lead about the steps moving forward. Kirk Warner said that the committee needed to 1). Confirm the priority order, 2). Identify 1-3 steps to accomplish the priority, 3). Set target start and end dates.

Goals:

1. Defense Industry Growth: Recruit, cultivate, capture and expand the Defense and Homeland security related economic development (e.g. manufacturing, logistics and supply chain support for military and aviation equipment) with a focus toward the Military Host Communities.

Chairman Hayden asked if anyone could give him some key action steps towards accomplishing this? Arnold Gordon-Bray said that he thought the group should look at each of the verbs at the beginning. Then also think about the associated capability to do each one of them in a period of time and or an element of those pieces. He could look at recruit and then if we can put a metric towards them. We are going to AUSA soon. What is the metric for recruit, cultivate, capture and expand? If we develop a metric for each of those we can start to think about the how and that goes to the when. If we can break them apart we have AUSA and that will help us to do 2 parts, recruit and cultivate. Then there are other events coming up and we need to start asking ourselves that in the events that are already out there, what do we want to do at those events. We can turn them into actionable items. What are the number of leads we expect to get from those first 2 things? Then capture the authorized associates of planned and scheduled events. Then expand is going to be the heart of this. What are we looking for when we go into this thing? The number of people we are going to contact, the number of engagements we are going to get. The number of people we want to bring to something in NC. Do we have history to make this measurable different than what we have done before to move us in a different direction?

Paul Friday said the Cluster Analysis will have a significant role to play around those 6 target industry sectors. Also, doing a match up with them on primes and by commands. Chairman Hayden said that Arnold Gordon-Bray hit on a lot of good points. It almost reads like Denny Lewis' job description. So, funding the EDPNC position that Denny Lewis is in is part of that as well. Funding the Cluster Analysis to gather the information so we can take concrete steps to do follow on. The follow on will be critical to the Cluster Analysis. We know that the Cluster analysis will be done by the end of the year so that will be the starting point for the follow on actions. The expanding defense and homeland security related economic development is one that he is interested in for people's thoughts. He also doesn't want us to lose out on the last phase with the focus towards the military host communities. If we are recruiting businesses, cultivating and capturing them. We want to ensure that we are benefiting the host communities where our military bases are at. Paul Friday said that the maps will tell us, from the Cluster Analysis where all of those companies are located. Then we will be able to make a connection and tie into Commerce and what they are working on. They are going to target by company. Will Best said that the key thing there is going to be able to distribute the capacity of what we could bring in. If you can show that it will be a critical component for being as granular as possible and showing an indirect benefit of just recruiting someone to where capacity is available.

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David Hayden said that if you look at the expected outcome of the Cluster Analysis and the focus areas, you are also going to have shortfalls or gaps. We need to fill in the gaps and that will be part of the follow on. We are doing some concrete things now, so I don't know if that is what we should be looking for. We have Denny Lewis doing what he is doing for EDPNC and the Cluster Analysis study. I think it would be helpful to focus on the follow on steps. How can we compliment what EDPNC is doing with membership? We have some large companies with members on the NCMAC and connected throughout the industry on the NCMAC that can be supporters. Also, identify companies that need to be brought in. Will Best asked if there was an implementation phase in the Cluster Analysis? Paul Friday said that there are recommendations that will be coming forward from the study on what the next steps should be that will be published. The execution of those recommendations is not part of the study.

Denny Lewis said that he has been putting a lot of time into this since he was hired in May. I read a lot of stuff from Commerce, EDPNC and other sources. So, from an industry standpoint we have to answer the question and be able to verbalize why NC. The fact that we have great colleges we need to do it in terms of 2 things. We need a competitive analysis of where we stand with the other states and what is the business case for the upfront investment for a large company to move here and how do they recoup their costs. I am having a hard time with that. I know that we have some great things here in NC, we don't seem to make that connection that will grab people's attention. Having worked in DC for 15 years for the defense industry, I know why they are in DC versus why they are here. What do we need to do to draw businesses to NC? I think that is something for the strategic viewpoint once we get the Cluster Analysis and we access it. We may have these 6 strengths but maybe another state beats us in those 6 areas. So, what do we want to focus on and go after that in spades with investments by talking to Chambers, businesses and go to DC to some of these conferences. No one has been funded to do that and we are talking to ourselves and we don't advertise. So maybe an analysis would be worthwhile to set the conditions for success.

Arnold Gordon-Bray said that if we took what Denny Lewis wrote, turn out where you wrote about the prep, educate, learn and inform you have the potential to expand some of your words and put metric behind it. It would not be just AUSA focused. So, if you look at some of those and change the locations. You talked about attending the Naval Facilities Engineering Command (NAVFAC) in Charlotte and you change that to meet with 12 non-entity constructions. Turn that into some broader numbers and the stuff is kind of there. He thinks David Hayden hit it on the head and this aligns with Denny Lewis' job description. Expand it and we can do a lot to put it on a more strategic line. Paul Friday said that we need to focus on cultivation within the existing defense industry base in the state. The more educated our existing companies are the more they can be advocates. We have an unsung group out there that have those windows open to them all the time and don't know what to say. We have a lot of cultivating to do and we need to get the base on that same page. Arnold Gordon-Bray said we need to find out who in the other state departments that we need to which other elements need to have specific talking points and what other competitive advantages we need to request to be altered to make us competitive. Determining the other players is a big part of this.

Chairman Hayden said that he had some great notes from this discussion. There are two approaches. An internal approach trigger once the Cluster Analysis is complete and the recommendations that will come from that. One will be internal for NC, the companies and industries that are not connected and

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not part of this overall group that is not trying to grow the economic development in NC which are singularly focused. We need to identify internally how we can take advantage of what we have and create Synergy and make ourselves more attractive and providing knowledge and visibility on what we do in the State of NC. The other point that comes to me is finding out what competitive advantages do we need in NC that will make us attractive that we don't have now. We think we are hot stuff until you run up against some other states like Texas, Virginia and California. They do incredible things with industry. I am not sure if we have a vehicle to do that analysis. Will Best said that what comes to mind for him is the playbook. Are you going after a body shop like they have in DC or are we going after Subject Matter Expert (SME) for the F-15 platform? If we have that playbook and know who you are recruiting and know where to go, the capacity. Having that playbook of who I am meeting with this morning, what is the next best step. I know we have those because everyone has them. The businesses do because they know where they want to go. That is a critical item of who are they. Paul Friday said that this is not a new struggle. We have been at this for a long time. We are well positioned and have been well positioned for creating infrastructure to support activities like that. We have not been viewed as having all of the elements in place up to now for the larger prime to want to be here. He thinks if we get the choir going and focus on the elements that are missing that we might be able to influence.

Chairman Hayden said that he is having a hard time creating what Kirk Warner is asking for. He has a lot of great notes but hard to refine. He likes the idea to cultivate industries in the state. Just like the merger that made up the Defense Alliance of NC. A great voice of sharing information. Denny Lewis said that the Defense Alliance of NC would be a great organization to take the lead in this with the help of EDPNC. We can work together. Some of the targets that he would recommend are to brief NC Economic Development Association (NC EDA). They are regional economic developers. They have meetings every quarter. He thinks we need to brief them on the broad DoD picture and what will be coming out of the report and he would like to be a part of that. Also, the Chamber of Commerce. We need to get them aware of DoD. They are always looking to bring in groups to speak. Paul Friday said that they have an annual Chamber of Commerce meeting in Raleigh. Denny Lewis said that we also need to look at advertising or some targeted advertising. Until we get a Cluster or Center of Excellence that we can drive home, we need that. We can make the case that that is what we are going after. We should also not limit ourselves from services. The DoD budget is 62 cents on the dollar for services. We don't need to ignore that. Services is a big deal. Chairman Hayden said that he had good notes. We have 2 approaches to look at. One is internally focused and the other is externally focused. He will summarize this information and then get feedback from everyone.

2. Workforce Development: Retain, train and integrate transitioning military members, veterans, Guard and Reserve, spouses and military dependents into the North Carolina workforce (i.e., emphasize transition education, ease of licensure and certification, ensure job opportunity pipeline for transitioning warriors in partnership with NC4ME; and attract/retain military retirees – evaluate the impact of state income tax elimination for military retirees).

David Hayden said that we need to focus on the verbs. How do we retain, train and integrate transitioning veterans, spouses and dependents? Arnold Gordon-Bray said that we already have the military income tax relief. Getting the law changed is out of our purview but advocating for them and getting the right words in front of the legislature will assist in the retain. Then if we educate those who

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are transitioning and get involved in the locations for transitioning service members across the state and put together a good NC view that every transiting person gets to see. We need to attack this in a several prong approach. We need to turn the actions that we plan on doing currently into dates that we can show and getting that into the hands of everyone leaving the state. Show them what we do have and what we plan to do. That addresses the retain part. Then we have NC4ME for the second verb, train. The education piece is huge. Chairman Hayden said that part of this is creating opportunities for training in areas that are gaps or needed for future employment. We will also need to be working with the Community College and University of the NC systems. That needs to be a part of train verb. As we have said before the information that we get from the Cluster Analysis will help us identify our focus areas and what we have in those areas and what we don't have. Also, to identify areas that could be fertile ground for new employers and making the educational system a part of the strategic solution, that they can offer training in those areas. When we are recruiting it is nice for employers to know that the education system is plugged into that educated pool and we have a ready educated pool ready for those businesses. We would call that a competitive advantage.

Paul Friday asked where were we on the ease of licensure certification? I know that we have had progress in that area. Chairman Hayden said that he did not know if we had really tabulated that. If you talk to a legislator they would say here are all of the things we have done on licensure for military and spouses. Paul Friday said that there has been the passage of many items but there may or may not be a clear understanding of what the boards have done post passage of legislation. Maybe we need an update from those that were impacted. Chairman Hayden said maybe we need an update and summary of what has been done since the passage of any legislation. Paul Friday said that there is a State Licensing Board. Chairman Hayden said that there are many licensing boards in NC. Maybe there is an organization that could research that for us or maybe we could hire a consultant to conduct a study on what areas have we streamlined the licensing for transitioning military and their dependents. He knew that they have done that for the State Bar and other fields. Paul Friday asked if the State's General Services Administration could look at what has been done for licensing? Could we make a recommendation for them to look at this topic? Chairman Hayden said he did not know what the General Services Administration does. He said that these are all good points.

Chairman Hayden said that when we are talking about retaining, training and integrating and all of the things we have talked about touch those verbs. I think that everything that we have touched on from the tax development to NC4ME, licensing certification and getting an idea of what we currently do, and also the education piece and linking the educational institutions into our follow on actions once we have the Cluster Analysis. Paul Friday said also the new project that will be rolled out from the UNC system that will be giving credits for Military Occupational Specialties (MOS). That will be rolled out in the next school year. Chairman Hayden asked if there was anything else for Workforce Development?

3. Economic, Technological and Higher Education Partnership Expansion: Understand and advocate for our defense and homeland security industrial base while promoting new avenues for expanding our military missions; leverage our state's quality higher education, trade curriculum initiatives and partnerships aligned with the military defense industry.

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Chairman Hayden said that we had talked about some of this in workforce development. Arnold Gordon-Bray said that there are 3 pieces to this one. So, if we go to understand, advocate and leverage they are the key words. We need to capture those colleges or universities that we have that are noteworthy in the nation and the niche pieces. The most powerful things that NC has. We have more Historically Black Colleges and Universities (HBCU) than any other state in the Country. We have Ivy League schools in the South. We have 2 of the top University systems in the Country. We have community colleges that are doing ground-breaking work for our service members. So, if we can capture those groupings and especially identify who they are. Most of them have some DoD or government requirements that they are needing to fill or getting money for. If we know that information, that becomes powerful. This is who we are in NC and makes us powerful. We have research universities that are doing the kind of work that will inform our defense base. We need to show which ones are involved in R&D. We need to list everyone but star/highlight the ones that are doing R&D already. Then we show the Futures Command that we are already helping you. Our priorities are in the correct order but there is an interdependence between our priorities, and they feed each other. Chairman Hayden said that you are asking for a survey of what federal grants, Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR), R&D grants and federal grants are being done by NC Universities. Arnold Gordon-Bray said that most HBCU, do not make the top 100. However, there are niches right now and A&T is providing more Engineers. We have one of the top law schools at NC Central University (NCCU). We also have access programs for development at Fayetteville State Community College and the one down by Camp Lejeune which is a Community College.

Chairman Hayden said that we need to identify how we can get that database of items for NC universities. He thinks that Commerce may have that information or maybe one of our elected officials can get that information for us. Denny Lewis said that NC State is the largest recipient of STTR in the country. We can get some of that information from Kathy Sydnor. He doesn't see anything about innovation in this priority. The DoD is spending billions of dollars on other transactional authorities to quickly get companies to prototype things for them. If the prototype is evaluated correctly they can use that as sole source justification for procurement. For example, the defense innovation unit has given over \$100 million dollars in contracts to innovation companies. NC has received about \$2- 3 million of that funding which is a small amount. Maybe something needs to be included, something about the NC defense innovation eco system and what are we going to do to help them. Part of what we are doing right now is called the defense technology transition office, but they work with STTRs and SBIRs. That is something that we don't need to miss. In my discussion with these out-reach offices throughout DoD, One of the things that we are missing and maybe this group could help with is Venture Capitalists (VC). We don't have VC's willing to invest in companies that work with DoD. That may not seem like a big deal but Defense Innovation Units (DIU) and other folks when they are evaluating companies on risk and they see that there is commercial investment for these start up innovation companies, they consider this less risk for DoD to go with that company. I have had government people tell me that the problem that we have is we don't have any VC's investing in defense. I have met with a couple VC's with limited success. They don't see the return on investment. There is one VC company which is Veteran owned in Charlotte that is invested in innovation. That might be something that this Committee would like to look into as a part of the defense industry growth. We have some startup veteran own businesses with great ideas that need the money and there is money throughout DoD that we could help them find.

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Arnold Gordon-Bray said that when he talked about Futures Command, the R&D universities and the Research Triangle that we have, he should also say DoD. Right now, in High Point, NC there is a gentleman that can convert 3,000 gallons of water per day from air. We also have people that can give you a quart of water in 30 seconds from any water source. They have an innovation spirit. Size, weight, and power are the 3 things that every R&D guy is trying to do. Then we get them to a certain stage, and you've got them. In the word understand, that means to go to the things you are saying right now, plus the Universities and Community Colleges. The task we have at hand is to identify and let us understand what we have. Then from understanding we can go and complete the strategic process. I don't think we know all of us. So, part of our task is to go ahead and capture. Then once we know it, then start to tell that story.

Paul Friday said that these are great comments but to give you an action item. You have another adjunct to those strategic plans in the communications area which cuts across all of these. I think we should put some emphasis on compiling all of those success stories as best we can. Put together a picture of what our industrial base looks like working with Commerce and others. We can use a lot of the existing media outlets that are already in place to propagate that message. We don't have a dedicated person out there that likes to beat the chest of NC resource wise. We have plenty of people who are at the table and want to do it but if we can build it into our strategic communication plan to capture those successes and capture that understanding. Then use the networks that are in state, and we have a lot of them to get that word out on a routine bases.

Chairman Hayden said that goes to the advocacy part of this priority. What I am hearing on innovation is that we need to identify or compile what innovations we have going on at the small, medium or large levels. Then to advertise that through our strategic communications plan. We also need to get that information into the hands of VC who are not in NC but could be drawn down here due to the strong emphasis on innovation through our university systems and a lot of prior military who understand what the military needs and are willing to come up with new ideas.

Chairman Hayden asked if there was anything else for this goal? Paul Friday said he had one to add. The state university system through Kathy Sydnor and her team have put together a great partnership program. It does not get all of the HBCU's, but it gets the State University system tied together in a partnership. I would advocate that we encourage the Community College system to do something similar to what Kathy Sydnor is doing at the UNC system level. David Hayden said are you talking about the MOS's? Paul Friday said that he was not just talking about the MOS's but to organize around certain disciplines and research centers. We have Community Colleges around every military installation as a starting point to build something similar where the Community Colleges start to create discipline to fill those gaps and broadcast where they don't have those gaps. Chairman Hayden said that is tied back to the Cluster Analysis. Will Best asked why do so many 3 letter agencies and high level intelligence and technology level businesses or companies pick NC State's Centennial Campus? That is something we could tie into these verbs. They have a great system over there at NC State and we have a ton going on. That could be a model to look at. Paul Friday said that the programs that they put together over there cut across all of that.

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Chairman Hayden asked how many companies have come out of there? Will Best said that he could not begin to guess. Denny Lewis said that one of the big attractions is the National Security Agency (NSA) Laboratory for Analytic Sciences (LAS). They have other labs over there that are very impressive. Chairman Hayden said that goes back to who can compile the list of innovations that we currently have or are working on in NC. Who can do that? Denny Lewis said that NC State has just opened up a new Innovation Center and Nick Justice is the Deputy there. We could ask him, and he might be able to help us with that information.

Arnold Gordon-Bray said that he wanted to clarify one thing that was said earlier. There is a NC Community College system where they meet and have conferences. There is a linkage between the University system and the Community College system. If we really want to reach them there are targets and places that we can talk to them about our concerns. Chairman Hayden said that he had taken a lot of rough notes, but he will do a summary and then get it out to the committee for review and comments. He will try to get it done this week. He wants to get this to Kirk Warner in the next couple of weeks. Denny Lewis said that once there is an outline he can share with their research staff to see if they can amplify any points.

OPEN DISCUSSION:

Chairman Hayden ask if anyone had anything for the open discussion time? No comments.

ADJOURNMENT:

Chairman David Hayden adjourn the meeting at 11:47 am.