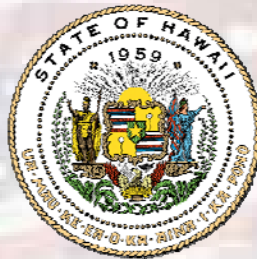


Federal



Economic
Activities in
Hawaii

March 2009



**Research & Economic Analysis Division
State of Hawaii**

This *Federal Economic Activities in Hawaii* (March 2009) report has been produced by the staff of the Research & Economic Analysis Division of the Hawaii Department of Business, Economic Development & Tourism (DBEDT). This report provides concise statistical information and analyses on the economic activities of the Federal Government in Hawaii and the contribution of the Federal Government to the Hawaii economy.

Technical notes and source descriptions have been kept to a minimum. The statistical data presented are generally on the summary level. Detailed data and sources can be found in Sections 9 and 10 of the State of Hawaii Data Book. Data Books are available online at <http://www.hawaii.gov/dbedt/info/economic/databook>. The staff of the Research & Economic Analysis Division would be happy to respond to any inquiries that readers may have regarding this study (586-2466). For further information about available data and sources, users may call the DBEDT Library at (808) 586-2424.

This report has been cataloged as follows:

Hawaii. Dept. of Business, Economic Development and Tourism. Research and Economic Analysis Division.

Federal economic activities in Hawaii. Honolulu: 2009.

1. Finance, Public-Hawaii. 2. Armed forces-Appropriations and expenditures-Hawaii.

HC79.D4.H3.2007

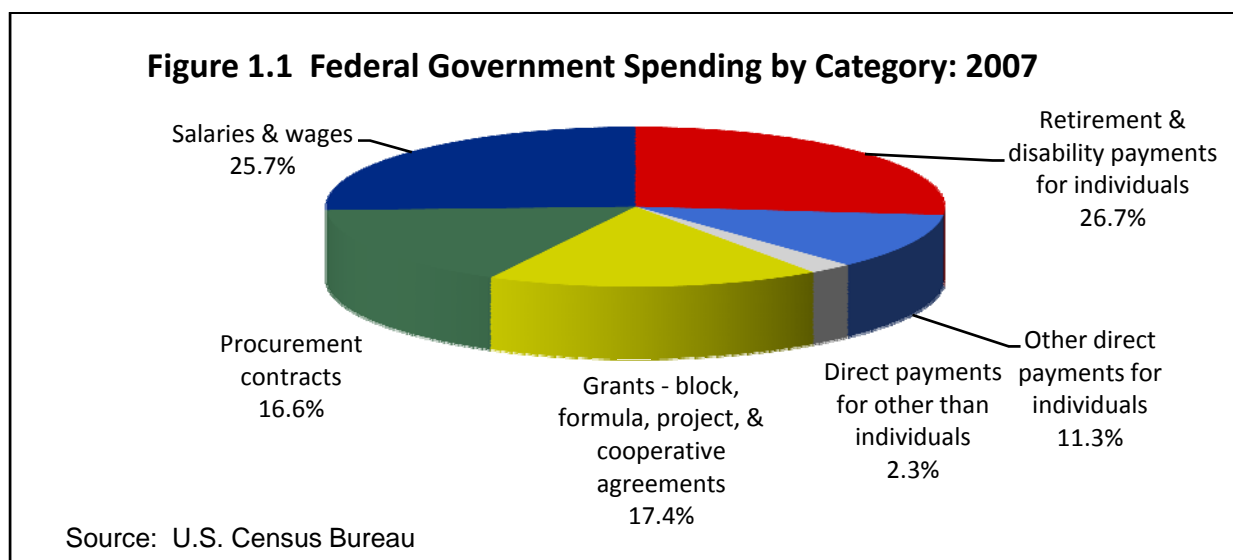
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1. Overview

This report summarizes economic activities of the federal government in Hawaii and the important role it plays in Hawaii's economy. Measures are presented highlighting the contribution of the federal government to Hawaii's Gross (State) Domestic Product (GDP), population, and employment.

The Federal government spent a total of \$14.1 billion in the State of Hawaii in 2007, more than total visitor spending of \$12.8 billion in that year. The largest spending category was for retirement and disability payments that accounted for 26.7 percent of the total spending, followed by wage and salary payments (25.7 percent). Federal grants and procurement spending each accounted for about 17 percent of the total. Direct payments to individuals and others (largely the employer portion of life and health insurance premiums for federal employees) comprised 13.6 percent of the pie.



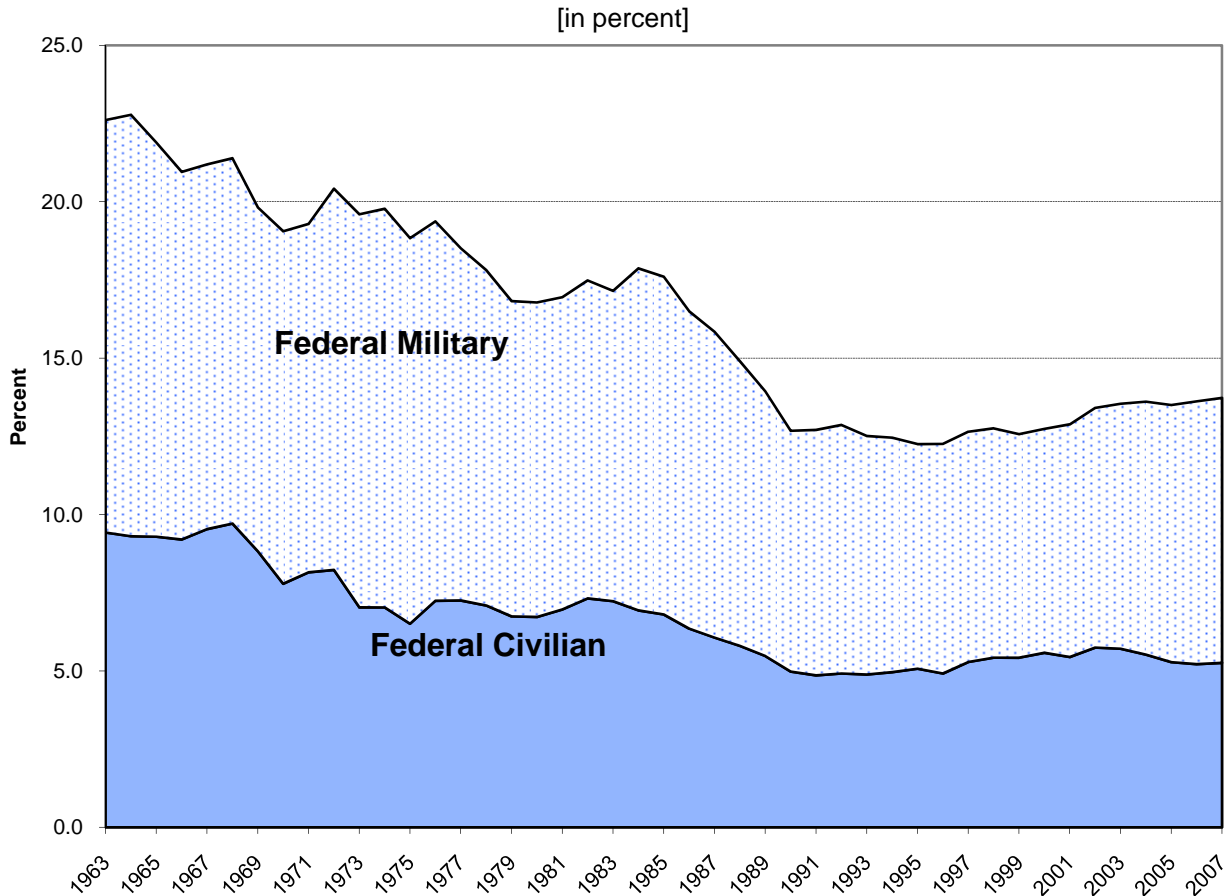
At the same time, the Federal government collected a net of \$6.6 billion in taxes from Hawaii in 2007. The \$7.5 billion excess of federal spending in Hawaii and federal tax revenue from Hawaii came from federal tax revenues collected from other states. This difference helped to balance Hawaii's current account deficit. In another words, this difference was a source of financing of the trade deficit for the state.

Another way of looking at the impact of the federal government in the state is to look at it as a share of Gross Domestic Product. In this calculation, only compensation of employees (including wage and salary payments and fringe benefits for federal employees) and procurement expenditures are included. \$5.7 billion or 40.4 percent of the federal spending in 2007 is not included in the GDP calculation. This amount includes government transfer payments, interest payments to federal government bond holders, and grants to state and local governments. Government transfer payments include retirement and disability insurance benefits, medical benefits, unemployment insurance compensation, and other government assistance payments.

Consistent with national income accounting principles, these payments are included in the GDP calculation as consumer expenditures. Grants to state and local governments are included in the state and local government portion of the GDP.

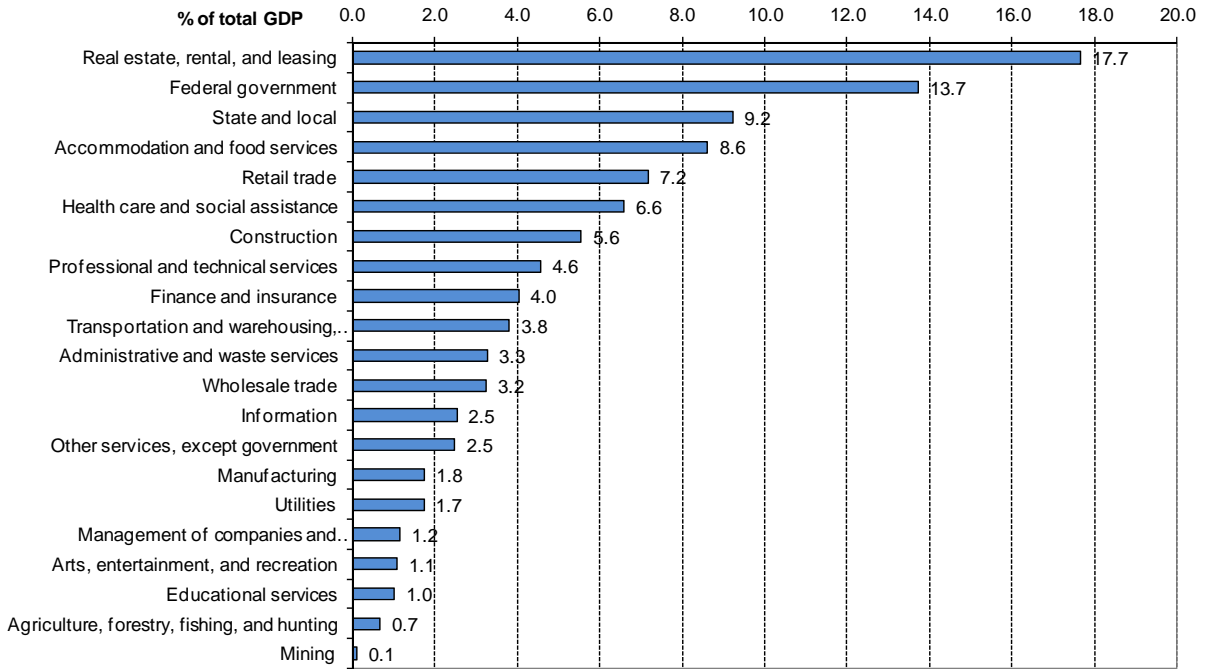
According to the estimates by the U.S. Bureau of Economic Analysis, the federal government ranked as the No.1 sector among the 10 sectors¹ in Hawaii at the 1-digit (division) Standard Industry Classification (SIC) level until 1979 when Finance, Insurance, and Real Estate took first place. Federal government accounted for 22.6 percent of nominal GDP in 1963. It gradually dropped to 12.3 percent in 1995. During the 12 years between 1995 and 2007, direct contribution of the federal government to Hawaii GDP has been level, and in the 6 most recent years, it has averaged 13.6 percent.

Figure 1.2 Federal Government Direct Contribution to Hawaii Gross Domestic Product: 1963 to 2007



¹ There were 10 sectors at the 1-digit (division) SIC level. The government division included federal civilian, federal military, and state and local government. For the purpose of this study, government division is divided into Federal and State and local government sectors.

Figure 1.3 Industry Composition of Hawaii Gross Domestic Product: 2007



Source: U.S. Bureau of Economic Analysis.

The federal government is also an important employer in the state. According to the U.S. Bureau of Economic Analysis, the Federal government provided 86,318 jobs in 2007, of which 54,528 were military jobs. Federal jobs comprised 12.2 percent of the state total wage and salary jobs in 2007.

Including military personnel, their family members, and other civilians hired by the federal government, 189,540 people in Hawaii were connected to the federal government in 2007 which accounted for 14.8 percent of the state resident population.

In 2004, the federal government owned 19.4 percent, or 796,726 acres of the 4.1 million acres of total land in Hawaii. In 2007, the next year for which the federal land estimates are available, although after Executive Order 13327 redefined federal real property assets to exclude the national parks, etc. the owned-acreage totaled 178,286. Also in 2007, the federal government occupied nearly 60 million square feet of building space in the state, 84.3 percent of which they owned.

Table 1.1 summarizes the economic indicators related to the Federal government.

Table 1.1 Indicators of the Federal Government in Hawaii

Indicator	Value	% of State total	Year	Source
GDP	\$8.4 billion	13.7	2007	Table 2.7
Federal-related population	189,540	14.8	2007	Table 3.2
Wage & salary jobs	86,318	12.2	2007	Table 3.1
Land acreage owned 1/	796,726	19.4	2004	Table 4.1
Land acreage owned 1/	178,286	(NA)	2007	Table 4.1

1/ The owned-acreage in 2004 includes the national parks and other categories subsequently excluded following the issuance of Executive Order 13327 on February 4, 2004. The six land-based national parks total some 363,331 acres alone in 2007 and partially account for the lower total in 2007. See Table 4.1 for clarification.

2. Federal Government Revenue and Expenditures

Hawaii residents pay taxes to the federal government either through payroll taxes or as excise and estate taxes. Net federal tax collections in Hawaii were \$6.6 billion in FY 2007 [Table 2.1]; this excludes the corporate income or other taxes and non-taxes paid by Hawaii businesses through mainland headquarters.

In 2007, total federal expenditures reached \$14.1 billion [Table 2.2]. Between 1985 and 2007, the annual average growth rate for federal expenditures was 5.2 percent with the most recent seven years growing at 6.5 percent annually. A significant increase in federal government spending in recent years occurred in direct payments for other than individuals which increased 14.0 percent per year between 2000 and 2007. The majority of the spending in this category was for the employer portion of life and health insurance premium for federal employees. Procurement spending increased at an annual rate of 8.8 percent during the same period. Federal grants to the state, mainly to the State and local governments, increased at an 6.9 percent annual rate between 2000 and 2007.

Comparing federal expenditures per capita for 2007 with other states, Hawaii was 5th among the 50 states, with a per capita expenditure of \$10,956.84 or 131.4 percent of the U.S. average [Table 2.3]. The other four top states and their per capita expenditures were Virginia at \$14,276.91, Alaska at \$13,721.43, Maryland at \$12,568.98, and New Mexico at \$11,380.00. Nevada was ranked 50th at \$6,031.85. Not surprisingly, the District of Columbia, had the highest per capita expenditure at \$73,900.38 due to the myriad government agencies located in the nation's capital.

Federal expenditures by county in 2007 showed that the bulk of the expenditures were in the City & County of Honolulu [Table 2.4] – not surprising as the expenditures were generally related to population or locations of military facilities. On a per capita basis, Honolulu was still larger than the other counties at \$12,285.71 compared to the federal government's expenditures of \$5,149.43 for Maui, \$5,900.68 for Hawaii and \$8,138.12 for Kauai.

Most of the \$2.3 billion federal procurement contracts in Hawaii in 2007 were by/for the military. Of the \$2.1 billion military prime contracts in 2007, construction and services accounted for 73.3 percent of the total, equipment and supplies comprised 26.7 percent of the total [Table 2.5].

To partially mitigate the concern of policy makers and small businesspersons fearing large-firm dominance in receiving contracts, the U.S. Department of Defense under Public Law 95-507 directed prime contractors receiving a \$1 million construction contract or \$0.5 million for other types of contracts establish a subcontracting program. Table 2.6 shows that in 2006 there were 41 such contractors and \$319.4 million awarded. Of that total 62.7 percent were awarded to small business.

Though declining over the years, the federal government still accounted for about 13 percent of Hawaii's economy since the 1990's [Table 2.7]. About 60 percent of the federal government share came from military activities. Between 1990 and 2007, direct contribution of the federal government to Hawaii GDP has been level, although in recent years, it increased slightly – rising to 13.7 percent in 2007.

Table 2.1-- FEDERAL TAX COLLECTIONS, BY SOURCE: 2002 to 2007

[For fiscal year ending September 30. In thousands of dollars]

Source	2002	2003	2004	2005	2006	2007
Federal collections	5,559,960	5,262,429	8,394,777	6,680,481	7,122,326	7,666,494
Corporate income tax	606,173	381,241	460,777	582,688	655,818	677,846
Indiv. income and employ. taxes	4,779,462	4,715,641	7,746,147	5,837,659	6,184,056	6,761,439
Estate tax	70,828	62,306	77,875	89,479	93,711	93,328
Gift tax	17,195	5,758	2,853	3,998	3,604	2,997
Excise tax	86,302	97,482	107,125	166,658	185,136	130,884
Total amount of refunds issued	861,101	957,463	902,878	1,007,805	983,897	1,107,617
Corporate income tax	80,379	94,186	62,467	112,953	43,092	43,092
Indiv. income and employ. taxes	772,657	857,244	837,208	890,268	933,015	1,000,855
Estate tax	2,736	4,246	2,438	1,912	6,896	6,896
Gift tax	755	111	53	81	148	148
Excise taxes	4,574	1,676	712	2,591	747	20,240
Excise taxes	4,574	1,676	712	2,591	747	4,794
Telephone excise tax 1/	(X)	(X)	(X)	(X)	(X)	15,446
Total net federal collection	4,698,859	4,304,966	7,491,899	5,672,676	6,138,429	6,558,877
Corporate income tax	525,794	287,055	398,310	469,735	612,726	634,754
Indiv. income and employ. taxes	4,006,805	3,858,397	6,908,939	4,947,391	5,251,041	5,760,584
Estate tax	68,092	58,060	75,437	87,567	86,815	86,432
Gift tax	16,440	5,647	2,800	3,917	3,456	2,849
Excise taxes	81,728	95,806	106,413	164,067	184,389	110,644

1/ The IRS reported that the one-time telephone excise tax refund in 2007 resulted in an increase in the number of individual income tax returns filed, if only to claim the telephone excise tax refund for taxes paid on long distance telephone calls billed between February 28, 2003, and August 1, 2006.

Source: U.S. Department of the Treasury, Internal Revenue Service.

Table 2.2-- FEDERAL EXPENDITURES IN HAWAII, BY TYPE: 1985 TO 2007

[In millions of dollars and percent. For fiscal year ending September 30]

Year	Total direct expenditures or obligations	Retirement & disability payments for individuals	Other direct payments for individuals	Direct payments for other than individuals	Grants - block, formula, project, & cooperative agreements	Procurement contracts	Salaries & wages
1985	4,575.5	1,108.1	336.1	48.4	468.0	672.4	1,942.4
1990	5,633.9	1,538.1	520.7	79.1	783.0	547.3	2,165.8
1995	7,449.5	2,043.3	1,069.2	57.4	1,192.1	777.3	2,310.2
2000	9,036.4	2,582.9	1,069.7	128.5	1,532.5	1,293.8	2,429.0
2005	12,699.3	3,318.7	1,474.1	178.1	2,167.9	2,322.3	3,238.4
2006	13,495.1	3,533.6	1,574.8	215.6	2,312.3	2,147.8	3,711.0
2007	14,061.9	3,752.4	1,590.7	321.5	2,452.4	2,327.7	3,617.3
Annual Average Growth Rate (%)							
1985-1990	4.2	6.8	9.1	10.3	10.8	-4.0	2.2
1990-1995	5.7	5.8	15.5	-6.2	8.8	7.3	1.3
1995-2000	3.9	4.8	0.0	17.5	5.2	10.7	1.0
2000-2005	7.0	5.1	6.6	6.7	7.2	12.4	5.9
2000-2007	6.5	5.5	5.8	14.0	6.9	8.8	5.9
1985-2005	5.2	5.6	7.7	6.7	8.0	6.4	2.6
1985-2007	5.2	5.7	7.3	9.0	7.8	5.8	2.9

Source: U.S. Census Bureau, *Consolidated Federal Funds Report for Fiscal Year, State and County Areas* (annual), Ibid., Online Query System (1993-2007), and Ibid., Governments Division unpublished tabulation (January 11, 2005). Calculations by Hawaii State Department of Business, Economic Development & Tourism.

Table 2.3-- FEDERAL EXPENDITURES PER CAPITA, BY STATE: 2005 to 2007

[For fiscal year ending September 30. In dollars, number and percent. Rank among the 50 states]

State	2005			2006			2007		
	Per capita	Rank	Percent of U.S.	Per capita	Rank	Percent of U.S.	Per capita	Rank	Percent of U.S.
United States	7,567.85	(X)	100.0	8,053.68	(X)	100.0	8,339.19	(X)	100.0
Alabama	9,247.55	9	122.2	9,571.12	11	118.8	10,348.06	9	124.1
Alaska	13,915.75	1	183.9	13,653.64	3	169.5	13,721.43	2	164.5
Arizona	7,498.49	26	99.1	7,518.64	31	93.4	7,574.39	33	90.8
Arkansas	7,344.76	30	97.1	7,654.56	29	95.0	7,920.85	30	95.0
California	6,694.20	38	88.5	7,006.13	37	87.0	7,124.46	44	85.4
Colorado	6,684.69	39	88.3	7,222.41	33	89.7	7,164.00	43	85.9
Connecticut	8,790.67	13	116.2	8,756.15	16	108.7	9,244.78	16	110.9
Delaware	6,527.79	41	86.3	6,862.05	41	85.2	7,208.46	41	86.4
Dist. of Col.	65,044.63	(X)	859.5	68,936.76	(X)	856.0	73,900.38	(X)	886.2
Florida	7,572.16	23	100.1	7,905.27	25	98.2	8,059.22	29	96.6
Georgia	6,553.09	40	86.6	6,910.42	40	85.8	7,446.92	35	89.3
Hawaii	9,973.72	6	131.8	10,554.34	7	131.0	10,956.84	5	131.4
Idaho	6,714.69	37	88.7	6,797.23	42	84.4	7,300.49	38	87.5
Illinois	6,327.91	45	83.6	6,432.99	45	79.9	6,898.98	46	82.7
Indiana	6,758.14	35	89.3	6,939.54	39	86.2	7,447.13	34	89.3
Iowa	6,860.47	32	90.7	7,343.84	32	91.2	7,245.24	40	86.9
Kansas	7,456.72	28	98.5	7,808.91	28	97.0	8,190.46	26	98.2
Kentucky	8,304.85	18	109.7	8,944.59	14	111.1	8,470.32	23	101.6
Louisiana	8,791.94	12	116.2	16,357.38	1	203.1	10,024.23	11	120.2
Maine	8,614.55	15	113.8	8,350.39	19	103.7	8,996.01	18	107.9
Maryland	11,936.47	3	157.7	12,256.45	5	152.2	12,568.98	3	150.7
Massachusetts	8,678.17	14	114.7	8,944.53	15	111.1	9,462.06	12	113.5
Michigan	6,414.02	43	84.8	6,664.99	44	82.8	7,114.06	45	85.3
Minnesota	6,059.76	48	80.1	6,188.77	48	76.8	7,710.33	32	92.5
Mississippi	9,001.47	10	118.9	14,574.38	2	181.0	10,489.28	7	125.8
Missouri	8,326.24	17	110.0	8,951.86	13	111.2	9,452.29	13	113.3
Montana	8,359.11	16	110.5	8,463.81	18	105.1	8,871.18	20	106.4
Nebraska	7,272.04	31	96.1	7,895.48	26	98.0	7,881.41	31	94.5
Nevada	5,840.47	50	77.2	5,859.08	50	72.8	6,031.85	50	72.3
New Hampshire	6,374.82	44	84.2	6,763.44	43	84.0	7,420.50	36	89.0
New Jersey	6,735.11	36	89.0	7,070.24	35	87.8	7,365.02	37	88.3
New Mexico	10,697.88	4	141.4	10,783.67	6	133.9	11,380.00	4	136.5
New York	7,500.42	25	99.1	7,932.06	24	98.5	8,176.58	27	98.1
North Carolina	6,821.87	33	90.1	6,991.54	38	86.8	7,268.81	39	87.2
North Dakota	10,412.83	5	137.6	9,902.50	10	123.0	10,576.11	6	126.8
Ohio	6,789.55	34	89.7	7,044.12	36	87.5	9,175.41	17	110.0
Oklahoma	7,799.37	22	103.1	8,129.98	23	100.9	8,483.19	22	101.7
Oregon	6,263.47	46	82.8	6,391.24	46	79.4	6,735.73	48	80.8
Pennsylvania	8,020.94	20	106.0	8,324.19	21	103.4	9,422.75	14	113.0
Rhode Island	7,846.07	21	103.7	8,255.16	22	102.5	8,580.44	21	102.9
South Carolina	7,545.10	24	99.7	7,812.87	27	97.0	8,407.13	24	100.8
South Dakota	9,654.69	7	127.6	10,135.06	8	125.8	10,399.54	8	124.7
Tennessee	8,107.72	19	107.1	8,329.27	20	103.4	8,357.68	25	100.2
Texas	6,484.63	42	85.7	7,119.33	34	88.4	7,185.54	42	86.2
Utah	5,952.33	49	78.7	6,090.33	49	75.6	6,486.29	49	77.8
Vermont	7,462.63	27	98.6	8,496.05	17	105.5	8,979.73	19	107.7
Virginia	12,571.83	2	166.1	13,489.36	4	167.5	14,276.91	1	171.2
Washington	7,364.77	29	97.3	7,602.22	30	94.4	8,109.38	28	97.2
West Virginia	8,868.07	11	117.2	8,965.59	12	111.3	9,418.47	15	112.9
Wisconsin	6,105.47	47	80.7	6,196.69	47	76.9	6,815.38	47	81.7
Wyoming	9,399.02	8	124.2	10,082.23	9	125.2	10,242.45	10	122.8

X Not applicable.

Source: U.S. Census Bureau, *Consolidated Federal Funds Report for Fiscal Year, State and County Areas* (annual), and *Ibid.*, Online Query System (1993-2007).

**Table 2.4 DIRECT FEDERAL EXPENDITURES OR OBLIGATIONS,
BY COUNTY: 2005 TO 2007**

[In persons and thousands of dollars. For fiscal year ending September 30]

Category	State Total	City and County of Honolulu	Hawaii County	Maui County 1/	Kauai County	State undistributed
2005						
Resident population 2/	1,273,278	904,645	166,461	139,807	62,365	-
Total direct exp. or oblig.	12,699,321	10,192,121	951,923	626,683	397,704	530,889
Defense	5,015,329	4,754,443	80,087	75,135	105,664	-
Non-defense	7,683,992	5,437,678	871,836	551,548	292,040	530,889
Exhibit: Per capita total direct expend. or oblig.	9,974	11,266	5,719	4,482	6,377	417
Addendum: Other federal assistance	7,528,168	4,553,459	610,924	1,609,772	608,631	145,381
Direct loans	10,724	4,743	2,567	2,595	819	-
Guaranteed/insured loans	341,954	150,017	24,404	31,874	5,968	129,690
Insurance	7,175,491	4,398,699	583,954	1,575,303	601,844	15,691
2006						
Resident population 2/	1,278,635	906,715	169,419	140,515	61,986	-
Total direct exp. or oblig.	13,495,147	10,867,410	1,011,090	654,538	422,169	539,940
Defense	5,379,202	5,172,871	39,949	53,521	94,801	18,059
Non-defense	8,115,945	5,694,538	971,141	601,017	327,367	521,881
Exhibit: Per capita total direct expend. or oblig.	10,554	11,985	5,968	4,658	6,811	422
Addendum: Other federal assistance	8,618,341	5,282,963	736,482	1,716,977	740,050	141,869
Direct loans	11,287	8,745	965	1,223	354	-
Guaranteed/insured loans	348,024	166,989	29,749	21,564	3,662	126,060
Insurance	8,259,031	5,107,229	705,768	1,694,190	736,035	15,809
2007						
Resident population 2/	1,283,388	905,601	173,057	141,902	62,828	-
Total direct exp. or oblig.	14,061,883	11,125,952	1,021,154	730,714	511,302	672,761
Defense	5,466,653	5,204,520	78,090	28,775	155,268	-
Non-defense	8,595,230	5,921,432	943,064	701,939	356,033	672,761
Exhibit: Per capita total direct expend. or oblig.	10,957	12,286	5,901	5,149	8,138	524
Addendum: Other federal assistance	10,042,137	6,214,083	875,725	1,942,796	874,500	135,033
Direct loans	47,867	28,924	4,463	5,235	9,245	-
Guaranteed/insured loans	359,253	158,458	34,090	24,310	7,362	135,033
Insurance	9,635,016	6,026,701	837,172	1,913,251	857,892	-

1/ Includes Kalawao County..

2/ As of July 1.

Source: U.S. Census Bureau, *Consolidated Federal Funds Report for Fiscal Year, State and County Areas* (annual) and On-Line Query System (1993-2007) <http://www.census.gov/govs/www/cffr.html> and U.S. Census Bureau, Population Division "Annual Estimates of the Population for Counties of Hawaii" <<http://www.census.gov/popest/>> accessed October 2, 2008.

Table 2.5-- MILITARY PRIME CONTRACT AWARDS, BY PROGRAM: 2002 TO 2007

[In \$1,000's. Fiscal years ending Sept. 30. Net value of Dept. of Defense prime contracts over \$25,000]

Procurement program	2002	2003	2004	2005	2006	2007 1/
Total	1,433,119	1,807,959	1,713,892	1,990,796	1,963,465	2,134,466
Construction	590,958	580,083	531,044	524,526	537,211	775,879
Services	532,831	563,903	553,779	627,146	708,590	788,086
Equipment & supplies	309,329	663,973	629,068	839,124	717,665	570,502
Exhibit: percent of total	100.0	100.0	100.0	100.0	100.0	100.0
Construction	41.2	32.1	31.0	26.3	27.4	36.4
Services	37.2	31.2	32.3	31.5	36.1	36.9
Equipment & supplies	21.6	36.7	36.7	42.2	36.6	26.7

1/ Preliminary allocation of components is based on Query/special tabulation breakdown.

Source: U.S. Department of Defense, Directorate for Information Operations and Reports, Geographic Statistics, Prime Contract Awards by State, Awards - State & Major Procurement Program; and Query/Special Tabulations: P06-P09 - DCP Total, By State and DCP Summary. Calculations by Hawaii State Department of Business, Economic Development & Tourism.

Table 2.6-- MILITARY SUBCONTRACTING PROGRAM: 2002 TO 2006

[In thousands of dollars and percent. Fiscal year ending September 30. Public Law 95-507, as amended, requires large business firms that have received at least one contract over \$500,000, or \$1,000,000 for construction, to establish a subcontracting program]

Procurement program	2002	2003	2004	2005	2006
Hawaii number of contractors	52	49	48	41	41
Hawaii total contracts	336,273	284,976	196,793	204,533	319,430
Large business	149,497	100,474	73,876	87,310	119,085
Small business	186,776	184,502	122,917	117,223	200,345
Hawaii contracts as % of total	100.0	100.0	100.0	100.0	100.0
Large business	44.5	35.3	37.5	42.7	37.3
Small business	55.5	64.7	62.5	57.3	62.7
U. S. number of contractors	2,013	1,983	1,639	1,625	1,493
U. S. total contracts	75,395,375	86,383,380	101,677,468	120,947,969	106,472,454
Large business	49,696,856	54,450,581	66,571,644	77,332,006	66,906,557
Small business	25,698,519	31,932,800	35,105,824	43,615,963	39,565,897
U.S. contracts as % of total	100.0	100.0	100.0	100.0	100.0
Large business	65.9	63.0	65.5	63.9	62.8
Small business	34.1	37.0	34.5	36.1	37.2

Source: U.S. Department of Defense, Statistical Information Analysis Division, "Companies Participating in the Department of Defense Subcontracting Program". Calculations by Hawaii State Department of Business Economic Development & Tourism.

Table 2.7. FEDERAL GOVERNMENT CONTRIBUTION TO HAWAII GROSS DOMESTIC PRODUCT (GDP): 1965 TO 2007

[In millions of current dollars]

Year	Hawaii total GDP	Federal civilian GDP	Federal military GDP	Total Federal GDP	Federal GDP as % of Total GDP
1965	2,841	264	358	622	21.9
1970	4,802	374	541	915	19.1
1975	8,155	531	1,005	1,536	18.8
1980	13,337	897	1,341	2,238	16.8
1985	19,985	1,360	2,158	3,518	17.6
1990	31,898	1,589	2,455	4,044	12.7
1995	36,572	1,855	2,626	4,481	12.3
2000	40,202	2,244	2,878	5,122	12.7
2005	54,863	2,898	4,509	7,407	13.5
2006	58,676	3,062	4,930	7,992	13.6
2007	61,532	3,236	5,211	8,447	13.7

Source: U.S. Bureau of Economic Analysis, Gross Domestic Product (GDP) by State.

3. Federal Government Employment and Federal-Related Population

The federal government is one of the largest employers in the State of Hawaii. The U.S. Bureau of Economic Analysis (BEA) is one of the main sources for federal military and civilian statistics. The numbers reported by the BEA differ from other sources such as the U.S. Department of Defense (DOD) and the U.S. Bureau of Labor Statistics (BLS) due to different reporting periods and coverage of the data.

According to BEA, Hawaii had 102,400 federal jobs in 1970, which accounted for 26.6 percent of state total wage and salary jobs in that year [Table 3.1]. Between 1970 and 2007, federal military jobs declined by 14,421 jobs or 20.9 percent. Federal civilian jobs also decreased by 1,661 jobs, or 5.0 percent during the same period. In 2007, Hawaii had 86,318 federal jobs, of which 54,528 were military personnel. Federal jobs accounted for 12.2 percent of all state wage and salary jobs in 2007.

DBEDT estimated that in 2007, 189,540 people in Hawaii were associated with the federal government either as federal employees or as household members of such employees [Table 3.2]. This group of people accounted for 14.8 percent of the state total resident population in 2007.

Based on data from DOD, Hawaii had 34,838 shore-based active duty military personnel in 2007 [Table 3.3]. These numbers are much smaller than the military jobs reported by BEA as shown in Table 3.1. One of the differences is that the DOD figures exclude the U.S. Coast Guard of the Department of Homeland Security and the Navy-Marine Corps personnel afloat or temporarily shore-based. Another difference is the date of reporting. BEA data are the averages of the calendar year while DOD data are numbers as of September 30 of the year. Of the DOD active duty military personnel of 34,838 in 2007, 57.0 percent of them were in the Army, 16.1 percent were in the Navy, 12.9 percent were in the Marine Corps, and 14.0 percent were in the Air Force. The mid 1980s was the peak time for military presence in Hawaii after statehood with about 47,000 total shore-based military personnel.

There was an average of 53,646 military dependents in the state each year between 1990 and 2005 [Table 3.3]. Data tabulated from the U.S. Census Bureau's American Community Survey for Hawaii indicated that 9.1 percent of these dependents work for the federal government as civilian workers [Table 3.2].

Of the 31,790 federal civilian jobs in 2007, 51.6 percent, or 16,403 jobs were under the Department of Defense [Table 3.1 and 3.5], while in 1990, 59 percent of the federal civilian jobs were under the Defense Department. To manage the large number of visitors to Hawaii, Department of Homeland Security hired 1,933 workers with 67.4 percent of them in the Transportation Security for 2007 [Table 3.7]. Department of Homeland Security was the second largest federal agency in Hawaii. Other larger federal agencies include U.S. Department of Agriculture with 845 workers, Department of Veterans Affairs with 677 employees and Department of Interior with a workforce of 581 people in 2007.

In addition to the above, Hawaii had 4,970 assigned National Guard members in 2007, with 2,680 or 53.9 percent of them in the Army National Guard, and 2,290 or 46.1 percent in the Air National Guard [Table 3.6].

**Table 3.1. FEDERAL GOVERNMENT EMPLOYMENT IN HAWAII:
1970 TO 2007**

Year	Hawaii total wage & salary jobs	Federal civilian jobs	Federal military jobs	Total federal jobs	Federal jobs as % of state total
1970	385,181	33,451	68,949	102,400	26.6
1975	434,443	31,017	72,142	103,159	23.7
1980	499,373	30,589	66,457	97,046	19.4
1985	525,185	33,418	68,904	102,322	19.5
1990	625,026	33,720	67,225	100,945	16.2
1995	617,601	31,150	58,638	89,788	14.5
2000	630,849	30,162	52,783	82,945	13.1
2005	680,960	31,347	53,019	84,366	12.4
2006	697,734	31,849	54,363	86,212	12.4
2007	705,340	31,790	54,528	86,318	12.2

Source: U.S. Bureau of Economic Analysis, State Annual Personal Income, Table SA25.

**Table 3.2 FEDERAL-RELATED POPULATION AND FEDERAL CIVILIAN JOBS
IN HAWAII, BY MILITARY STATUS: 2007**

Category	Persons
Total federal-related population	189,540
Military and dependent population	114,134
Military personnel	54,528
Military dependents	59,606
Non-military related federal workers and their household members	75,406
Non-military related federal workers	26,366
Federal civilian jobs	31,790
Military dependents who held federal jobs	5,424
Percent of military dependents who held federal jobs	9.1

Source: Estimated by the Hawaii State Department of Business, Economic Development & Tourism.

**Table 3.3-- DEPARTMENT OF DEFENSE PERSONNEL AND FAMILY MEMBERS:
1990 TO 2007**

[As of September 30. Includes personnel performing civil functions, primarily those associated with the Army Corps of Engineers. Excludes Coast Guard]

Year	Total	Active-duty shore-based military personnel 1/	Family members of active-duty military personnel 2/	Direct-hire civilian personnel
1990	113,471	41,887	51,727	19,857
1995	114,139	38,172	58,788	17,179
2000	100,826	33,930	50,804	16,092
2005	102,200	32,629	53,264	16,307
2006	(NA)	34,935	(NA)	17,079
2007	(NA)	34,838	(NA)	16,403

1/ Excludes Navy personnel afloat or temporary shore-based, e.g., approx. 8,000 as of Sept.30, 2006.

2/ Includes family members of Hawaii residents stationed out of the State, if those family members remained in Hawaii.

Source: U.S. Department of Defense, Defense Manpower Data Center, Department of Defense Selected Manpower Statistics (annual); Distribution of Personnel by State and by Selected Locations, September 30 (annual); and Worldwide Manpower Distribution by Geographical Area, September 30 (annual).

Table 3.4-- ACTIVE DUTY PERSONNEL, BY SERVICE: 1955 TO 2007

[As of June 30 for 1953; as of September 30 thereafter. Excludes Coast Guard]

Year	Total 1/	Army	Navy	Marine Corps	Air Force
1955	40,258	19,821	5,211	9,677	5,549
1960	35,412	15,492	5,687	7,756	6,477
1965	41,984	20,006	6,700	6,154	9,124
1970	38,397	9,639	11,996	7,189	9,573
1975	43,071	17,312	10,852	8,403	6,504
1980	43,313	17,118	10,976	9,277	5,942
1985	46,875	18,262	12,722	9,192	6,699
1990	41,887	18,590	12,289	5,618	5,390
1995	38,172	16,672	10,738	6,198	4,564
2000	33,930	15,483	7,998	5,960	4,489
2005	32,629	15,458	6,524	5,796	4,851
2006	34,935	18,687	6,080	5,050	5,118
2007	34,838	19,867	5,595	4,483	4,893

1/ Exclude personnel afloat or temp. shore-based, include deployed for Operation Iraqi Freedom & Operation Enduring Freedom.

Source: U.S. Dept of Defense, Defense Manpower Data Center, Historical Military Personnel and Active Duty Military Personnel by Service by Region/Country, Total DOD - September 30 (annual).

**Table 3.5-- DEPARTMENT OF DEFENSE CIVILIAN PERSONNEL,
BY SERVICE: 1982 TO 2007**

As of September 30. Includes personnel performing military functions, those activities associated with the uniformed services. Personnel are U.S. citizens and are direct-hires unless otherwise noted. Excludes civilian personnel of the Coast Guard

Year	All services	Army	Navy & Marine Corps	Air Force	Other defense activities
1985	21,259	5,300	13,213	2,626	120
1990	19,857	5,548	11,951	2,244	114
1995	17,179	4,820	10,014	1,323	1,022
2000	16,723	4,471	8,999	2,074	1,179
2005	16,307	4,320	9,075	1,980	932
2006	17,079	4,750	9,130	2,109	1,090
2007	16,403	4,662	8,922	2,042	777

Source: U.S. Department of Defense, Defense Manpower Data Center, Statistical Information Analysis Division (formerly the Directorate for Information Operations and Reports), Atlas/Data Abstract for the U.S. and Selected Areas (annual), and Ibid. Distribution of Personnel by State and by Selected Locations (annual); and Ibid. Worldwide Manpower Distribution by Geographical Area (annual).

Table 3.6-- ARMY AND AIR NATIONAL GUARD STRENGTH, 2000 TO 2007

[Strength as of September 30 for 1980 through 2002 and June 30 for 2003 and beyond]

Year	Total assigned strength	Army National Guard	Air National Guard
2000	5,415	3,010	2,405
2001	5,383	2,978	2,405
2002	5,334	2,914	2,420
2003	5,233	3,009	2,224
2004	5,233	3,009	2,224
2005 1/	2/ 5,243	(NA)	(NA)
2006 3/	5,300	3,000	2,300
2007	4/ 4,970	2,680	2,290

NA Not available.

1/ The 2005 report is forthcoming.

2/ Drill-status Army and Air National Guard members.

3/ Counts approximate.

4/ For 2007, the drill-status estimate is 3,540+.

Source: Hawaii State Department of Defense, Annual Report Fiscal Year (annual), and for Fiscal Year (annual, beginning 2004) <<http://www.dod.state.hi.us/annual.html>> accessed July 10, 2007; and records.

**Table 3.7-- FEDERAL GOVERNMENT EMPLOYMENT, BY AGENCY:
2003 to 2007**

[Fiscal year ending September 30. Excludes the U.S. Postal Service and individual state totals
exclude Federal Bureau of Investigation (FBI)]

Agency	2003	2004	2005	2006	2007
TOTAL	21,409	22,216	22,031	22,186	21,899
Cabinet-level	21,145	21,956	21,761	21,915	21,622
Agriculture	764	837	851	842	845
Commerce	296	328	348	379	378
Defense	15,969	16,587	16,485	16,716	16,186
Justice	313	300	281	295	294
Labor	30	31	26	25	26
Energy	2	3	3	2	1
Health & Human Services	22	25	26	22	152
Homeland Security 1/ Trans. Security Admin.	1,957 1,157	2,038 1,268	1,946 1,188	1,868 1,117	1,933 1,302
Housing & Urban Dev.	27	25	28	28	27
Interior	560	573	594	565	581
Nat'l Parks Service	321	333	349	338	351
State	23	22	23	15	16
Transportation	418	405	375	363	355
Treasury	186	173	161	157	151
Veterans Affairs	578	609	614	638	677
Independent agencies 2/					
Large	248	244	254	255	264
Medium	14	15	15	15	13
Small	2	1	1	1	-

1/ New agency as of November 25, 2002.

2/ Large agency has total employment of 1,000 or more; Medium has 100 to 999; and Small has fewer than 100 employees.

Source: U.S. Office of Personnel Management, FedScope
<http://www.fedscope.opm.gov/employment_access.asp> accessed January 14, 2009.

4. Federal Government Property

The total acreage of the State of Hawaii is 4,105,600 acres and of that, approximately 19.4 percent was owned by the federal government in 2004. On February 4, 2004, President George W. Bush issued Executive Order [EO] 13327, which redefined federal real property to exclude, among other classifications, the national parks, and further, it creates a Federal Real Property Council to oversee federal real property assets. Under the EO 13327, the federal government assets exclude the national parks or an estimated 363,331 acres for the six-land based national parks in Hawaii, where Hawaii Volcanoes National Park and Haleakala account for 362,197 acres as of December 31, 2007. The EO 13327-total in 2007 is 178,286 acres owned, 7,340 acres leased, and another 7,824 acres otherwise managed for a total of 193,450 acres or roughly 4.7 percent of the 4,105,600 acres cited in the 2004 report- the last to include the state total acreage. The land acreages are comparable within the period ending in 2004 and then within a period beginning in 2007, but not between the two periods. [Table 4.1]. In addition, it has been estimated that of the 75,838,000 square feet of building area occupied by federal agencies in 2004, more than 98 percent was federal government-owned. Under the EO 13327, the owned square footage declined to 59,967,000 in 2005 and 50,300,000 by 2007. The leased square footage rose from less than 1.0 percent in the early 2000's to 14.7 percent in 2007, showing a decline in both the square footage in what is considered federal government real property and the share that is owned. According to data from the U.S. Department of Defense, the military had nearly 56 million square feet in owned-buildings in 2006 and slightly more than 46 million square feet in 2007 [Table 4.3]. This ownership accounted for about 92 percent of the total federally-owned building square footage.

Table 4.2 shows the presence of military installations in Hawaii relative to the United States by component and size. While Hawaii had 2.0 percent of all the installations in the United States in 2007, it had 6.2 percent of Marine Corps installations. When considering the size, based on a total plant replacement value of greater than or equal to \$1.640 billion designated as 'large' to less than \$888 million for 'small', and 'medium' being those installations between \$888 million and \$1.640 billion, Hawaii had 4.2 percent of the large installations, but 14.3 percent of the large Marine Corps' installations.

However, land ownership by the Department of Defense is smaller than that of the national parks. The EO 13327-based 2007 total of 178,286 acres owned is almost entirely under the Department of Defense, which as of September 30, 2007, owned 177,026 acres of land [Table 4.3].

Recognizing that a significant portion of the inventory of military family housing in Hawaii, as well as other areas in the United States, has unsuccessfully competed for funding in recent budgets, the DOD sought an alternative. The Military Housing Privatization Initiative (MHPI) is a 50-year public-private partnership as authorized under the National Defense Authorization Act for Fiscal Year 1996 to facilitate upgrade and maintenance of the inventory of military housing units. There are total 14,958 units included in the projects. 53.1 percent of the units are in the Army, 16.5 percent in Air Force, and 30.3 percent in Navy and Marine. These units include renovation and new construction. Since January 2005, many of these units have been completed and the projects are still on-going.

Table 4.1-- REAL PROPERTY OWNED BY OR LEASED TO THE FEDERAL GOVERNMENT: 2002 TO 2007

[As of September 30. On February 4, 2004, President George W. Bush issued Executive Order 13327, which redefines federal real property to exclude, among other classifications, the national parks, and creates a Federal Real Property Council to oversee federal real property assets. The land acreages are comparable within the period ending in 2004 and then within the period beginning in 2007, but not between the two periods]

Subject	2002	2003	2004	2005	2006	2007 1/
Total number of buildings	15,667	16,640	(NA)	(NA)	(NA)	(NA)
Owned	15,468	16,459	13,642	(NA)	(NA)	(NA)
Leased	199	181	(NA)	(NA)	(NA)	(NA)
Total building area (1,000 sq. ft.)	79,002	86,478	75,838	2/ 61,303	62,234	59,700
Owned	78,225	85,729	74,591	2/ 59,967	60,261	50,300
Leased	777	750	1,247	1,336	1,288	8,800
Otherwise managed	(NA)	(NA)	(NA)	(NA)	685	600
Total Federal Gov't land acreage	(NA)	(NA)	(NA)	(NA)	(NA)	193,450
Owned	672,806	671,580	796,726	(NA)	(NA)	178,286
Public domain 3/	267,945	270,011	(NA)	(NA)	(NA)	(NA)
Acquired by other methods 4/	404,861	401,569	(NA)	(NA)	(NA)	(NA)
Leased	(NA)	(NA)	(NA)	(NA)	(NA)	7,340
Otherwise managed	(NA)	(NA)	(NA)	(NA)	(NA)	7,824
Acreage of the State of Hawaii owned by the Federal Gov't (%)	4,105,600 16.4	4,105,600 16.4	4,105,600 19.4	(NA) (NA)	(NA) (NA)	(NA) (NA)

NA Not available.

1/ The redefined federal real property now excludes, for example, the six land-based national parks totaling 363,331 acres, the majority being Hawaii Volcanoes National Park (estimated 333,086 acres), and Haleakala (estimated 29,111 acres), while continuing to include, for example, the U.S Department of Defense installations (an estimated 177,026 owned acres).

2/ DBEDT corrected total. As published, total is less than sum of 'owned' and 'leased'

3/ Public Domain refers to land the Federal Government owned by virtue of its sovereignty. Public domain includes land that has never left Federal ownership, land acquired by the Federal Government in exchange for other public land, and land reverting to Federal ownership as the result of public land laws.

4/ Includes any land acquired by purchase, condemnation, donation, exchange, or other acquisition method.

Source: U.S. General Services Administration, *Federal Real Property Profile* (annual)

<<http://www.gsa.gov/frppreports>> accessed February 4, 2009.

**Table 4.2-- MILITARY INSTALLATIONS BY COMPONENT AND SIZE FOR
HAWAII AND THE UNITED STATES: 2006 AND 2007**

Location and component	Total	Large 1/	Medium 2/	Small 3/	Other 4/
September 30, 2006					
Hawaii	84	4	4	72	4
Army	29	1	2	24	2
Navy	25	1	2	21	1
Air Force	20	1	-	18	1
Marine Corps	10	1	-	9	-
United States	4,402	97	107	3,640	558
Army	1,768	39	30	1,398	301
Navy	825	18	29	654	124
Air Force	1,630	34	39	1,439	118
Marine Corps	173	5	8	146	14
Washington Headquarters Service	6	1	1	3	1
Hawaii as percent of the U.S.	1.9	4.1	3.7	2.0	0.7
Army	1.6	2.6	6.7	1.7	0.7
Navy	3.0	5.6	6.9	3.2	0.8
Air Force	1.2	2.9	0.0	1.3	0.8
Marine Corps	5.8	20.0	0.0	6.2	0.0
September 30, 2007					
Hawaii	90	4	4	73	9
Army	28	1	2	24	1
Navy	33	1	2	23	7
Air Force	21	1	-	19	1
Marine Corps	8	1	-	7	-
United States	4,564	96	100	3,417	951
Army	1,884	37	29	1,315	503
Navy	955	18	26	632	279
Air Force	1,581	34	38	1,383	126
Marine Corps	130	7	5	75	43
Washington Headquarters Service	14	-	2	12	-
Hawaii as percent of the U.S.	2.0	4.2	4.0	2.1	0.9
Army	1.5	2.7	6.9	1.8	0.2
Navy	3.5	5.6	7.7	3.6	2.5
Air Force	1.3	2.9	0.0	1.4	0.8
Marine Corps	6.2	14.3	0.0	9.3	0.0

1/ A large installation has a total plant replacement value (PRV) greater than or equal to \$1.640 billion in 2006 and \$1.665 billion in 2007.

2/ A medium installation has a total plant replacement value (PRV) less than \$1.640 billion and greater than or equal to \$875 million in 2006 and less than \$1.665 billion and greater than or equal to \$888 million in 2007.

3/ A small installation has a total plant replacement value (PRV) less than \$875 million in 2006 and less than \$888 million in 2007 and greater than 0.

4/ Other Installation has a total plant replacement value (PRV) equal to zero - primarily land records.

Source: U.S. Department of Defense, Office of the Deputy Under Secretary of Defense (Installations & Environment), Base Structure Report (A Summary of DoD's Real Property Inventory), Fiscal Year Baseline (annual), pp. DOD-22 and 25 <http://www.acq.osd.mil/ie/ie_library.shtml> accessed July 28, 2008.

**Table 4.3-- SELECTED CHARACTERISTICS OF MILITARY INSTALLATIONS:
2006 AND 2007**

Site	Buildings owned 1/		Acreage		PRV 2/ (\$mil.)
	Number	Sq. feet	Total	Owned	
September 30, 2006	10,002	55,605,704	233,624	176,639	28,685
Army total	1,519	14,090,476	192,996	141,210	9,586
Air Force total	1,164	7,576,664	3,974	3,062	3,515
Marine Corps total	1,967	9,974,530	4,680	4,673	3,543
Navy total	5,352	23,964,034	31,974	27,694	12,042
September 30, 2007	7,751	46,273,379	234,043	177,026	29,944
Army total	1,521	14,554,800	193,011	141,243	9,851
Air Force total	503	5,454,950	3,972	3,020	3,931
Marine Corps total	1,920	8,805,849	4,670	4,661	3,678
Navy total	3,807	17,457,780	32,391	28,102	12,484

1/ The report for 2006 also inventories leased buildings (4) and square footage (73,556) and other than owned or leased buildings (4,930) and square footage (18,842,903). The report for 2007 inventories leased buildings (16) and square footage (131,649) and other than owned or leased buildings (6,259) and square footage (22,384,253).

2/ PRV or plant replacement value represents the reported cost of replacing the facility and its supporting infrastructure using today's construction cost (labor and material) and standards (methodologies and codes).

Source: U.S. Department of Defense, Office of the Deputy Under Secretary of Defense (Installations & Environment), *Base Structure Report (A Summary of DoD's Real Property Inventory) Fiscal Year 2007 Baseline and Ibid. 2008*.

**Table 4.4-- MILITARY HOUSING PRIVATIZATION INITIATIVE PROJECTS:
AUGUST 2008**

[The MHPI is a 50-year public-private partnership authorized under the National Defense Authorization Act for FY1996 to facilitate upgrade and maintenance of the inventory of military housing units

Component and location	Total	New homes	Renovated homes
Total dwelling units	14,958	9,562	5,396
Army	7,945	5,388	2,557
Schofield Barracks	4,066	2,916	1,150
Aliamanu/Red Hill	1,717	1,691	26
Wheeler Army/Air Field	669	262	407
Fort Shafter	362	276	86
Helemano	946	58	888
Tripler Army Medical Center	185	185	0
Air Force	2,474	1,142	1,332
Hickam Air Force Base	2,474	1,142	1,332
Navy/Marine	4,539	3,032	1,507
Pearl Harbor, Camp Smith, Manana	2,654	1,740	914
Wahiawa	229	174	55
Marine Corps Base Hawaii	1,656	1,118	538

Source: *Honolulu Advertiser* "Military housing boom offsets slow civilian sector", August 31, 2008.

5. Conclusion

The Federal government plays an important role in Hawaii's economy. From an income and job creation point of view, the federal government is the second largest industry in Hawaii with tourism being the largest in the state. Since tourism is not defined as an industry in the North American Industry Classification System (NAICS), the U.S. Bureau of Economic Analysis does not include tourism as an industry when reporting data on Gross Domestic Product. The role of tourism in the economy is calculated through the Tourism Satellite Account. DBEDT's Hawaii Tourism Satellite Account showed that Hawaii's tourism industry contributed about 18.0 percent of Hawaii's GDP in 2007.

Using National Income and Product Accounting principles, the values of homes occupied by home owners are included in the real estate, rental and leasing sector although there are no cash flow transactions involved. The GDP values of homes of homeowners are calculated based on the rental values of similar homes for the year. With about 59.6 percent of home ownership in Hawaii in 2007, the GDP value of homes occupied by owners was large enough to make it the largest industry in Hawaii. The real estate sector was also the largest industry in the United States in 2007.

Federal government activity in Hawaii directly contributed 13.7 percent of Hawaii's total Gross Domestic Product, 14.8 percent of Hawaii's resident population, and 12.2 percent of total wage and salary jobs in 2007.