

1 XAVIER BECERRA
Attorney General of California
2 ROBERT W. BYRNE
SALLY MAGNANI
3 MICHAEL L. NEWMAN
Senior Assistant Attorneys General
4 MICHAEL P. CAYABAN
CHRISTINE CHUANG
5 EDWARD H. OCHOA
Supervising Deputy Attorneys General
6 BRIAN J. BILFORD
SPARSH S. KHANDESHI
7 LEE I. SHERMAN
JANELLE M. SMITH
8 JAMES F. ZAHRADKA II
HEATHER C. LESLIE (SBN 305095)
9 Deputy Attorney General
State Bar No. 305095
10 1300 I Street, Suite 125
P.O. Box 944255
11 Sacramento, CA 94244-2550
Telephone: (916) 210-7832
12 Fax: (916) 327-2319
E-mail: Heather.Leslie@doj.ca.gov
13 *Attorneys for Plaintiff State of California*

14 IN THE UNITED STATES DISTRICT COURT
15 FOR THE NORTHERN DISTRICT OF CALIFORNIA
16 OAKLAND DIVISION
17

18 **STATE OF CALIFORNIA et al.;**

19 Plaintiffs,

20 v.

21
22 **DONALD J. TRUMP, in his official
capacity as President of the United States of
23 America et al.;**

24 Defendants.
25
26
27
28

Case No. 4:19-cv-00872-HSG

**DECLARATION OF ALISON LYNN
REASER IN SUPPORT OF MOTION
FOR PARTIAL SUMMARY JUDGMENT
REGARDING SECTION 2808 AND
NEPA**

Judge: Honorable Haywood S. Gilliam,
Jr.

Trial Date: None Set

Action Filed: February 18, 2019

1 I, ALISON LYNN REASER, declare as follows:

2 1. I have personal knowledge of all the facts stated herein. This declaration is based
3 on my personal knowledge, my review of publicly-available documents, and the knowledge and
4 expertise I have acquired in the course of over 40 years as a trained business and academic
5 economist, including analysis of the economic impacts of defense expenditures and military
6 construction. If called and sworn as a witness, I could and would testify competently to the
7 matters set forth herein.

8 **Qualifications and Background**

9 2. I have a B.A., M.A., and Ph.D. in Economics, all awarded by the University of
10 California Los Angeles. Since 2009, I have been the Chief Economist for the Fermanian Business
11 and Economic Institute (FBEI), a strategic unit of the Fermanian School of Business at Point
12 Loma Nazarene University (PLNU), and have taught as an Adjunct Professor of Economics in the
13 MBA program at PLNU. Attached hereto as Exhibit A is a true and correct copy of my
14 curriculum vitae.

15 3. Previously, from 1996 through 2009, I served as Chief Economist for Barnett
16 Banks, Inc. (acquired by Bank of America) and Bank of America's Investment Strategies Group.
17 Prior to that, from 1992 through 1996, I served as the Chief Economist for First Interstate Bank
18 (acquired by Wells Fargo Corporation), where I served in various other economic and managerial
19 roles beginning in 1974.

20 4. I currently serve as a member of the California Chamber of Commerce Economic
21 Advisory Council. I have recently served (through the end of 2018) as the Chair of the California
22 State Treasurer's Council of Economic Advisors, as well as the National Association for Business
23 Economics Foundation. I previously served as Chair of the California State Controller's Council
24 of Economic Advisors and as the President of the National Association for Business Economics.

25 5. In my current role at PLNU, I serve as the director and principal economist for the
26 FBEI. The Institute does consulting for companies, non-profit organizations, and government
27 entities. Its purpose is to provide objective and actionable economic analysis, forecasts, and
28 recommendations to entities that may not have a full staff of in-house economists. We study

1 issues such as the impact of the military on the region, water, homelessness, utilities, land use,
2 housing policy, tourism, and transportation. I give frequent presentations on the economic
3 outlook, covering the global, U.S., financial markets, and regional economies.

4 6. From July 1, 2018 to June 30, 2019, I was interviewed 185 times by 27 sources
5 (newspapers, TV, radio/podcasts, and internet) regarding my work. Some of these interviews
6 were disseminated across multiple platforms, resulting in nearly 300 total media reports. I am a
7 member of the CNBC Federal Reserve Forecasting Panel, comprised of Wall Street analysts, the
8 Wall Street Journal Panel of Economic Forecasters, and the Economic Outlook Forecast Panel for
9 the National Association for Business Economics.

10 7. Beginning in 2012 and annually each year since, I have authored an Economic
11 Impact Study calculating the economic impacts of all the spending from the Department of
12 Defense that flows into San Diego. This comes in various channels, including payrolls of U.S.
13 Navy and Marine Corps personnel, defense contracts, grants, and retirement benefits. During the
14 past two years, I have also included spending linked to the Department of Veterans Affairs and
15 the U.S. Coast Guard. This study includes a full analysis of the multiplier or ripple effects as
16 defense dollars spread through supply chains of defense contractors and others who support
17 various programs and military activities, as well as the effects on consumer spending. I have
18 mapped the effects into the total impact on gross regional product (GRP), personal income, and
19 jobs for the entire San Diego region (San Diego County). The study is sponsored by the non-
20 profit San Diego Military Advisory Council (SDMAC), which is funded by various companies
21 and other organizations. The study is widely respected as the authoritative document on the
22 impact of military spending in the region and is regarded as a model of how such studies should
23 be done. U.S. Navy and Marine Corps leadership in San Diego, Department of Defense officials
24 in Washington, and political leaders in Congress and in California view the document as highly
25 credible and valuable.

26 8. The annual economic impact of military spending discussed above in Paragraph 7
27 includes the effects of military construction as a vital element. I have also authored a separate
28

1 study focusing exclusively on military construction spending, along with another report which
2 analyzed a major development project tied to a new military facility.

3 Methodology

4 9. Before drafting this declaration, I reviewed the list of military construction
5 projects announced by the Department of Defense from which funding is being diverted under 10
6 U.S.C. § 2808 towards construction of border barriers along the southern border of the United
7 States. I identified a total of nineteen projects that are within the jurisdictions of the plaintiff
8 states in the above-captioned matter. Nine of these twenty plaintiff states have projects targeted
9 for funds diversion: California, Colorado, Hawaii, Maryland, New Mexico, New York, Oregon,
10 Virginia, and Wisconsin (the States). Information provided by counsel for the State of Virginia
11 indicated that the Pentagon Metro Entrance Facility project in Virginia was unlikely to be
12 constructed as intended before defendants' diversion of funds. The counsel for the State of
13 Oregon also indicated that the project to replace the fuel facilities at Klamath Falls Airport was
14 unlikely to go forward. These two projects were therefore excluded from my analysis. Seventeen
15 projects in the States were therefore analyzed, which represented a total value of defunded
16 projects equal to \$493 million. For each of those projects, I reviewed the Department of Defense
17 form 1391 (1391 form), which contains basic information regarding each project.

18 10. I also reviewed the list prepared by the Department of Defense of proposed barrier
19 borders to be constructed with the funds diverted under 10 U.S.C. § 2808. Offsetting positive
20 impacts on the States from border barrier building were based on information from this report.

21 11. All of the estimated costs for each project as identified in the 1391 forms were
22 carefully analyzed. The timing of fund expenditure was based on the timeframes identified for
23 construction in each 1391 form. Construction expenditures were allocated to the appropriate
24 industry or type of firm except in cases where it appeared likely that some items would have to be
25 sourced primarily out of state. In addition to the expenditure amounts included in the construction
26 dollar totals, two other types of effects were included. First, expenditures on equipment, furniture,
27 or other items that are contingent on the project's completion were included in the analysis since
28 these spending benefits would also be lost. These amounts were identified in the 1391 forms and

1 cited as being appropriated under separate bills. Second, where operations were scheduled or
2 targeted to be expanded following the construction project's completion, the annual impact on
3 direct military payrolls in terms of lost jobs and incomes was modeled.

4 12. The economic benefits of spending from construction of the proposed border
5 barriers was based on the gross contract totals supplied by the Department of Defense noted in
6 Paragraph 10 above. This affected two of the nine States analyzed: California and New Mexico.
7 All construction was assumed to take place in 2020. The amounts of construction materials
8 sourced within each state was estimated. Labor costs were based on their typical share of contract
9 totals in similar projects.

10 13. The IMPLAN® model was used to analyze the total economic impact of military
11 expenditure changes. This is a model widely used by economists to evaluate the various ripple or
12 multiplier effects of an increase in spending on a region's sales, output, income, employment, and
13 local tax revenues. These ripple effects encompass two stages: supply chain and consumer effects.
14 The supply chain effects reflect the impact on other businesses when a local firm has to purchase
15 additional goods or services to support its own increase in sales or activity. The consumer effects
16 refer to the increase in household outlays due to the gain in jobs and income created by the direct
17 impact of the increase in spending as well as the effects along the supply chain. I have used this
18 model frequently in studies of various issues involving regional economies and have utilized it in
19 all of the reports I have prepared on the impact of defense spending.

20 14. For this analysis, I built models to analyze the effects of proposed changes in
21 spending for each of the nine states paired with each of the other eight states. For each state,
22 models were built for each year between 2020 and 2022 where spending would be impacted. A
23 total of 171 models were built. This process allowed me to assess not only the direct effects of
24 changes in a given state, but also the feedback effect of other states as their spending was
25 impacted.

26 15. The diversion of funds from military construction projects located outside of the
27 plaintiff states would also have economic ripple effects on the plaintiff states. However, my
28 analysis conservatively included only projects within the plaintiff states' boundaries because the

1 diversion of those projects would have primary effects on the plaintiff states. Because the
2 secondary effects of defendants' diversion of military construction projects located in other states
3 and countries were not considered in my analysis, the actual economic harm resulting from all of
4 defendants' diversion of military construction projects would be greater than represented in this
5 declaration. Those secondary effects, as well as the secondary effects of the projects considered in
6 this analysis, would be felt in all of the plaintiff states as well as the states not involved in this
7 action.

8 16. The use of the IMPLAN® involves five primary steps. First, spending for a project
9 is allocated over time. For example, in the case of the Space Control Facility in Colorado
10 proposed for defunding, the utilities and basic infrastructure would be installed before the
11 building of the facility would begin. Second, the geographic direction of project dollars is
12 determined. For example, in the case of the C-130J Flight Simulator Facility at the Channel
13 Islands Air National Guard Station in California, the flight simulator would be built out of state.
14 In contrast, construction dollars on various projects, such as for the Cyber Operations Facility in
15 Hampton, Virginia, would typically be directed to firms within the state. Third, the spending on
16 various projects is divided across different industries, such as construction firms, suppliers of
17 electronics equipment, or providers of communications systems. Fourth, the impact of these
18 dollars across the economy is modeled based on the historical relationships tracked by the U.S.
19 Bureau of Economic Analysis and included in the IMPLAN® Model. For example, in a given
20 state, a certain fraction of construction dollars is typically subcontracted out to other firms while
21 other parts are spent on different types of building materials. The IMPLAN® Model also includes
22 the historical data on the number of workers and wages used in the various industries that might
23 be affected in supply chains and is used to estimate the impact on consumer spending for various
24 goods and services that would typically occur in a given state. Fifth, the total effects of changes in
25 the initial contract dollars, changes across various supply chains, and effects on consumer
26 spending are summed to determine the total effects on jobs, income, GRP, and state and local
27 taxes.

28

1 number of jobs. The loss of employment for all nine States in 2021 would reach nearly 1,600
2 jobs.

3 20. The tax revenues for state and local governments, through taxes on personal
4 income, retail sales, corporate profits, and other sources, for the States of Colorado, Hawaii,
5 Maryland, New Mexico, New York, Oregon, Virginia, and Wisconsin would be reduced by over
6 \$36 million as a result of defendants' diversions from the military construction projects.

7 21. Among all the States, California is the only state that would see net benefits to its
8 economy and tax revenues as a result of the diversions over the 2020-2022 period. This is because
9 only one project in California, the construction of a C-130J Flight Simulator Facility at the
10 Channel Islands Air National Guard Station, would be defunded at a total cost of \$8.0 million.
11 That loss is outweighed by the economic benefits resulting from the proposed border barrier
12 construction in the state. However, the net benefits from the border barrier building would only
13 occur in 2020, with economic losses following in 2021 and 2022.

14 22. Colorado faces the defunding of one project, a Space Control Facility at the
15 Peterson Air Force Base, at a cost of \$8.0 million. This would lead to a net loss of \$37 million in
16 business sales over the 2020-22 period, while its GRP would lose over \$25 million. Personal
17 income would be reduced by \$18 million and employment would be reduced by 82 jobs in 2020,
18 growing to an impact of 129 jobs in 2022. The state would receive over \$1.0 million less in state
19 and local tax revenues.

20 23. Hawaii faces the defunding of two projects: a consolidated training facility at the
21 Joint Base Pearl Harbor-Hickam and security improvements at the Mokuapu Gate at the Marine
22 Corps base at Kaneohe Bay, at a total cost of \$32 million. As a result, Hawaii would see a net loss
23 of \$48 million in business sales over the 2020-22 period, while its GRP would lose \$27 million.
24 Personal income would be reduced by \$17 million and employment in 2020 would be adversely
25 affected with 163 fewer jobs. The state would receive \$2.5 million less in state and local tax
26 revenues.

27 24. Maryland faces the defunding of three projects: an expansion of cantonment area
28 roads at Fort Meade, construction of a hazardous cargo loading and unloading pad and explosive

1 ordinance disposal training range at Joint Base Andrews, and construction of a child development
2 center at Joint Base Andrews, at a total cost of \$66.5 million. Maryland would see a net loss of
3 \$123 million in business sales over the 2020-22 period, while its GRP would lose \$63 million.
4 Personal income would be reduced by \$42 million and employment in 2020 would be adversely
5 affected with 319 fewer jobs, while employment would be reduced by 326 jobs in 2021. The state
6 would receive over \$5.0 million less in state and local tax revenues.

7 25. New Mexico faces the defunding of two projects: the construction of an air combat
8 training facility for unmanned vehicles at Holloman Air Force Base and an Information Systems
9 Facility at White Sands Missile Range, at a total cost of \$125 million. Even with the economic
10 boost from construction of the proposed border barriers the state would receive, New Mexico
11 would see a net loss of nearly \$165 million in business sales over the 2020-22 period, while its
12 GRP would lose \$70 million. Personal income would be reduced by \$39 million and employment
13 in 2020 would be adversely affected by close to 450 fewer jobs, while employment would be
14 reduced by over 300 jobs in 2021. The state would receive nearly \$9 million less in state and local
15 tax revenues.

16 26. New York faces the defunding of two projects: an Engineering Center and Parking
17 Structure, both at the U.S. Military Academy at West Point, at a total cost of \$160 million. New
18 York would see a net loss of \$260 million in business sales over the 2020-22 period, while its
19 GRP would lose close to \$150 million. Personal income would be reduced by more than \$100
20 million and employment in 2020 would be adversely affected with over 1,000 fewer jobs, while
21 employment would be reduced by about 400 jobs in 2021. The state would receive \$13 million
22 less in state and local tax revenues.

23 27. Excluding the project to replace the fuel facilities at Klamath Falls Airport, Oregon
24 faces the defunding of the construction of an indoor small arms training range at the Klamath
25 Falls International Airport, at a total cost of \$8 million. This would result in a net loss of \$13
26 million in total business sales in the 2020-22 period and \$7 million in GRP. The state's personal
27 income would be down by \$5 million, while the state would also see the loss of about 70 jobs in
28 2020. The state would receive about \$0.6 million less in state and local tax revenues.

