

FACTS ECONOMY & JOBS

The Future of the New Defense Manufacturing Communities Support Program



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What Is the Defense Manufacturing Communities Support Program (DMCSP)?

Section 846 of the National Defense Authorization Act for fiscal year 2019 authorized a new Defense Manufacturing Communities Support Program to "make long-term investments in critical skills, facilities, research and development, and small business support in order to strengthen the national security innovation base by designing and supporting consortiums as defense manufacturing communities."

Under the DMCSP, regional areas will work with the Department of Defense (DOD) to develop a public–private coalition and a comprehensive strategic economic development plan for manufacturing sectors important to the defense industrial base. If selected as a DOD-designated community, these coalitions would get technical and possibly financial assistance in implementing their plan, including help accessing multiple forms of federal support critical to manufacturing's future, like workforce development, small business support, infrastructure, and technological innovation.

How Can the DMCSP Bolster National Security?

The National Security Strategy notes that the ability of the military to respond to an emergency "depends on our Nation's ability to produce needed parts and systems, healthy and secure supply chains and a skilled workforce." The strategy led to a major DOD review, titled "Assessing and Strengthening the Manufacturing and Defense Industrial Base and Supply Chain Resiliency of the United States," that identified multiple urgent threats to the defense industrial base linked to the decline of U.S. manufacturing capability and diminishing STEM and trade skills, including a fragile base of suppliers, material shortages, foreign dependency, and production insecurity.²

The DMCSP will help communities rebuild this capacity, cluster by cluster, by providing the resources that groups of similar manufacturers need to thrive but struggle to provide on their own. Indeed, this community economic development approach is recommended by top manufacturing scholars like Harvard's Gary Pisano and Willy Shih, who have pointed to the erosion of the shared resources of the "industrial commons" as one of the main causes of industrial decline and declining innovation in the economy.³

The DMCSP will do the following:

• Bolster the clusters most directly associated with national defense, like aerospace and shipbuilding. The IMCP pilot program that inspired the DMCSP (described below) has already sparked successful collaboratives in

communities with concentrated aerospace and shipbuilding clusters in California, Alabama, Kansas, Texas, Washington State, Ohio, and Connecticut. Further support from the DMCSP will enable these communities and others to develop and implement strong economic development plans, and provide the workforce, infrastructure, and innovation support that these clusters need to thrive.

- Shore up sub-tiers of the defense supply chain. DOD's review found that the weakening of American manufacturing has especially hit "sub-tiers of the defense supply chain," where companies supply both the civilian and defense markets with machine tools, metals, composites, advanced materials, vehicles, chemicals, and electronics (each of which already have one or more more designated manufacturing communities). Through the DMCSP, communities can help more suppliers newly enter and thrive in the defense supply chain. Multiple manufacturing communities are already helping their supplies meet exacting DOD cybersecurity requirements, aided by a federal grant to the Southern California community coalition to execute a nationwide training about cybersecurity for small businesses.
- Provide a new mechanism to address high priority national security issues: The DMCSP will provide DOD with a coast-to-coast network to address weaknesses in the manufacturing base. For example, DMCSP community coalitions could work to identify sole suppliers (an instance in which there is only a single business capable of providing a critical component for a weapons system) across multiple industries, shoring those businesses up, and helping to identify additional capable suppliers.

How Will the DMCSP Complement Other Federal Manufacturing Programs?

The DMCSP's focus on community-led economic development is both distinctive and complementary to other federal manufacturing investments within DOD and the Department of Commerce, like Manufacturing USA (part of both departments) and the Manufacturing Extension Partnership (MEP) (part of the latter). The DMCSP enables communities to organize themselves so that their local manufacturing sector can take full advantage of these programs, which focus on specific technologies (Manufacturing USA) or the needs of individual manufacturers (MEP). For example, through funding from the U.S. Army, the Pennsylvania-based Metals Manufacturing Consortium is working with Manufacturing USA's America Makes Institute to create a supply chain map for additive manufacturing in Ohio and Pennsylvania that will enable new technologies coming out of that Youngstown-based institute to translate into jobs, local economic growth, and efficient production of replacement parts for legacy military equipment and other critical components of national defense.

How Will the DMCSP Benefit the Economy and Communities?

The DMCSP will bolster good-paying manufacturing jobs, where workers earn 13 percent more than comparable workers. The DMCSP will be especially vital for small towns (in the Midwest and Southeast, one of four private sector small-town jobs are in manufacturing) and for workers without four-year degrees, who will earn \$150 more per week in manufacturing than they would in jobs in other sectors. Manufacturing has an outsized impact on communities, with spending on all of the industry's required inputs, from energy to raw materials, rippling throughout local economies.

Moreover, manufacturing is a driver of national innovation and productivity (nationally, manufacturers account for 67 percent of all private sector research and development). In particular, DOD programs focused on science and advanced manufacturing have spawned entirely new industries while bolstering national security. The existing Manufacturing USA initiatives and its institutes, some of which are already working with IMCP communities, exemplify promising newer activities and investments that can keep America on the cutting edge of advanced technologies.

Moreover, the public–private partnerships in the DMCSP are well-suited to design and implement programs that address the skills needs of manufacturing workers and and those who aspire to join them. In Chicago, our research found 16,000 unfilled production jobs just miles away from neighborhoods with some of the highest levels of unemployment in the nation; furthermore, national estimates suggest that manufacturers may need to add two million workers over the next ten years.⁷

What Is the DMCSP Based On?

The new program is modeled after a successful 2014 Department of Commerce pilot, the Investing in Manufacturing Communities Partnership (IMCP). The partnership's members were selected through a competitive process, after which twenty-four communities were designated a "manufacturing community" (MC), based on their capacity to create well-paid jobs and spur innovation in a specific, regionally concentrated manufacturing sector.

In a short period of time, the IMCP communities achieved the following:

• Reached new levels of strategic coordination: Required by the application process to work across jurisdictional lines to develop a comprehensive economic development plan, IMCP forged new levels of coordination among public and private actors. For example, through the Greater Peoria Workforce Development Initiative, IMCP coalesced the workforce strategy for the heavy equipment industry and for employer relationships with public schools. Led by local backbone organizations, the communities have continued to work together long after the pilot,

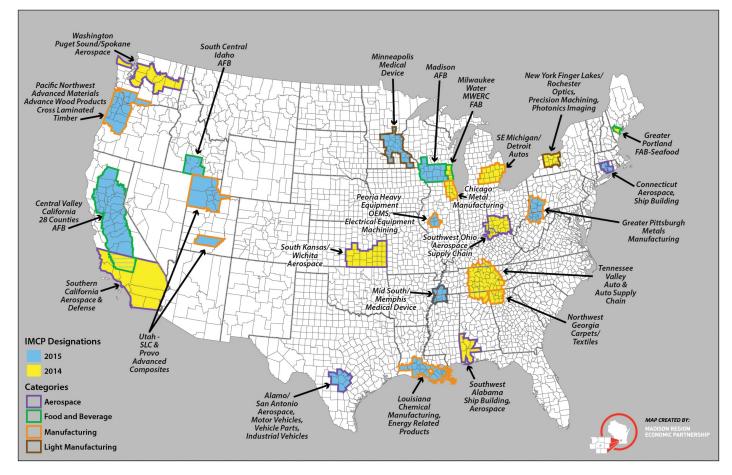
and in 2018 chartered the American Manufacturing Communities Collaborative to further coordinate nationally.

- Leveraged existing federal funding: Designated federal points of contact helped IMCP communities tap into existing federal funding from multiple agencies (Including the Department of Defense, the Department of Labor, the Environmental Protection Agency, and the Department of Commerce) to support small businesses, infrastructure development, defense-related economic adjustment, environmental remediation, and jobs training. For example, the Chicago Metal Manufacturing Community has created historic collaborations between all of the counties around Chicago and leveraged \$55 million for new programs, including a DOD-funded program with the University of Illinois dedicated to mapping and growing DOD use of the regional supply chain.
- Strengthened defense industrial base: The coalitions built by IMCP have already provided a platform to enable communities to shore up the nation's defense industrial manufacturing base. For example, the Southern California collaborative started AeroFlex, a pre-apprenticeship program for aerospace and defense firms, as well as the first aerospace engineering apprenticeship.

FIGURE 1

What kind of Bipartisan Support Exists for the DMCSP?

The DMCSP is supported by the Trump administration, DOD, and by members on both sides of the aisle in Congress. Alan Shaffer, deputy undersecretary of defense for acquisition and sustainment, pledged that DOD would "develop an application of this authority to best develop the potential of each designated manufacturing community to innovate and yield technological advancements." Similarly, the Trump administration called on Congress to "establish defense manufacturing consortia to strengthen the defense industrial base. The administration strongly believes that American manufacturing is important for the security and prosperity of the American people." The new program was a result of Senator Kirsten Gillibrand (D-NY)'s bipartisan Made in America Manufacturing Communities Act, which was cosponsored by senators Richard Blumenthal (D-CT), Shelley Moore Capito (R-WV), Angus King (I-ME), Susan Collins (R-ME), Jerry Moran (R-KS), Tammy Baldwin (D-WI), Dianne Feinstein (D-CA), and Amy Klobuchar (D-MN), and whose goal Gillibrand described as helping communities to "unlock federal funds...to invest in workers, grow local economies, and create new jobs." Similarly, the program elicited support in the House from a manufacturing caucus led by Representative Tim Ryan (D-OH) and Representative Tom Reed (R-NY), the former of whom stated that "I care about working in a bipartisan manner so that we can create jobs here at home."



TWENTY-FOUR IMCP-DESIGNATED COMMUNITIES. SOURCE: U.S. ECONOMIC DEVELOPMENT ADMINISTRATION.

Will Communities Gain Preferential Treatment for Grants?

One critique of The DMCSP pilot program, and of the legislation that has been proposed in order to continue it, is that designated communities would get unfair advantage on grant applications. While giving additional points to applications from designated communities was an option under the IMCP pilot, it was never utilized. Rather, the success of communities getting new federal funding came from their ability to build the types of economic development plans and strong public–private collaborations necessary to support strong proposals. The DMCSP program does not include a provision to give designated communities a preference for federal funds.

What Is the Next Step for the DMCSP Program?

DOD is still in the early stages of planning and implementing the DMCSP program, which will be housed under the newly reorganized offices of the undersecretary of defense for acquisition and sustainment.¹² Following guidance in the National Defense Authorization Act, DOD is expected to closely coordinate the DMCSP with Manufacturing USA and

other DOD advanced manufacturing investments. In addition, DOD has stated that the Office of Economic Adjustment, which has significant experience with community economic development and was a key part of the IMCP pilot, will likely play a key role in its implementation. While the DMCSP program could launch in fiscal year 2019 without an appropriation, DOD and community stakeholders have commented that a modest appropriation for DOD's technical assistance and for backbone organizations in local areas would facilitate the roll-out and deliver a large return on a federal investment.

While DOD has made a number of critical investments in manufacturing, the DMCSP trains its attention on the availability of robust manufacturing capabilities that can take new technologies to market, meeting the needs of those manufacturers, and providing good jobs to communities in the process. The program holds much promise for the manufacturing sector and those who derive their livelihoods from it.

Notes

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