

BILL ANALYSIS

Senate Research Center

H.B. 2340
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S/C on Base Realignment and Closure
5/4/2005
Engrossed

AUTHOR'S/SPONSOR'S STATEMENT OF INTENT

The United States Department of Defense (DoD) has announced plans to transition the U.S. military forces and to achieve federal savings through the 2005 Base Realignment and Closure (BRAC) process which could close as much as 25 percent of DoD's base infrastructure. With the military and related industries in Texas producing a combined estimated fiscal impact of \$77 billion and employing hundreds of thousands of Texans, the closure of one of our 18 major military installations could be devastating to certain Texas communities.

As the DoD realigns its forces, Texas could actually gain missions, to include tens of thousands of troops moving into an area all at once. While this expansion on the economy can certainly be helpful, the communities will also have a huge burden to build new infrastructure to accommodate the increase in population. This new infrastructure can include new roads, water/wastewater plants, utility expansion, and housing. While the BRAC decisions will not be finalized until the end of 2005, this expansion will need to happen before the new troops arrive, which could be within 18 months.

Currently, the State of Texas has three major ways to address pre-BRAC and post-BRAC issues for defense communities. The Defense Economic Adjustment Assistance Grant (DEAAG) provides appropriated grants to communities adversely affected by base realignment or closure. The Military Value Revolving Loan Fund provides loans to communities attempting to increase the military value of an existing base. The Defense Economic Readjustment Zone Program (DERZ) allows qualified businesses to receive state tax incentives if they relocate to a designated area where a base has been closed or realigned.

H.B. 2340 addresses these three programs generally in the following ways the Military Revolving Loan Fund is expanded to be eligible to communities to access to minimize the negative effects of a defense base reduction; the DEAAG grant program is opened up to communities that are positively affected by BRAC decisions by receiving new missions; and the provision ending the ability to receive a franchise tax incentive has expired and the bill extends this code provision to allow qualified businesses to continue to receive the franchise tax incentive.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subchapter D, Chapter 436, Government Code, by adding Sections 436.1531 and 436.1532, as follows:

Sec. 436.1531. LOANS FOR COMMUNITIES ADVERSELY AFFECTED BY DEFENSE BASE REDUCTION. (a) Authorizes the Texas Military Preparedness Commission (commission) to provide a loan of financial assistance to a defense community for an economic development project that minimizes the negative effects of a defense base reduction on the defense community. Requires the loan to be made from the Texas military value revolving loan account established under Section 436.156 (Texas Military Value Revolving Loan Account).

(b) Requires the commission, on receiving an application for a loan under this section, to evaluate the economic development project to determine how the project will minimize the negative effects of a defense base reduction on the defense community, including the number of jobs that the project will create and the economic impact the project will have on the community.

(c) Requires the commission, if it determines that a project will reduce the negative effects of a defense base reduction on the defense community, to make certain analyses and evaluations of the defense community's ability to repay certain loans.

(d) Authorizes the commission, if it determines that the funds will be used to finance an economic development project that will reduce the negative effects of a defense base reduction on the defense community and the project is financially feasible, to award a loan to the defense community for the project. Requires the commission to enter into a written agreement with a defense community that is awarded a loan. Requires the agreement to contain the terms and conditions of the loan, including the loan repayment requirements.

(e) Requires the commission to notify the Texas Public Finance Authority of the amount of the loan and the recipient of the loan and request the authority to issue general obligation bonds in an amount necessary to fund the loan. Requires the commission and the authority to determine the amount and time of a bond issue to best provide funds for one or multiple loans.

(f) Requires the commission to administer the loans to ensure full repayment of the general obligation bonds issued to finance the project.

(g) Requires a project financed with a loan under this section to be completed on or before the fifth anniversary of the date the loan is awarded.

(h) Prohibits the amount of a loan under this section from exceeding the total cost of the project.

Sec. 436.1532. LOANS FOR COMMUNITIES POSITIVELY AFFECTED BY DEFENSE BASE RESTRUCTURING. (a) Authorizes the commission to provide a loan of financial assistance to a defense community for an infrastructure project to accommodate new or expanded military missions assigned to a military facility located in, near, or adjacent to the defense community as a result of the United States Department of Defense base realignment process. Requires the loan to be made from the Texas military value revolving loan account established under Section 436.156.

(b) Requires the commission, on receiving an application for a loan under this section, to evaluate the infrastructure project to determine how the project will assist the defense community in accommodating the new or expanded military missions that are assigned to the military facility.

(c) Requires the commission, if it determines that the project will assist the defense community in accommodating the new or expanded military missions that are assigned to the military facility, to make certain analyses and evaluations of the defense community's ability to repay certain loans.

(d) Authorizes the commission, if it determines that the funds will be used to finance an infrastructure project to accommodate new or expanded military missions assigned to the military facility located in, near, or adjacent to the defense community and that project is financially feasible, to award a loan to the defense community for the project. Requires the commission to enter into a written agreement with a defense community that is awarded a loan. Requires the agreement to contain the terms and conditions of the loan, including the loan repayment requirements.

(e) Requires the commission to notify the Texas Public Finance Authority of the amount of the loan and the recipient of the loan and request the authority to issue general obligation bonds in an amount necessary to fund the loan. Requires the commission and the authority to determine the amount and time of a bond issue to best provide funds for one or multiple loans.

(f) Requires the commission to administer the loans to ensure full repayment of the general obligation bonds issued to finance the project.

(g) Requires a project financed with a loan under this section to be completed on or before the fifth anniversary of the date the loan is awarded.

(h) Prohibits the amount of a loan under this section from exceeding the total cost of the project.

SECTION 2. Amends the heading to Chapter 486, Government Code, to read as follows:

CHAPTER 486. ASSISTANCE FOR LOCAL AREA AFFECTED BY DEFENSE
RESTRUCTURING

SECTION 3. Amends the heading to Subchapter A, Chapter 486, to make a conforming change.

[While the statutory reference in this bill is to the Texas Department of Commerce, the following amendments affect the Office of Economic Development and Tourism within the Office of the Governor, as the successor agency to the Texas Department of Commerce.]

SECTION 4. Amends Section 486.002(b), Government Code, to require the Texas Department of Commerce (department), in awarding grants under this chapter, to give a preference to adversely affected defense-dependent communities over positively affected defense-dependent communities. Deletes existing text relating to defense-dependent community being adversely affected.

SECTION 5. Amends Section 486.003, Government Code, by amending Subsection (a) and adding Subsection (c), as follows:

(a) Provides that a local government entity is eligible for a grant under this chapter if it is a defense base development authority created under Chapter 379B (Defense Base Development Authorities), Local government Code. Makes conforming changes.

(c) Provides that a municipality or county is a positively affected defense-dependent community if the department determines that a military facility located in or near the local governmental entity receives new or expanded military missions as a result of the United States Department of Defense base realignment process.

SECTION 6. Amends Section 486.004(a), Government Code, to authorize the department, from money appropriated for this purpose, to make a grant to an eligible local governmental entity to construct infrastructure and other projects necessary to accommodate the new or expanded military missions at a facility located in or near the local governmental entity. Deletes existing text relating to authorization of a grant to be made to an eligible local governmental entity.

SECTION 7. Amends Subchapter A, Chapter 486, Government Code, by adding Section 486.010, as follows:

Sec. 486.010. DEFENSE-DEPENDENT COMMUNITY WITH MORE THAN ONE MILITARY FACILITY. Provides that for purposes of the preference for adversely affected defense-dependent communities under Section 486.002(b), a defense-dependent community that contains or is near more than one military facility is considered an adversely affected defense-dependent community if the local governmental entity is applying for a grant under this subchapter for a project relating to the military facility that is closed or whose operations are significantly reduced.

SECTION 8. Repealer: Section 2.03 (State Tax Refunds Report), Chapter 1134, Acts of the 77th Legislature, Regular Session, 2001.

SECTION 9. Effective date: upon passage or September 1, 2005.