

BILL ANALYSIS

H.B. 2340
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Defense Affairs & State-Federal Relations
Committee Report (Amended)

BACKGROUND AND PURPOSE

The United States Department of Defense (DoD) has announced plans to transition the U.S. military forces and to achieve huge 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 communities and a tremendous blow to our State.

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, housing, etc. While the BRAC decisions won't be finalized until the end of 2005, this expansion will need to happen before the new troops arrive, which can 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 for qualified businesses to receive State tax incentives if they relocate to a designated area where a base has been closed or realigned.

HB 2340 addresses these three programs generally in the following ways: 1) The Military Revolving Loan Fund is expanded to be eligible to communities to access to minimize the negative effects of a defense base reduction. 2) The DEAAG grant program is opened up to communities that are positively affected by BRAC decisions by receiving new missions. 3) The provision ending the ability to receive a franchise tax incentive has expired and the bill extends this provision of code to allow qualified businesses to continue to receive the franchise tax incentive.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

SECTION 1 allows the Texas Military Preparedness Commission to provide a loan to a defense Community for a project that minimizes the negative effects of a base reduction. The SECTION sets out administrative duties of the Commission in issuing these loans, to include determining whether the project will reduce the negative effects of a defense base reduction on the defense community. The Commission must notify the Public Finance Authority of the loan and the TPFPA will then issue general obligation bonds. The amount of the loan may not exceed the amount of the project.

SECTION 4 requires that the TMPC give preference in awarding DEAAG grants to communities that are adversely impacted by BRAC.

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SECTION 5 allows for the TMPC to issue grants to defense dependent communities that have been positively affected by base realignment and closure decisions, as well as those that have been negatively affected.

SECTION 6 allows for the DEAAG grants to be used to construct infrastructure and other projects necessary to accommodate new or expanded missions.

Section 7 repeals Section 2.03, Chapter 1134, Acts of the 77th Legislature, Regular Session. This allows qualified companies to continue taking advantage of the franchise tax exemption incentive allowed in the Defense Economic Readjustment Zone (DERZ) Program.

EFFECTIVE DATE

Unless this bill receives the necessary votes in both houses for immediate effect, this Act takes effect on September 1, 2005.

EXPLANATION OF AMENDMENTS

Committee Amendment 1

The Amendment allows positively affected communities to also be eligible for the Revolving Loan fund. It also allows DEAAG funds to go directly to a base redevelopment authority, instead of having to be funneled through the City or County. Lastly, the amendment allows for each base in a community to be scored independently of one another.