

BILL ANALYSIS

Senate Research Center

S.B. 1481
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Veteran Affairs and Military Installations
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Enrolled

AUTHOR'S/SPONSOR'S STATEMENT OF INTENT

In May 2005, the Department of Defense (DOD) will make public the list of military installations that will be either closed or realigned to reduce redundancy and excess. Though most states have prepared for and experienced the effects of past base realignment and closure (BRAC) rounds, all accounts indicate that the upcoming round will surpass past rounds in the amount of closures and realignments, potentially affecting many more states and communities. The DOD has estimated that as many as 25 percent of the military installations will experience some cuts in the first round of BRAC 2005, with the potential for additional cuts.

Texas is home to an array of defense installations, defense dependant communities, and defense industries. Texas' 18 major military installations comprise 11 percent of the nation's military forces. Texas' history with past BRAC rounds shows that there is little certainty in the economic outcome for a defense dependent community. Some closures have resulted in great economic benefits for both the DOD and the defense communities while other closures have left communities struggling to recover from the economic loss.

Creating avenues to support communities post-BRAC will ensure that Texas' defense communities survive and thrive after BRAC 2005. The 78th Legislature created the Texas Military Value Revolving Loan Fund, through which defense communities could access low-rate loans through the issuance of general obligation bonds. However, when created, the fund was only directed to communities preparing for BRAC 2005. The legislature needs to expand the eligibility for the revolving loan fund to include communities dealing with the after-effects of BRAC.

S.B. 1481 allows the Texas Military Preparedness Commission to provide a state loan, through the Texas Military Value Revolving Loan Fund, to defense dependent communities reduce the negative effects of a defense base reduction. S.B. 1481 also allows the commission to provide financial assistance to a community positively affected by the assignment of new or expanded military missions.

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 Section 436.101, Government Code, to delete existing text relating to the functions of the Texas Military Preparedness Commission (commission) and make conforming changes.

SECTION 2. Amends Sections 436.103(b) and (d), Government Code, as follows:

- (b) Requires the commission, not later than July 1 of each even-numbered year, to prepare and submit a report to the governor and the legislature about the active military installations, communities that depend on military installations, and defense-related businesses in this state. Authorizes the commission to update the report in an odd-numbered year. Sets forth the information required to be included in the report.

(d) Requires the commission to periodically meet with each state agency that has defense-related programs or is engaged in a project in a defense-dependent community and with each member of the legislature whose district contains an active, closed, or realigned military installation to discuss defense-related issues and the implementation of the recommendations outlined in the report required under Subsection (b).

SECTION 3. 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 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 as a result of a United States Department of Defense base realignment process that occurs during 2005 or later. 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, on receiving an application for a loan under this section, the commission 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 to take certain steps if it determines that a project will reduce the negative effects of a defense base reduction on the defense community.

(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 that 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 that occurs during 2005 or later. Requires the loan to be made from the Texas military value revolving loan account established under Section 436.156.

(b) Requires the commission 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, on receiving an application for a loan under this section.

(c) Requires the commission to take certain steps if it determines that a project will assist the defense community in accommodating the new or expanded military missions that are assigned to the military facility.

(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 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.

SECTION 4. Amends Section 397.001(1), Local Government Code, to redefine "defense base."

SECTION 5. Amends Section 397.002(a), Local Government Code, to make a conforming change.

SECTION 6. Amends Chapter 397, Local Government Code, by adding Section 397.0021, as follows:

Sec. 397.0021. DEFENSE COMMUNITY ECONOMIC REDEVELOPMENT VALUE STATEMENT. (a) Requires a defense community that is adjacent to a closed military installation and applies for financial assistance from the Texas military value revolving loan account to prepare an economic redevelopment value statement that illustrates specific ways the funds will be used to promote economic development in the community and include certain information for each project.

(b) Authorizes the commission to require a defense community to provide any additional information the commission requires to evaluate the community's request for financial assistance under this section.

(c) Authorizes two or more defense communities near the same defense base that apply for financial assistance from the Texas military value revolving loan account to prepare a joint statement.

(d) Requires a copy of the economic redevelopment value statement to be distributed to the commission and any defense community which may be affected by the resulting project.

(e) Provides that this section does not prohibit a defense community that is not applying for financial assistance from preparing an economic redevelopment value statement under this section.

SECTION 7. Effective date: upon passage or September 1, 2005.