

BILL ANALYSIS

Senate Research Center
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S.B. 1481
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S/C on Base Realignment and Closure
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As Filed

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.

As proposed, SB 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.

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 Subsection 436.1531, 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, 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.

SECTION 2. Effective date: upon passage or September 1, 2005.