

SUBJECT: Creating a loan program to prepare for potential defense base closures

COMMITTEE: State, Federal and International Relations — favorable, without amendment

VOTE: 5 ayes — Hunter, Elkins, Madden, Miller, Najera
0 nays
4 absent — P. Moreno, Berman, Chavez, Raymond

SENATE VOTE: On final passage, April 30 — voice vote

WITNESSES: For — Gary Bushell, Corpus Christi Chamber of Commerce; Terri Williams, Greater Kelly Development Authority
Against — None
On — Jeff Moseley, Texas Department of Economic Development; James Christoferson, Texas Department of Economic Development, Office of Defense Affairs; Bill Looke, Texas Aerospace Commission

BACKGROUND: Legislation currently is pending in Congress (S. 321 by McCain) that would require two additional rounds of defense base closures and realignments in 2003 and 2005.

DIGEST: SB 1815 would create a revolving loan program for communities with defense bases that could face closure or realignment by the federal government. These loans could be used to develop infrastructure to minimize the possibility or the negative effects of a closure or reduction on the community. The program would be managed by the Office of Defense Affairs at the Texas Department of Economic Development.

Loans could be received by cities, counties, regional planning commissions, public junior college districts, and campuses or extension centers of the Texas State Technical College system. To be eligible, these entities would have to be located within 25 miles of a defense base that the federal Department of Defense (DOD) or applicable military department publicly

had proposed for closure or realignment. The office would establish by rule what would be considered eligible infrastructure projects, as well as the criteria and procedures for evaluating loan applications under the program.

The bill would take effect September 1, 2001. The office would be required to adopt rules and procedures at an early enough date to begin offering loans on or before September 1, 2003. The office only would be required to act under the provisions of the bill if there were sufficient funds in the loan account to make loans and cover the administration costs of the program.

**SUPPORTERS
SAY:**

SB 1815 would help the state's communities with active military installations prepare for the likely upcoming round of base closures by the federal Base Realignment and Closure (BRAC) Commission. Texas lost nearly 40,000 jobs in the last series of BRAC closures and defense budget cuts, as well as millions of dollars in associated defense contracts. New closures or realignments would be devastating to many of these communities, more than a quarter of whose population may be employed by the base. SB 1815 would create a program to provide loans to these communities to provide infrastructure that would reduce the likelihood of base closures or minimize the effects of a closure.

Although the federal legislation that would authorize additional rounds of base closures has not yet passed, every indication points toward these rounds occurring. The DOD recently stated that infrastructure is in excess of 23 percent, an apparent admission that base closures are due. The state cannot afford to wait until legislation has passed or new rounds have begun to start preparing these communities, or there may not be time to develop the necessary infrastructure. Nor can the state risk gambling on the small possibility that these closure rounds would not occur, or the state could lose thousands more jobs and millions more in investment.

**OPPONENTS
SAY:**

Although keeping the state's defense bases is important, the state cannot afford to spend money to address a problem that may not occur. Other more immediate spending priorities exist this biennium.

SB 1815
House Research Organization
page 3

NOTES: SB 1 by Ellis, the fiscal 2002-03 general appropriations act, contains a request for \$6 million in Article 11 for the revolving loan program.